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DOI: 10.32702/2306-6814.2023.9.104

THE INFLUENCE OF ENTREPRENEURIAL ACTIVITY ON ECONOMIC DEVELOPMENT OF COUNTRY

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ВПЛИВ ПІДПРИЄМНИЦЬКОЇ ДІЯЛЬНОСТІ НА ЕКОНОМІЧНИЙ РОЗВИТОК КРАЇНИ

The article discusses influence of entrepreneurial activity on economic development of country. In addition, the article examines international experience related to the role of entrepreneurship for ensuring regional development in developed countries. The article shows that the development of small and medium-sized businesses in the Republic of Azerbaijan leads to the dynamic development of individual sectors of the economy. Based on the analysis carried out in the article, it was determined that the role of modern innovative technologies for the development of entrepreneurship are necessary.

The analysis shows that more attention should be paid to the development of small and medium-sized businesses in the regions. The development of entrepreneurship in the Republic of Azerbaijan can play an important role in the development of the digital economy.

The issue of the development of entrepreneurship and state regulation of the national economy analyzed in the article are more relevant for the Republic of Azerbaijan. Effective provision of regional development depends, first of all, on the correct formulation of the main priorities of state regulation in the field of business development.

Based on the analysis carried out in the article, it is concluded that ensuring the balanced development of economic sectors directly affects the growth of the competitive potential of the national economy. It should be noted that increasing the competitiveness of the national economy are closely related to the socio-economic development of the regions.

Ensuring the development of small and medium-sized businesses requires improving the national strategy of economic development. In general, as a result of the analysis, it is concluded that to develop a strategic development concept for to achieve a sustainable economic development in the regions of the Republic of Azerbaijan and expand the activities of small and medium-sized businesses are necessary. It is important to ensure the digital development of the national economy in order to stimulate entrepreneurial activity in the regions of the Republic of Azerbaijan.

The article identifies the existing problems for ensuring the development of entrepreneurial activity in the Republic of Azerbaijan by regions, provides suggestions and recommendations for their elimination.

У статті розглядається вплив підприємницької діяльності на економічний розвиток країни. Крім того, у статті досліджено міжнародний досвід щодо ролі підприємництва для забезпечення регіонального розвитку в розвинених країнах. У статті показано, що розвиток малого та середнього бізнесу в Азербайджанській Республіці призводить до динамічного розвитку окремих секторів економіки. На основі проведеного в статті аналізу визначено необхідну роль сучасних інноваційних технологій для розвитку підприємництва.

Аналіз показує, що в регіонах необхідно більше уваги приділяти розвитку малого та середнього бізнесу. Розвиток підприємництва в Азербайджанській Республіці може зіграти важливу роль у розвитку цифрової економіки.

Розглянуті в статті питання розвитку підприємництва та державного регулювання національної економіки більш актуальні для Азербайджанської Республіки. Ефективне забезпечення регіонального розвитку залежить, насамперед, від вірного формулювання основних пріоритетів державного регулювання у сфері розвитку підприємництва.

На основі проведеного аналізу в статті зроблено висновок, що забезпечення збалансованого розвитку галузей економіки безпосередньо впливає на зростання конкурентоспроможного потенціалу національної економіки. Слід зазначити, що підвищення конкурентоспроможності національної економіки тісно пов'язане із соціально-економічним розвитком регіонів.

Забезпечення розвитку малого та середнього бізнесу потребує вдосконалення національної стратегії економічного розвитку. У цілому, в результаті аналізу, зроблено висновок про необхідність розробки концепції стратегічного розвитку для досягнення сталого економічного розвитку в регіонах Азербайджанської Республіки та розширення діяльності малого та середнього бізнесу. Для стимулювання підприємницької діяльності в регіонах Азербайджанської Республіки важливо забезпечити цифровий розвиток національної економіки.

У статті визначено існуючі проблеми щодо забезпечення розвитку підприємницької діяльності в Азербайджанській Республіці по регіонам, надано пропозиції та рекомендації щодо їх усунення.

Key words: innovation, development, integration, entrepreneurship, transformation, investment.

Ключові слова: інновації, розвиток, інтеграція, підприємництво, трансформація, інвестиції.

INTRODUCTION

In recent years, as a result of the successful economic policy pursued at the state level, the processes of economic development in all spheres of the national economy have been constantly observed in the Republic of Azerbaijan. However, as in other post-soviet countries, still sharp differences in the socio-economic development of the regions of the Republic of Azerbaijan are defined. The main reasons are also considered to be the uneven distribution of economic resources across regions. Economic development in the regions has become unbalanced. In recent years, the placement of different infrastructures of the main production and service zones of the Republic of Azerbaijan in the capital Baku has accelerated the outflow of population from regions to cities. This factor has had a serious impact on the sustainable development of the regions. Taking all this into account, the Azerbaijani state considers one of the main priorities to ensure the socio-economic development of the regions [5].

In general, the proper use of material and natural resources are necessary to ensure regional socio-economic development. It is necessary to increase the effectiveness of the investment policy carried out in the country. In recent years, comprehensive economic measures have been carried out in the Republic of Azerbaijan in order to effectively use the potential of the regions. A different of state programs related to the development of regions have been adopted in this direction. As a result of the

sustainable economic measures implemented in the regions, the development of small and medium-sized businesses, poverty reduction, and preservation of macroeconomic stability have been achieved. The analysis shows that it is necessary to study in detail the impact of each region on the country's economy. It is necessary to identify existing problems and study ways to eliminate them. One of the main goals facing the Republic of Azerbaijan, as in other countries of the post-soviet space, are to determine the main priority directions of development in economic areas in the spheres of production and services. At the same time, stimulating the development of competitive priority sectors of the economy should be considered necessary [7].

In the conditions of a modern market economy, the model of an innovative approach plays a necessary role in the sustainability of socio-economic development of regions [2]. As a result of the corresponding approach, various trends in the development of branches of the national economy are formed. The formation of these trends are significantly influenced by appropriate measures carried out on a number of economic priorities [4]. For example, an increase the standard of living of the population and the quality of life can be noted as a priority task. It is necessary to optimize the use of economic potential by regions. It should be borne in mind that in order to increase the effectiveness of the state program in the Republic of Azerbaijan, it is necessary to strengthen state support for small and medium-sized businesses. In

addition, the main priorities are ensuring balanced development between the regions and improving the standard of living of citizens. The next main priority are to ensure the anti-crisis development of the regions in the conditions of crises observed at the global level [3]. Taking into account the problem of dependence of the national economy of the Republic of Azerbaijan on imports, it is necessary to develop new production and service areas with export opportunities in the regions. Another top priority across the country is to ensure the innovative development of the regions. At this time, the development of knowledge-intensive industries are becoming important in the socio-economic development of the regions [6]. Thus, as a result of innovative development in the country, innovative entrepreneurial activity in the fields of production and service can develop in the regions. In addition, it is advisable to create regional innovation centers, scientific, business and business incubators in the regions. The full economic development of the regions can be observed as a result of the implementation of the designated priorities [8].

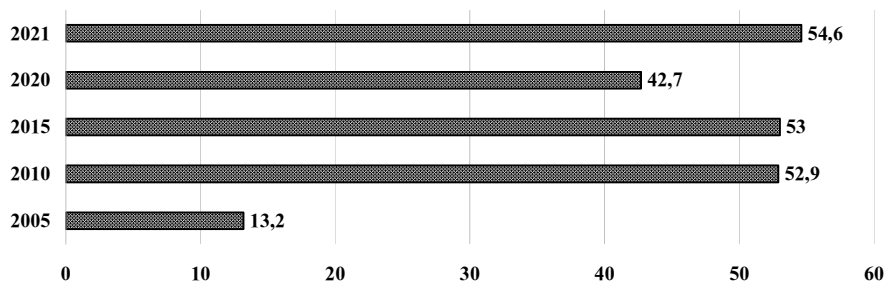
In recent years, the decline of prices on international oil markets, global economic crises, and the Covid-19 pandemic have had a serious impact on the national economy of the Republic of Azerbaijan. It should be borne in mind that with the self-regulation of the free market, it is impossible to achieve socio-economic development by region [1]. The main purpose of the activities carried out in connection with the development of the non-oil sector in the Republic of Azerbaijan are the development of small and medium-sized enterprises with export opportunities in the country and ensuring the formation of a sustainable economic system.

ANALYSIS OF RECENT PUBLICATIONS ON THIS TOPIC

In the conditions of a modern market economy, state regulation of the activities of small and medium-sized businesses is of great importance in ensuring the development of regions. For example, A.Sh. Shakaraliyev in his scientific work noted the need to increase the role of the state for ensuring the socio-economic development of the regions [7]. K.N. Abdullayev in his study showed the need to expand entrepreneurial activity in the areas of production and services for to ensure sustainable economic development of the regions [1].

The main goals of the state for regulating entrepreneurial activity are to maintain the normal level of development of the country's economy and ensure the effective activity of entrepreneurs. M.M. Mahmudov, in his work, pointed out the need for the role of the private sector in the proper use of the potential of the regions [5]. In general, the tasks of regulating the entrepreneurial activity of the state by regions include:

- adoption and control over the implementation of the legislative framework defining the economic interests



Graph 1. Dynamics of changes of the GDP of the Republic of Azerbaijan in the recent years (billions USD)

Source: https://www.stat.gov.az/menu/6/statistical_yearbooks/ Statistical indicators of the Republic of Azerbaijan (Statistical yearbook — 2022).

of small and medium-sized businesses, as well as the protection of their rights;

- improving the efficiency of state regulation of the economic development of regions and optimizing the state budget expenditures for the development of regions;

- reduction of direct intervention and economic control over the activities of small and medium-sized businesses in the sectors of production and service;

- creation of favorable conditions for the sale of products produced by small and medium-sized entrepreneurs in the domestic and foreign markets, also monitoring compliance with competition rules;

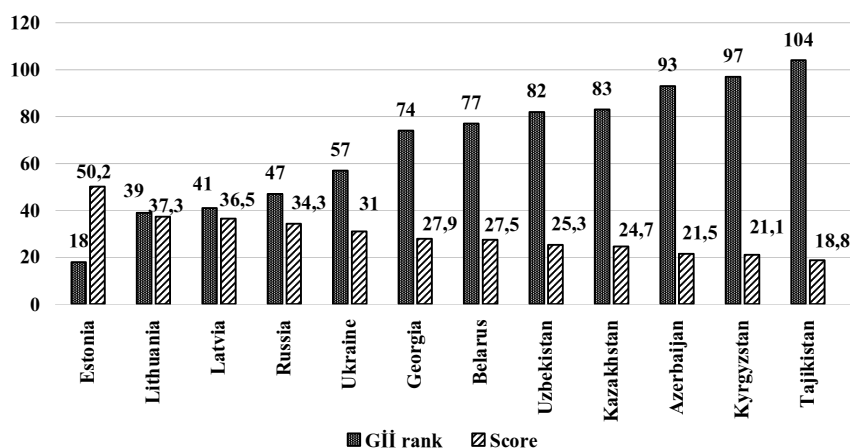
- maintaining social balance by regions and supporting differentiation of incomes of the majority of the population, etc.

These factors determine the main role of the state in the proper regulation of entrepreneurial activity. For example, V.N. Vidyapin noted in his research that increasing the competitiveness of manufacturing and service sectors plays an important role in the development of the country's economy [8]. D.V. Kuzmin pointed out the importance of effective use of local and foreign investments to increase the competitiveness of national economy sectors by regions [4]. It should be borne in mind that a successful economic policy pursued by the state at the macro level is also able to ultimately ensure the development of national entrepreneurship, affecting business activity in the country.

STATEMENT OF THE MAIN MATERIAL

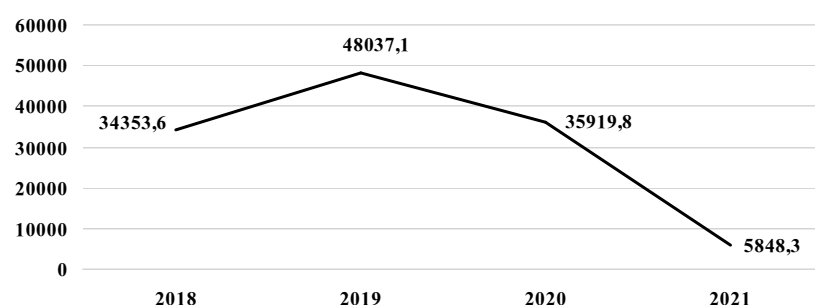
At the state level, continuous economic measures taken in recent years towards the development of the non-oil sector of the Republic of Azerbaijan are yielding positive results. As a result of the implemented political and economic measures, the export opportunities of the country's non-oil sector have also increased.

It should be noted that in recent years there has been an increase in the dynamics of the GDP of the Republic of Azerbaijan. For example, if in 2005 the GDP of the Republic of Azerbaijan was 13.2 billion USD, then in 2010 this figure was increased to 52.9 billion US dollars (Graph 1). In 2020, as a result of the impact of the Covid-19 pandemic, a decline in the national economic development of Azerbaijan was recorded. However, as a result of the successful economic policy pursued in recent years, the pace of economic development has been restored in all spheres of the national economy. As a result, GDP of the Republic of Azerbaijan increased to 42.7 billion US dollars



Graph 2. Positions of post-soviet countries on Global Innovation Indices (2022)

Source: <https://www.wipo.int/edocs/pubdocs/en/wipo-pub-2000-2022-section1-en-gii-2022-at-a-glance-global-innovation-index-2022-15th-edition.pdf>



Graph 3. Expenditures to technological innovations in the all industry sector of the Republic of Azerbaijan, thousand manats (1 USD=1.70 manats (AZN))

Source: www.stat.gov.az / Industry of Azerbaijan (Statistical yearbook 2022).

Table 1. Number of micro, small and medium enterprises in the Nakhchivan Autonomous Republic (NAR)

Years	Total by the Republic of Azerbaijan	Total (in NAR)	Micro (in NAR)	Small (in NAR)	Medium (in NAR)
2019	271304	7446	7158	168	120
2020	316370	8615	8330	167	118
2021	355906	8387	8064	173	120

Source: www.stat.gov.az / Micro, small and medium entrepreneurship in the Republic of Azerbaijan (Statistical yearbook — 2022).

in 2020 compared to previous years and amounted to 54.6 billion US dollars in 2021.

In recent years, has been a serious change in the positions of some post-soviet countries in the Global Innovation Index. Among the post-soviet countries, Estonia ranked 18th, Lithuania — 39th, and Latvia — 41st. In addition, Russia was in 47th place, Ukraine — in 57th, Georgia — in 74th, Azerbaijan — in 93rd, and Tajikistan — in 104th. For example, according to the Global Innovation Index, Estonia scored 50,2, Lithuania scored 37,3, Latvia scored 36,5, Ukraine scored 31, Azerbaijan scored 21,5, and Georgia scored 27,9 points (Graph 2). The conducted analysis shows that in the countries of the post-soviet space are significant progress in the application of modern innovative technologies.

In recent years, the Republic of Azerbaijan has also seen major changes in spending on technological innovations in all industries. For example, if in the Republic of Azerbaijan expenditures on technological innovations in all industries amounted to 34353,6 thousand manats in 2018, then in 2019 this figure increased and reached to 48037,1 thousand manats (Graph 3). The COVID-19 pandemic, widespread all over the world, has also negatively affected the national economy of the Republic of Azerbaijan. As a result, in 2020, spending on technological innovations in industry sector across the country decreased by 35919,8 thousand manats, and in 2021 — by 5848.3 thousand manats. After the end of the COVID-19 pandemic in the Republic of Azerbaijan, spending on technological innovations in all sectors are projected to increase in the next years.

In recent years, serious changes in the number of micro, small and medium-sized entrepreneurs have also been observed in the Republic of Azerbaijan. For example, if in 2019 were 271304 business entities in the Republic of Azerbaijan, then in 2021 this figure increased to 355906 (Table 1). Nakhchivan Autonomous Republic is considered one of the most developed economic region within the Republic of Azerbaijan. For example, if in 2021, compared to 2019, the total number of entrepreneurs in the Nakhchivan Autonomous Republic amounted to 7446 people, then in 2021 this figure increased to 8387 people (Table 1). In addition, in 2021, the number of micro-entrepreneurs in the Nakhchivan Autonomous Republic amounted to 8064 people, small entrepreneurs — 173 people, medium-sized entrepreneurs-120 people. The analysis shows that in recent years, the activity of small and medium-sized businesses in economic areas has been expanding in the Nakhchivan Autonomous Republic.

The internal and external resources of each region determine the trends of its formation and development. The transformation and development model are based on local and global interests. Such systems are regulated by the influence and scope of closed and external factors. The criteria of regionalization in the Republic of Azerbaijan are managed from the point of view of economic and functional, sectoral and territorial complexes. Traditional regions are formed mainly taking into account the interconnection of territories and sectors of the economy. For example, Nakhchivan Autonomous Republic are one of the largest economic regions of the Republic of Azerbaijan. The solution of the existing socio-economic problems of Nakhchivan is eliminated taking into account the current economic situation of Azerbaijan. Nakhchivan Autonomous Republic, being a region of the Republic of Azerbaijan,

has its own legislative base and organizational and economic management structure. Therefore, the directions of Nakhchivan's socio-economic development are determined on the basis of a successful economic policy. In the Republic of Azerbaijan, the existing economic potential, natural and climatic conditions and the level of economic development of Nakhchivan differ from other regions.

The rate of economic growth observed in the national economy of Azerbaijan directly affect the socio-economic development of Nakhchivan. Based on its economic resources, the Nakhchivan Autonomous Republic can effectively use modern innovative technologies in economic sectors. In general, it is necessary to ensure the innovative development of small and medium-sized businesses in the regions of the Republic of Azerbaijan (including Nakhchivan). The introduction of modern innovative competitive technologies can also affect the cost structure and product quality.

In recent years, the introduction of modern innovative technologies in the sectors of production and service has been successfully continued in the Republic of Azerbaijan. Thus, the high quality and competitiveness of the products increases the demand for it in the domestic market. Every entrepreneur always gives preference to innovative production technology for the effective operation of their production and service enterprises. It should be borne in mind that small and medium-sized entrepreneurs can get great economic benefits through the introduction of new technologies. The implementation of comprehensive measures in the development of economic regions in the Republic of Azerbaijan ensures the effective development of the regions. The solution of the socio-economic problems of the region as a priority direction becomes possible due to the improvement of employment and living conditions of the population, the development of education, healthcare, cultural services and other spheres.

The socio-economic development of the regions in the Republic of Azerbaijan are possible thanks to the implementation of economic reforms and the new economic policy. Strategic and marketing planning of the region's development leads to the effective use of its potential.

CONCLUSION

In general, the analysis shows that it is necessary to ensure the economic development of the regions of the Republic of Azerbaijan, including the expansion of small and medium-sized businesses. Programs for innovative development of regions in the near future should be prepared at the state level. In addition, the process of increasing the production and export of innovative products by small and medium-sized entrepreneurs in the regions should be stimulated. The economic measures taken by the post-soviet countries for the development of regions and the positive results obtained should be widely studied. In addition, in order to develop priority directions of small and medium-sized businesses in Azerbaijan, it is advisable to improve the mechanisms for applying tax incentives to these fields. In addition, it

is necessary to reduce the interest rate on loans from local banks for the development of small and medium-sized businesses.

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