

**The Ministry of Education of Azerbaijan Republic**

**Analysis of Investment Attractiveness of the Financial Sector of Azerbaijan**

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2019

# ACKNOWLEDGMENTS

This bachelor dissertation is not just the author's product. I would like to thank those who have great support in this work. In this dissertation, I would like to thank one of my esteemed supervisor, prof. Anar Memmedov, who will share his valuable knowledge with us for a year and will never forget the importance of every word that he uses.

Writing this diploma would not be possible without the excellent support of SABAH Central faculty. Therefore, I appreciate the Dean of the SABAH Associate Professor Ph.D. Aida Guliyeva.

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1. **Introduction**

The phenomenon of investment climate is related to what the investor wants to have and what he does not want to have. In general terms, investors looking for a country, clear and comprehensible rules and the necessary information to provide access to effective managerial methods, political stability, stable and transparent regulations under the freedom to do business, secure, mortgaged and long-term renting land, competitive market conditions, especially communication, competitive reliable, continuous and strong physical infrastructure, trained manpower and a well-working financial system.

Although it is one of the most important items of the economic agenda, the fact that Azerbaijan cannot reach the desired level in foreign direct investment has made the issue of foreign capital investments in Azerbaijan, which has a capital shortage, to be one of the main topics of discussion. The answer to the question of why we cannot achieve the desired level of foreign capital will undoubtedly be the most crucial point in the policies to be developed. Our country, which is actually quite liberal in terms of foreign capital legislation, has been shown to be one of the problematic countries for some reason in practice and it is stated that foreign capital behaves timidly when making investment decision. Interestingly, despite the stipulation that necessary steps will be taken for the withdrawal of foreign capital in almost every government period, an effective and determined will is not put forward until today.

The quality of a country's investment environment or work environment determines how much investment and business risks and operating costs are. These risks and costs, in turn, are determined by the legal and regulatory framework; access-exit barriers; preferring different types of goods and services, including labor, finance, key infrastructure services, and other inputs efficiently. The quality of the investment environment determines the range of resources ranging from mobility and low efficiency to productive use. In order to do that effect, the quality and degree of competition in the markets play an important role. In countries with better investment climate, there are significant economic evidence to believe that private investment is faster. The competitiveness of domestic markets is higher in domestic and foreign direct investment compared to GDP per capita, and reduces poverty. Analysis of the investment attractiveness of the financial sector deals with a thorough analysis of the investment climate and the influence of various factors in Azerbaijan. He explored how to improve the economic assessment of enterprises in Azerbaijan to attract new investments.

Important and multifaceted reforms are being carried out to create an independent national economy based on modern market relations in the Republic of Azerbaijan and to integrate it effectively into the global economic system. One of the main aspects of the reforms is the organization of the banking and financial sector, which is necessary for economic development in the country. In this aspect, the country has focused on expanding the scope of these reforms over the last decade in improving non-oil sector development, reducing mismatches in the region and improving replication of the economy. Current goals implementation is closely linked to the development and investment of the financial and banking sector in the country. Investment activity in Azerbaijan is a key factor in determining economic growth, optimizing the structure of the economy and improving the technical and economic level of production. Investment in the country in the last decade increasing activity was mainly due to oil-related areas, which were related to a number of objective factors. Therefore, limited local financial resources were attracted to attracting foreign investment in areas with high investment attractiveness. However, gradual changes are observed in this area. The inclusion of foreign investment in these areas and the successful implementation of the oil strategy lead to the growth of consumption and investment in the country and the economic activity in general.

This leads to increased income requirements. Increasing investment activity in Azerbaijan and expanding the banking sector in this area is of special importance for the implementation of accepted programs and concepts.

Methods for trading investment attractiveness and proportional system are characterized by a single approach to identifying the most attractive business areas for investment. Such an assessment can be done through a detailed investigation of economic activity: property conditions, capital flow analysis, profitability and financial stability, liquidity and market activity. Integration into integrated single integration allows them to identify the most attractive for investment issues. The simplest way to make a request is to examine the relevant individuals individually or indirectly. The cumulative rating system allows you to determine the final location of each job.

**2. Features of the creation of a favorable investment climate**

**2.1 The essence of investment and main characteristics of investment climate**

Investment is an economic source that is used to increase material wealth. Cashback commitment to repurchase cash and cash equivalents, as well as financial instruments to increase asset value.

Money includes the option of either a single individual or a company to have a certain risk in a commodity, bond, stock, currency, futures or option, and to allow them to return over time. As follows, financial instruments can receive substantially different security and low returns of various government bonds, up to a very risky and high backward international stakes. Investment generally deals with long-term prospects, which differ from trade and speculation. It is usually short-term experiences and a high risk level.

Investment is an asset or an item that is acquired for the purpose of revenue or valuation. An economic sense is the purchase of goods that are not consumed today and are used to create wealth in the future. In financing, an investment is an asset that is purchased with an idea that an asset will be generated in the future or will be subsequently sold at a higher price for profit.

It is not possible to say that only natural properties are sufficient for an investment in a region. In addition, regional managers, non-governmental organizations, professional organizations, universities, business world should be in the practices that will attract investments in the region, they should create an toplum investment climate Bun there. In order to create an investment climate, capital, suitable land, trained labor force and transportation infrastructure are at the forefront.

The term "investment" may refer to any mechanism used to generate revenue in the future. In terms of finance, this involves the purchase of bonds, inventories or real estate. Additionally, a building or production facility used for the production of goods may be regarded as an investment. The production of goods required for the production of other products can also be regarded as an investment.

Moving forward in the hope of raising future revenues can also be considered an investment. For example, choosing to pursue additional education is to increase knowledge and skills by focusing on the goal more often.

Economic growth can be encouraged by using cost-effective investment. When the enterprise generates or acquires new production equipment in order to increase the overall production of the enterprise, the increase in production may lead to an increase in the gross domestic product. This allows the economy to grow by increasing production based on previous equipment investments.

The investment bank offers various services to help increase the wealth of individual or business. This does not include traditional consumer banking. Instead, the entity focuses on investment, such as trade and asset management. Financing options may also be provided to assist these services.

Hypothesis is a separate activity than investment. The investment involves the acquisition of assets for long-term maintenance, while speculation is an attempt to ensure the market's inefficiency for short-term gains. Entrepreneurship is not a goal of speculators, but investors often look to create assets in their portfolio.

Despite of speculators generally make informed decisions, speculation is often not classified as conventional investments. Hypothesis is considered to be a high risk compared to traditional investments, although it may vary depending on the type of investment.

One of the new borders of the economy is a growth analysis microeconomic point of view. It is in the spotlight firm, not as a branch of growth wide board members macroeconomics. Investment climate how climate and firms develop and create jobs gives economists a new perspective development dynamics and poverty reduction. Finally, firms generate more than 90 percent of their jobs and provide most of the goods provides essential services and essential part of the tax base to improve living standards there was a need for public services financing.

Early efforts to understand investment climate, that is, a series of places generating factors that generate investment opportunities and incentives for firms effectively often focuses on broad range of country risk-based surveys international experts and generally results an account for each country. Many of them research has turned to a more narrow question restrictions only to foreign investors. The researchers looked at a different collection the institutional and indicators of a country political environment such as the legal environment, corruption, trade openness, legal origin, depth of financial sector. Their work highlighted the importance of secure economic property rights and good governance. However, it is aggregated indicators and crossover regressions has provided limited insights into a wide range of issues and institutional arrangements as a whole within and across countries arrangements in investment decisions different company types. It was also difficult distinguish the effects of particular policies actions from the wider background structures that affect the content and the effects of these actions. It is impossible to present existence and development any country without investment. This is the attractiveness of domestic and foreign investments at this stage. It is a factor in the economic policy of the state.

Investment processes are based on intensity and productivity an investment environment created in a country determines investment attractiveness in terms of legal, financial, socio-economic and political environments. This is an investment environment when making a decision, it must be taken into account by the investor investments. Describes investment in Azerbaijan legislation investment climate, economic, legal, regulatory, and overall political and other factors that ultimately determine the risk degree investments and efficient use.

Investment and investment activity should pay attention to the financial resources needed to achieve and implement individual and public goals in public and private sectors. The main step in investment is technology, raw material and labor costs. As a result, return to equity is sold by selling the residual value of the finished product, which ends with the profit in the market. Modern investment processes are associated with more innovation processes. These investments are the cornerstone of economic development, which is a process of innovation development, object design and application. In addition, the analysis, planning and management of important contributions are regularly evaluated. Such a modern approach provides a investment environment for social, economic and social interests by providing a single system. Modern economic development, raw material and resource shortages, indefinite natural conditions, socio-economic and political changes, events, investment activities and the purpose of the projects to be prepared for this purpose.

The role of the banking sector is crucial in the implementation of investment projects. In practice, bankers are related to financial and real investment costs. In this respect, they are mostly co-ordinating organizations based on other sources. The delivery procedures differ in two ways: passive (reserve participation) and utility (deposit allocation). It should be noted that the placement of funds is closely linked to investment activity and projects, activities and profitability.

The macroeconomic level covers the integral part of Azerbaijan's investment climate political, economic and social investment climate, determined by factors such as political stability, economic conditions and prospects for development; state control; tax rates and economic incentives for investors; labour and natural expenditure resources; capital flow; currency risk; industry and market infrastructure; investment activity of the population. At the microeconomic level bilateral relations are exposed to investment climate a solid investor and some government agencies, economic suppliers, customers, finance, etc. credit organizations (commercial banks, insurance, leasing, factoring companies, etc.) but also local associations and company employees. An important factor in attracting foreign investments is the image of a country on the international scale, its position in the leading rating, the experience of other investors in the activities of local investors, and so on.

Country's investment attractiveness and understanding of climate change, international rating of organizations and organizations macroeconomic indicators like growth dynamics and structure gross domestic product, national payment balance terms, financial markets, domestic and foreign debt repayment. Includes factors that shape and present the investment environment opportunities creating incentives for firms to invest in productive expand and expand their business. Government policy and behaviour is strongly influenced by them costs, risks and barriers to competition and are at the centre of this report. Companies are the starting point of the firm This period is used in this report Full range of economic agents Individual farmers and micro entrepreneurs domestic production facilities and multinationals, their size, activity, or official legal status.

Their decision is to look for profit and motivate them are affected by exposure, risk, and barriers to competition. The volume and productivity of the resulting investment growth and poverty reduction. Not just a good investment environment generates profits for companies - if available the target has shrunk to minimize its focus costs and risks. This is the improvement of results for society. Many costs and risks are correct paid by firms. Increases opportunities for reducing barriers to competition, promoting innovation, the benefits of productivity improvements are shared with employees consumers.

Good investment environment is one who has both dimensions benefits. Primarily, it serves more society than society firms, including the creation of jobs, lower costs and the expansion of the tax base. Secondly, it covers all the companies, not just great influential firms. The vertical correction in the picture investment climate. Some aspects of the investment environment, including geography and the market Governments are hard to change, but governments have a more decisive influence a number of other factors. Special effects the policies contained in the report are closely linked oriented to investment character in particular the importance of stability and security property rights safety.

The tax policies implemented in a country are one of the leading tools for transferring resources from one sector to another. The biggest support and incentives for the markets to be developed all over the world are made through tax policies. International tax competition and especially unfair tax competition practices have changed the direction of financial flows and therefore physical investment decisions. This situation has caused the countries to seek to attract global capital to their own countries and to alleviate their tax burden on capital. This development led to some production factors escaping from high-tax areas to low-tax zones and thus to taxpayers loss for some countries. As a result, the tax base has shifted to production factors that are less fluid than the more fluid production factors. As a matter of fact, in many countries, the tax burden shifted from direct taxes to indirect taxes. Thus, while the weight of the value-added tax, which is relatively high in tax revenues, increased, the share of capital and corporate tax decreased. In other words, some of the tax burdens of countries have shifted from income to consumption and some from capital to wages. However, all these practices did not lead to a deterioration in the tax base of countries and a decrease in tax revenues. That is it formal politics and governance interactions these companies value investment decisions. It has a significant impact on its strategies to improve investment climate.

An investment climate that promotes growth micro entrepreneurs - main roads poor people, ways we will be closer to the arrival demographic changes. In a country, solutions to increase growth, development and competitiveness in general, and more specifically to increase employment and to improve the investment climate, should focus on a macroeconomic framework, which generally involves the improvement of the political, legal and social environment and conditions that will support a successful economy from below. Robust financial and monetary policies, a reliable and efficient legal infrastructure, established democratic institutions and social conditions will contribute significantly to a healthy economy. While these general conditions and institutions bring important opportunities to increase the wealth, they cannot be said to be sufficient on their own. It should be kept in mind that welfare is created at the microeconomic level in the roots of the economy and the conditions of the companies in the country should be improved and the conditions that provide infrastructure for the development of the company's strategies and processes should be improved. Macroeconomic, political, legal and social reforms will not be efficient without advances in the microeconomic level.

There are economic, political and social dimensions that determine the direction of foreign capital movements. Economic and political factors directly affect the debt obligations of countries. Social factors affect the political and economic structure and preferences of countries. Social factors make their sense of indirectness in capital movements. Social stability of a country; population density, demographic balance, education level, ethnic and religious structure, labor force and trade unions, income distribution and family structure. Good investment climate also helps reduce costs products consumed by poor people, and improves the lives of poor people directly. This contributes to each other expands the tax base for the government Invest in the health, education and welfare of the people. The main message: For all governments at the levels, the priority should be to improve one the investment climate of their societies. Thus, it is important to understand how their policies and behaviours shape the opportunities and incentives faced by various companies, domestic and foreign, official and non- small and large, city and village. My agenda wide and difficult, but it is delivered over poverty reduction, improvement of living standards and more comprehensive, balanced and stable world. Companies invest in profits. Their impact on their investment decisions affects their effects ideas, abilities and strategies and their assessment of opportunities and incentives in specific locations. Early efforts understand how governments influence them ground-based factors were taken into consideration Often the country's risk indicators a survey of international experts and, in general, a score for each country. Many researchers are focused on the narrower issue of restrictions facing foreign firms. There has been an enlargement in recent years deepening the effects of different countries.

There are some aspects of the investment environment governments are more difficult to change the most important ones a geography that can directly and indirectly influence the investment climate. Countries with large domestic markets, or near major markets, may be attractive to smaller or more investors Far markets, though, are moving right more open trade and advances transport and communications reduce the gap population density and distances markets can also influence the charm In the desert areas, though invested Infrastructure can also reduce this gap. Investment climate fluctuations can also be affected feasibility, some kind of activity agriculture and tourism. Great of natural resources it is thought to be a great advantage. However, the concentration of such riches consumed some societies to lease,to increase asking whether such assistance are available is always a blessing. Whatever the weight of the geography is clear the investment climate can provide a great deal of revenue. Such efforts help the community to the best of their ability his natural resources are physical and humans. Government interactions on these issues can be, for example, rights to land security Facilitate access to finance. In addition, the content and the influence of formal politics in these areas are determined by broader features management environment, including corruption and credibility. Companies estimate government policies and behaviours communication costs, risks, and barriers to competition special deals. New information shows how costs, risks and how barriers to competition can affect firms' investment behaviour and how it changes around the world.

Production and distribution costs the products are affordable for opportunities. Many expenses firms are a normal function of trade others go directly or indirectly from government policies and conduct. The most obvious direct costs are taxes. But governments play an important role providing public goods, supporting them, and sustaining others market failures. Ways to do that has a great impact on the costs faced by firms. Investment decisions are forward looking, allocate resources today future rewards. Many investment risk such as Expenses are a normal trading function enterprises, including indefinite answers consumers and competitors, firms You need to move them.

Governments, plays an important role in helping companies to address the risks associated with security their property rights. There may also be governments but also increases the risks and uncertainties firms face direct policy uncertainty and face to face macroeconomic instability order concerns as a leading investment environment companies. Companies prefer less competition more. Prevents competition consumers and drivers of competitive pressure firms to innovate, increase productivity, to share the benefits of productivity consumers and employees. Many of them scale economics and so on market, you can influence the market. There are also governments affect their competitive pressure market entry and exit regulation responses to competitive behaviour by firms.

Economic growth with increasing population the only thing society can do is to live in society. Develops not only with high profits there are better indicators, for example, infant mortality is low education, and longer life. This creates opportunities for all kinds of companies, creates jobs and extends public services. Like houses firms benefit from better property rights, financial markets and infrastructure services. Now it is widely understood including the continuation of growth, the protection of the value of national assets environmental assets and potential future growth.

Growth in income and productivity is required to eliminate poverty in developing countries, but it needs to be environmentally sustainable. The immediate gains of depleting or degrading environmental assets can be outweighed by the costs in productivity and lost options. Over the longer run, economic growth is unlikely to be sustained unless attention is paid to assets such as fresh water and fish stocks. Even in the short to medium run, addressing the objectives for growth and the preservation or restoration of environmental assets can be critical to raising production and incomes. The conversion of biodiversity-rich forests to mostly unsustainable low-yield agriculture has been costly. With three-quarters of the country’s people in rural areas and three-quarters of them poor, productivity growth in agriculture is critical to reducing poverty, but agricultural productivity has been stagnant over the past four decades.

Today, the world's per capita GDP is at least five times as early as the 19th century, and compares really little growth achieved. It is a matter of review not just real income, but to judge more goods can be purchased - existing goods have changed dramatically. Investment rates are not theirs the main driver of growth. Capital stock brings more input to production process, but there is a limitation on how much this process can continue to grow reduction of marginal cost of additional capital. So, the size of success is not the amount of investment climate investment - investment quality, quality is also affected by the investment climate. It finds out that there are inter-country studies the least correlation between aggregate investment and growth, especially if there is no difference between public and private sectors it emphasizes the importance ensuring the implementation of the investment the probability of becoming productive with some discipline increases. This is discipline especially when the individual will come firms invest their money to invest the environment of the competitive environment, thus they bear the consequences of their investment decisions.

It provides encouraging news for emerging economies - improving investment climate can encourage better productivity and better acceptance technology and incentives invest in physical and human capital. Early growth studies have highlighted technological progress in describing the overall productivity effectiveness of productivity growth rates that are related to technology differences included dramatic acceleration in the last 100 years, the level of revenue among the fast-growing countries has been understood by improving technology. In this sense, "Technology" is not limited to such scientific advances may be patentable. You can also add it modest improvements as well as new and better ways of organizing the production process, relationships with consumers or distribution of goods.

Grow up with a weak investment environment it is possible, but it is not likely to be sustainable. Protected companies there were no incentives to increase their productivity and are even worse than the international best practice. Other companies had less access to new technologies and paid higher prices for the given prices protected areas. In order to ensure the sustainability of the budget, public investments led to heavy debt problems and, ultimately, a macroeconomic crisis. The next effort to improve the investment environment was first met with careful response from firms. Many say questions about government's commitment to reform, particularly the reliance on macroeconomic instability after recurring episodes.

**2.2 Factors influencing and determining the investment climate**

Investing environment improvements and improved relationships the firm's business is usually focused on the single dimension of the investment environment as the aspects of property rights safety or regulatory reform. Bank's Investment Climate Surveys are possible you can see that policy packages are wider developments can affect solid performance by using mutual comparisons. Inequality can be anxious for others there are many reasons. Large inequality depends less social adaptation, less secure property rights and substantial political risk do not stand up. Thus, inequality is important probability and nature effects improving the investment environment, the reliability of policy changes and, consequently, the impact companies' decisions. It boosts Governments should be sensitive distribution of revenue from growth.

Governments are determined to attack poverty aggressively to look at aggregate figure out how to invest and how investment climate change can increase their lives direct from poor people. In this context, it is useful to distinguish the vulnerabilities Like many talented people: workers; as entrepreneurs; as a consumer; infrastructure, finance, and users property, tax payers, or potential buyers of services.

Many features of a better investment environment increase people's standards of living do not work directly entrepreneurial activity or not. Reduction consumer prices are an example. However, infrastructure, financial and property rights can be of great benefit community. Improving the investment climate promise Including great benefits for a community poor Governments can make themselves fashionable ways of development of the investment environment providing a deeper decline poverty Most depends on it improved investment climate. Some of them improvements in macroeconomic stability, reducing corruption and eliminating hazardous barriers Increase in society gives wide benefits.

Other events are in the focus of attention in investment environment. As regards regulatory restrictions affecting or improving specific activities especially in places infrastructure. Into In the latter case governments may be affected there are several options for the investment climate increasing poverty. Someone to focus on improving the approach the investment environment in which poor people live, it can benefit poor people replacing all of the options discussed above. The second approach is in focus eliminate restrictions on activities Poor people are also benefiting from it workers, entrepreneurs, or consumers. Two approaches can be combined focusing on specific activities in specific locations. Although the strategic choice may vary from country to country The key point is the need for pro-poor approaches it is not addressed only to the address The needs of the smallest firms can be a larger set of companies.

A good investment environment is better for everyone with two dimensions. It merely benefits the society, not the companies and that is it expanding opportunities for all companies, not just large or influential firms. The rest of the report considers governments to create a better investment climate. The next chapter begins by looking at the key question that progress in improving the investment environment is often slow and difficult. Investment climate is an environment where investment processes occur. This is shaped under the influence of a legislative and regulatory, organizational, economic, social, political and other factors that determine the terms of the investment activity in a particular country, region or city.

It should be noted that in terms of determining the investment climate, and in terms of return on investment, its computational methods are in wide range. The concept of "investment environment" is applied to the market economy, where the economic environment can not be controlled. This is the most common criterion for the distribution of investment resources.

Investment environment is economic, social, political, legal, and even cultural to attract investment into a particular area of ​​the economy, particularly in the company, city, region, or country. The concept of "investment environment" reflects the majority of cases in the dominant position in a country (region) of investments that can be sent to the country (region, industry).Investment environment assessment is based on an analysis of the factors that determine the investment environment that is favorable for economic growth.

This generally applies the parameters of the investment climate in the country (capitalization and efficiency, inflation and interest rates, the share of savings in GDP), as well as the parameters that define the value of production and potentially threatening the development and implementation of investments. They are:

- Effective managerial methods that provide simple, clear and understandable rules and necessary information,

- Freedom to do business under stable and transparent regulations,

- Land that has safe, mortgaged and long-term rental

- A market environment with competition rules,

- Reliable, continuous and strong physical infrastructure with competitive prices, primarily communication

-Well-trained manpower.

-A well-functioning financial system.

-The state of natural resources and the economy;

-Labor force quality;

-Development level and availability of infrastructure;

-Political stability and predictability;

-Macroeconomic stability;

-Management quality;

-Regulation of economic situation;

-Protection of property rights.

-Tax system quality and tax burden.

-The quality of the banking sector, availability of the credit;

-Openness of the economy, trade rules with foreign countries.

-Administrative, technical, data and other access barriers;

-The rate of monopoly in the government economy.

Evaluation of the investment environment varies from inconvenience to unpleasant rates. The favourable climate for active investor activities is taken into account by stimulating capital flows. Increases the risk of adverse climatic conditions for investors, leading to reduced capital flight and investment.The investment environment is classified as possible effects by the public:

1.Effect of Objective (natural and climatic conditions, energy and raw material resources, geographical location, demographic data, etc.);

2. Effects of Subjective (related to human resource management).

Investment environment is closely linked to investment policy. Investment policy is a set of organizational and economic impacts of controls at a country, region, city, or enterprise in order to create optimal conditions for investments. Investment environment is the object of investment policy. On the one hand, the initial conditions for the development of an investment policy, on the other hand, are the result. The effectiveness of the investment policy is assessed in a more favourable way with the rate of change in the investment climate. In turn, the investment climate focuses on improving its investment policy.

Foreign Direct Investments, in particular, have been regarded as an important source of development, technology dissemination, enhancement of efficiency and development. Thus,direct foreign investments have been widely studied in literature. Various factors such as business costs, human capital levels, return on investment, trade openness, financial openness, size of countries, natural resources, macroeconomic and political determinants, taxes, as well as possible foreign direct investment such as foreign investments are listed. Investment climate in recipient countries. From the developed countries, foreign investment directed to developing countries, especially after the crisis, began to attract more attention in literature.

Investment policy that serves as a collection of various activities affects the various (mainly subjective) components of the investment climate. This is done through the development and implementation of an investment strategy. Investment climate assessment techniques are quite different. They have a common investment grade rating of the country, region, or city, based on different economic, political and financial indicators. Evaluation is an important indicator for investors, most of them are not able to carry out independent research in other countries, and are managed by rating agencies. That is why improving the rating is always linked to the flow of investment needed for the economy. The main factors affecting Investment by companies are:

Investment is either funded from current deposits or borrowing. That is why investments are heavily affected by interest rates. High interest rates are more expensive to borrow. High interest rates also give a better rate of return than saving money in the bank. With higher interest rates, investment costs are high because you do not lose investment interest payments.

The marginal effectiveness of capital states should be higher than the interest rate for investment to be worthwhile. If the interest rates are five percent, the investment project should give at least five percent or more income. As the interest rates increase fewer investment projects are profitable. When the interest rates are cut, more investor projects will be valuable.

If a firm has started an investment project, it will be very difficult to raise interest rates when changing the decision. The company will continue to complete the investment. However, they think twice about future investment projects. Therefore, changes in interest rates can take time to affect. Other factors, interest rates may exceed economic conditions. For instance, in 2010 the interest rates were reduced from 5% to 1%, but deep recession and investments fell due to banks' lack of credit. It was cheap to borrow, but in this case it is not enough to encourage investment.

Investment is more dangerous than savings. Companies will invest only when they are confident about future costs, demand and economic prospects. Trust is an economic and political climate that will affect economic growth and interest. If you have uncertainty (etc. political turmoil), then companies can reverse their investment decisions to see how events are taking place. Security is often driven by changes in economic growth and economic growth.

Long term inflation rates may affect investments. High and fluctuating inflation creates more uncertainty and confusion over uncertainties over investment costs. If inflation is high and fluctuating, firms will be uncertain in the closing cost of the investment, fearing high inflation can lead to economic uncertainty and future crises. Countries with long and long-term inflation are often experiencing higher rates of investment. If low inflation is caused by declining demand and economic growth, this low inflation is not enough to increase investment. Ideal low inflation and sustainable growth.

Capital productivity-Long-term advances in technology may affect investment attractiveness. By the end of the nineteenth century, Bessemer's steel and improved steam engines have a strong incentive to invest in new technology because new technology firms are more efficient than previous technology. If there is a slowdown in technological progress, companies will reduce their investment by reducing investments.

Recession-All investments are not in the economic era. Some investments are necessary to replace obsolete or outdated equipment. An investment may also require investment for a firm's standard growth. Investing in a downtrodden, but not entirely - firms can continue with already-started projects and after a while have to invest in less ambitious projects. In some cases, even some companies may want to invest or start.

Economic activity slowing down in the economy leads to greater work capacity and high unemployment and a deceleration due to lower consumer spending, which leads to lower wage earnings. economic uncertainty. There are many factors that can help the economy fall into decay, but the main reason is inflation. Inflation is a general increase in prices for goods and services over a period of time. The higher the level of inflation, the lower the proportion of goods and services that can be purchased in the same amount. Inflation can take place for various reasons, such as increased production costs, high energy costs, and national debt. Changes in common demand can occur in different ways.

**2.3 Methodological approaches to assessing investment attractiveness**

Generally, for industry and production national economy, and in particular its high-tech segment, investment can be has been regarded as an important source of strategic vision sustainable development. This is the fact industry and renewal and modernization the work of the industrial organizations at the current stage of economic development is acceptable and objective necessity.

At the ongoing high level It is possible to speak of depreciation of the main assets together with a general increase investment activity, often organizations themselves are not enough financial resources will meet the needs of innovation and modernization processes .Therefore industry and manufacturing organizations those involved in the high-tech sector finance the investment themselves demands diminished. Modernization and modernization of the industry the organization can see its activities on two bases aspects:

- First of all, operational tactics when the process of renewal is targeted systematic (industrial and technological or organizational and administrative) improvements certain functions of the internal environment;

-Another case, from a strategic point of view when the upgrade process is targeted is a business model used as a radical reform the basics of action and development.

In either case, it is necessary to look for internal resources for the release or redistribution of free or accumulated financial resources in the reserve funds, or attract foreign investors' (strategic or institutional) investment funds. As an option, the organization may use the investment resources of the distributed government agencies as part of the priority programs for the renewal and modernization of key sectors of the national economy. Practical investigation of internal resources of finance and investment needs is the search for opportunities to improve costs and expenses in operations, self-governance and self-financing activities. Investigating the inefficient wastefulness of financial resources and the utilization of these resources, in turn, require investments. This is due to the fact that the overheads do not appear to be sustainable in terms of exploitation activities. Indeed it is high resource intensity is the use of outdated technologies that organizations do not allow the creation and implementation of products in the market with high added value.

At the same time, the functioning and development of industrial and manufacturing companies are characterized by efficient innovation activity, discovery, development, testing and innovative solutions after entering the market of a highly added product. Therefore, the search and development of inventories does not always provide the necessary financial and economic impact by reducing the costs that can be considered ineffective in the current period.

Generally, organizations are obliged avoiding private investment resources investor or public investment resources powers. But there are a number of interrelated ones issues. First of all, you need to understand that the investor is interested in the return of capital, to ensure that investments are at the required level. Investor temporarily funds available to investment funds, projects or funds is characterized by attractive investment attractiveness.

Investment attractiveness including those who carry out their activities in the field of high-tech industrial production, one complex system category. Inside one hand this category is mostly reflected there the effectiveness of the organization's activities and backward development, but on the other hand investment attractiveness vision of sustainable development of the organization, investment period, at least for the period financial investments made by investor. It is axiomatic that the investment is higher the attractiveness of an investment object is more there will be resources to support development must be provided by the investor. Investing Assessment involvement of different enterprises or projects Their implementation is a consistent finding a list of critical issues provides the basis for the following analytical data acquisition key aspects:

- Actual level of demand technical investments economic conditions of investment resources use; External evaluation; and internal factors that make up the framework With the implementation of the project use of foreign investment resources;

- Systematic assessment of everyone the risks involved in investments, as well It may result in risk occurrences reduces the effectiveness of the investment project, or its impossibility to implement it new, previously unmarried circumstances;

-Realistic project capacity; Investment decisions to make potential income (based on the risk level), as well as to investors themselves and economic entities an investment project initiator.

Generally accepted for evaluation investment attractiveness by type in turn, investment decisions that can be taken investments in financial instruments and investments in. Accordingly, in terms of methodology, we can talk about finance and real investment It represents financial investments investor's temporarily free funds into securities and financial services to them tools. Securities and financial instruments they are provided by enterprises serving them. Therefore, Investing in this case Attractiveness is a major analysis, characterization of an operation and development securities issuer (and hence serves their financial instruments). In addition, it is a fundamental analysis technical analysis, that is, the trend is completed analysis and analysis of trends in the financial market, macroeconomics and effects global trends. Basic analysis is a systematic task financial and economic activity, it forms a number of periods. Completeness the parameters analyzed may change. In fact, it shows a fundamental analysis financial status of a business entity issuer of securities and derivatives instruments and judgments Effectiveness of organization management Stability in strategic development prevailing environmental conditions.

Within the framework of investment decisions study attractiveness, investment with real assets (projects) are not just evaluated commercial organization's financial position project initiator or new creative but also from the actual economic point of view potential effectiveness of the project. Secondly, it is very important to use a dynamic discount includes those recommended by UNIDO and for evaluating investment projects decisions. Dynamic discount scope the use of methods is evaluated below settings:

-Current net worth discounted money transfers created by the project (implemented by investment decision);

- Domestic rate of return discounted interest component Profitability index, where net income is worth zero equals;

- The period of privileged repayment from the moment the project showing the cycle helping to attract investment resources the first revenues from the project (decision) excess of expenses incurred;

-Profitability index characterizes the excessive level a set of discounted revenues over the project total sum of involved discounted expenses.

Investments in real projects or new business are considered to be effective when the net present value is a positive value; the internal rate of return is greater than the specified cutting rate (etc, the cost of capital, the required rate of return, the discount rate) and the payment period is less than its duration.

In difference aspects, there is a significant shortage of traditional dynamic discounted methods, and these are based on this idea but the structure of the capital used to support entrepreneurial activity and project implementation remains unchanged during the investment period. In practice, it is very difficult to perform because:

-Primarily, investments in the implementation of strategically important decisions are involved, but not only making strategically important decisions, but also supporting ongoing actions, so the structure of the capital used may vary at different times.

- Other situation, the activity of an economic entity implementing a relevant investment project can either increase the value and / or volume of capital or reduce these values, either from the existence of positive and negative financial effects.

As a result, it is necessary to agree with the researchers, indicating that the optimal variant for real investment projects and decisions will be used in an unmanaged current value evaluation process. The present value of the repaired real investment is computed on the free cash flows created by the project and financed by the financial effects of changes in the investment income and expense. The following financial impacts that affect the economic effectiveness of real investment decisions are as follows:

1) Pros financial impacts that provide maximum discounted cash flows: tax balances, public funds or other donations, as well as state and / or institutional guarantees of project revenues;

2) Cons financial impacts on reducing the free of charge discounted cash flow: emission costs, insurance and reinsurance investment risks, potential investor and potential financial difficulty of the buyer.

Analytical procedures for assessing investment attractiveness of a particular investment entity can be characterized by the addition and multiple investment guarantees received on the basis of a number of alternative or complementary decisions. The addition of investment benefits should be understood as an integral investment potential of an investor, which enables financing a number of real and / or financial investment decisions. These complementary decisions form an investment portfolio that is balanced and requires substantial income.

The multi-level investment benefit should be based on the investor's alternative choices to maximize the profitability of one of the real and financial investment decisions. In this case, the investor may finance any decision, but the investment will be directed to a asset that is appropriate to the highest level of income among other potentially attractive projects. Thus, the attractiveness of financial or real investment reflects the assessment of the investment decisions taken by the investor and the assessment of the decision made by a number of alternative or complementary comparisons for the acquisition of revenue.

Investment attractiveness of industrial organizations covers a general indication of the management efficiency of a single index that characterizes the financial management, as well as the specificity and functionality of the single economic entity. The research methodology of sectoral investment attractiveness can be viewed as a series of steps that determine the quality of retrospective development of business entities as well as the prospects for investing in financial assets and real projects within the framework of the algorithmic process project.

Investment attractiveness of industrial enterprises is in the category of complex systems reflecting the quality of strategic management and the feasibility of investing in proposed financial assets (derivatives) or real projects.

Investment attractiveness estimates allow the investor to understand how to invest in an individual alternative asset and the temporarily available cash flows to projects or their assets, potentially effective and effective (at risk level);

The methodologically attractive investment attractiveness is a set of analytical approaches, not only providing a retrospective assessment of the organization of securities (derivative financial instruments) or the organizational initiator of real investment projects. Investigate the prospective benefits of temporarily investing in free financial resources.

Generally, basic and technical analysis is used to estimate the attractiveness of investments in the form of financial assets. It is taken to use dynamic discounted methods to evaluate the attractiveness of investments in the form of real projects. As the main reduced indicator of the attractiveness of the real investment project, the most appropriate one is the use of the adjusted present value index, which takes into account the positive and negative financial effects of the cash flows and the capital structure that may have a significant impact on it.

**3.** **Analysis of investments in the financial sector of Azerbaijan and ways to increase the attractiveness of its investment environment**

**3.1 Analysis of investments in the financial sector of Azerbaijan**

Despite the fact that Azerbaijan has gained its independence and a new economic development system, the concept and concept of the country's investment policy are adopted and implemented in a short time. The deepening of large-scale reforms in the country over the past decade has led to a higher level of socio-economic development in society. Important steps have been taken to improve the investment climate in Azerbaijan and state management has been restructured in line with modern criteria. For this reason, success in social and economic spheres was also reflected in assessments of gradually developed international rating agencies (Fitch Ratings, Moody's and Standard & Poor's) on the Azerbaijani economy. He also developed Azerbaijan's position in the World Bank and the International Monetary Fund's Business Report, and raised the leadership of the Commonwealth of Independent States in the Global Competitiveness Report for the World Economic Forum.

In addition to the limited opportunities for the local regional groups, as well as the new opportunities for foreign economic integration, besides the global context of socio-economic development, the use of different economic sectors in economic relations and markets should be taken as a matter of contemporary and perspective. After the crisis, economic growth trends of high income countries are twice lower than in developing countries. The transformation of developing countries into key locomotives of global economic growth skills are growing.

The Azerbaijani economy has sufficiently prepared the international crisis, despite the high investment risks in the crisis and the impact of the devaluation wave in the neighboring countries, the exact multiplicity of international investment and the stability of the manat. It should be noted that the country is rational in the pre-crisis period. Macroeconomic and monetary policy, foreign exchange reserves and financial risk management in advanced mode. Economic competitiveness increases macroeconomic stability, coordination of monetary and fiscal policies, improvement of business environment and private initiatives, development of nancial services market, foreign trade and investment policies.

The Economic Model for Export is based on the "Azerbaijan 2020: Looking to the Future" economy model and is intended to improve the competitiveness of the economy and improve the non-oil export structure. In addition to the rapid development of the non-oil sector, the introduction and expansion of innovation activities should provide favorable conditions for the knowledge market economy in the country. It is important to strengthen the coordination of macroeconomic policy in the country, to create an optimal macro-financial framework in terms of financial sustainability and adequate monetary policy. First policies the purpose of inflation, other macroeconomic targets and regulatory and financial stability objectives are the sector's loyalty and risk management tools.

Increasing the interest of companies in listing financial markets in Azerbaijan can accelerate development. Thus, the relevant state agencies are in three directions (incentive measures, listing process, ownership) arrangements and improve the number of companies listed on the list by improving the legislation. Appendix to existing legislation and regulatory companies listing does not make any incentives, does not distinguish companies that are in and out of the listing. Listing companies temporarily financially and non-financial in order to encourage access concessions can be considered. Listing requirements within the "Capital Market Modernization" project the renewal process will take three to four weeks to one or two weeks reduced to. However, with further improvement of registration procedures, this time can be shortened. Full ownership in terms of promoting the listing of companies on the stock exchange changing the traditional way of thinking about keeping their rights specifically is important. The existing legislation fully supports the right of ownership including minority shareholders, granting preferential rights to existing shareholders limiting the protection of their rights. Corporate governance, accounting and strengthening financial control, foreign and minority shareholders' rights measures to be taken at equal levels can be considered. Additionally, the preference rights of existing shareholders (offering stock to existing shareholders prior to their release on the secondary market) can be eliminated. References to the value of securities issued by companies there is a need to determine profitability level. International Finance The profitability curve of government bonds is used as reference income in the markets. Long-term spectrum of government bonds for formation of profitability curve (for example, 3 months, 6 months, 1 year, 2 year, 5 year, 10 years and 30 years) regular emissions and recycling markets. Effective management of companies, especially the banking sector, and its assets and cash flows from the asset for the purpose of accessing liquid funds there is a need to issue securities.

Measures to be taken during the "Azerbaijan 2020: Outlook for the Future" development concept will provide a balanced development of substantial parts of the financial services market in Azerbaijan (banking sector, foreign credit organizations, insurance market, leasing market, securities market and factoring market). Banking controls will be developed in the country and appropriate measures will be taken to ensure the stable and secure development of the banking system. Banking sector consolidation measures and structural reforms will be continued to promote competition, improve the quality of banking and financial services, improve infrastructure and expand coverage of electronic payment systems.

The expansion of the banking network within the regions will be encouraged, construction banks will be supported, the mortgage lending mechanism will be developed. Electronic payment, postal savings systems will be developed, protection of consumer rights in banking services will be strengthened. Significant steps will be taken in the direction of establishing a highly effective securities market, providing broad capitalization capabilities for modern, international standards and managing risks safely, limiting the organized securities market, increasing the attractiveness of the market. Systematic measures will be implemented, legislative and supervisory mechanisms will be developed to regulate the activities of market participants.

A number of efforts have been made to ensure the rights of financial services consumers in Azerbaijan and to increase their financial literacy. Institutional reforms have been undertaken in this direction, and progress has been made in shaping effective consumer protection mechanisms and educating the population. Nevertheless, the development of the financial services sector, the deepening of financial intermediation, the expansion of mutual relations between the financial sector and the consumer require the protection of the interests of financial services consumers and the increased financial literacy. Consumers' main goals are:

- Provide accurate and accurate information about financial products and increase the comparison.

- Increasing the efficiency of the banking system by coordinating the activities of related persons and ensuring sustainable economic development.

- To stimulate the use of financial services by increasing the financial knowledge, skills and abilities of consumers.

- Application of fair market principles and strengthening of competition.

- Prevent potential financial losses by consumers through proactive control.

A number of measures have been taken in the above-mentioned directions to protect consumers' rights in Azerbaijan. Requirements for crediting, including the process of granting loans and providing credit information to customers have been applied. However, banks should disclose the actual annual interest rate covering all borrower's loan costs. At the same time, the customer has the right to file complaints and complaints have been applied. Under the requirements, banks should periodically report their financial statements to the public.

There are several reasons for limited investment appetite outside the free oil and gas sector. In Azerbaijan, widespread corruption, highly officially unofficial market access barriers, sector monopolies are regarded as a difficult autocratic system combined with unfavorable monetary and credit conditions.

The transparency needed for the independent institutions, accountability and the effective market economy protection yet at the early stages of development. Transparency and accountability of the public sector accounts and their balances are not significant. The domestic market is fairly small, and regional trade barriers (for the sale of local products) are high.

On the positive side, the Azerbaijani government has adopted large-scale reforms to improve economic freedom. Bilateral trade agreements were signed and investment stimulus legislation was introduced. It is a worm the investment company expands itself and investment opportunities by attracting foreign investors - Azerbaijan Investment Company and AZPROMO. The government has finally opened a one-stop shop to correct business processes for investors. It also allocated corporate tax to 20% more favorable level (from 24% in 2012) and does not restrict the return of revenues. And the banking sector has grown very strong, offering better interest rates and mortgages more than its regional counterparts

The Central Bank of Azerbaijan has implemented measures to increase the financial literacy of the population and entrepreneurs in the international financial institutions and the private sector. There is a need to mobilize financial literacy resources and co-ordinate the work of relevant agencies in increasing the effectiveness of their work.

Taking into account the results of the survey conducted by the market participants and the proposals of the interested parties, the Central Bank of Azerbaijan will identify priorities for increasing financial literacy. Prioritization will take into account the importance of the problem and cost factors for consumers.

In addition to setting up a favorable environment for emitters and mediators, initiatives to identify incentives, infrastructure improvements, transparency enhancement and liquidity support within the framework of cooperation with private sector representatives in order to increase the market access for investors It is of particular importance. Although there is a low level of commission fees in the securities market, there are few factors which stimulate investors' participation, especially institutional investors, in the securities market.

Corporate governance principles reduce the risk premium by reducing the uncertainties that may arise during the establishment and operation of the companies and thus, it becomes easier for companies to obtain resources. Companies that are able to find a source of funding at low cost, allow them to maximize the benefits of the company's stakeholders by growing faster.It is not enough to expect these principles to be implemented only by real sector companies in the emergence of the benefit expected from the strong implementation of corporate governance principles. Along with macroeconomic and political stability, a financial sector that implements financial principles, corporate governance principles of corporate governance, effective functioning public sector and good legal infrastructure, real sector companies by adopting the principles of corporate governance and implementation of these principles are the factors that will provide the expected return. The widespread implementation of corporate governance principles in the real sector sector is only possible if such conditions are met. Otherwise, efforts to implement these principles by the real sector will not be sufficient to ensure sustainable economic growth.

There are two components of the interbank money market: the organized market, which deals with the single trading platform, and the market that deals are traded on a disputable market. It is important to develop interbank money market in terms of ensuring transparency and liquidity in financial markets. While the tendency of growth in the interbank money market has been observed, the volume of transactions is small and the interbank money market is limited part. A number of measures have been taken by the Central Bank of Azerbaijan for the formation and development of the inter-bank monetary market. Thus, at the initiative of the Central Bank of Azerbaijan, a guaranteed monetary market segment was created. Nevertheless, factors such as lack of trust among banks, limited types of collateral, lack of market mediators limit market activity. Failure to complete the restructuring and recovery processes in the banking system increases bankruptcy among banks. Implementation of the measures envisaged in the first and fourth strategic targets is of particular importance in terms of eliminating the problem of lack of confidence. However, the limited scope and range of securities that can be used as collateral negatively affects the development of the market. An important element for liquidity in the interbank market is the market-maker institute, market-oriented. Banks selected as market makers have the right to make transactions in the interbank market in exchange for exceptional access and privileges to primary market auctions, to determine the purchase and sale price of the primary market auctions, to ensure the liquidity of the secondary market, to disclose information on their activities which they have obligations.

The Government of Azerbaijan, highlighted by strong hydrocarbon exports, could significantly increase budget expenditures in recent years. This has led to an increase in oil and gas outside of the economic sectors, and has expanded opportunities for non-hydrocarbon sectors mainly for the country's financial institutions. Nevertheless, the total financial sector assets are only 31% of gross domestic product , with less than the financial sector's potential to help boost economic growth through savings mobilization and investment financing. Non-banking financial services can provide a particularly strong area for development as banks still account for 93% of the financial sector's assets. Financial sector development has failed during the global financial crisis of 2008-2009. Nevertheless, Azerbaijani banks were subjected to serious losses, with limited government funding for large borrowers with restricted foreign loans, state support through banks for infrastructure projects, and difficulties in repayment. The sector was switched on after the crisis, bank lending and securities markets resumed. Growth, though low, is particularly strong in microfinance and insurance.

Azerbaijan's international economic cooperation and its integration into international regional integration determine the current direction of the national economy, activates investment processes and financial support in the country. Thus, the sources of the domestic economy are not enough to meet the growing demand of the Azerbaijani economy. One of the ways to solve this problem is to attract foreign investment. Foreign direct investment from all external sources of finance has the greatest impact on economic growth through accumulation of domestic investments, lower capital, transfer of innovative technologies and development of local financial institutions.

During financial globalization, financial alternatives and capital expenditures for potential foreign investors and countries requiring financing are reduced. Foreign direct investment only meets the capital needs and increases the quality of debt capital in the national economy; its presence also contributes to expanding production volumes, improving methodological and technical basis, creating and maintaining existing jobs.

Foreign investment has only positive effects and is a key factor in accelerating economic growth in developing countries. However, in some countries, other empirical investigations to determine the outcomes of foreign investment are not always proven in practice. The fact that foreign investment does not have a positive effect on the economic growth of a country reflects the existence of a disadvantage that will, in addition to the benefits of foreign investment, diminish some positive effects. The totally accepted negative outcome of foreign investment is the increase in the economic inconstancy.

Financial globalization increases the vulnerability of the economy to external shocks and facilitates the spread of financial crisis from developed countries to emerging markets and vice versa. The focus of the article is to examine the dynamics of the development of the Azerbaijani financial market, the analysis of direct external influences on investment in the financial sector of Azerbaijan, the main advantages and disadvantages of investment, as well as the post-crisis period determining obstacles that prevent foreign investment in the Azerbaijani economy.

The financial sector play an increasingly crucial role in economic reforms in everywhere, including Azerbaijan. As a centre of accumulation and redistribution of financial resources, it provides the functioning of the investment and production sectors of the economy as well as the whole system of social and economic relations. Identifying accession to the European Union as a priority, Azerbaijan solves the urgent problem of accelerating the development of the domestic financial market, which is a prerequisite for the development of the real sector of the domestic economy. Availability of effective financial institutions (banks, insurance companies, pension funds, credit unions, etc.) ensures sustainable development in all economic processes in society.

Financial institutions that make significant money are a powerful source of investment in the economy. Banks are the most powerful financial institutions in Azerbaijan. Non-banking financial institutions have not been developed in Azerbaijan; Their share in 2011 was approximately 7%. Leading position among non-bank financial institutions belongs to insurance companies; the share of assets in all financial intermediaries' assets remained unchanged for several years and was 2% in 2017. Individual pension funds, which play an important role in financial intermediation in many countries, have developed a lot for Azerbaijan. lack of regular pension reform and overall public trust in retirement. They represent only 0.1% of the total assets of the financial institutions.

In the context of the transition processes in the Azerbaijani economy, its finance the market must become a strong source of investment source, ensure the effective accumulation of cash and meet the demand for the real economy's financial resources both short and long term nature.

Thus, one of the key financial achievements creating a globalization environment to attract considerable international financial resources to developing countries, in turn, stimulates and accelerates the development of local financial markets helping to develop enough financial infrastructure in these countries. The objectivity of this idea is proved by the inevitable role of a foreign country Financial Institutions in Azerbaijan. Economic at the beginning of the XXI century the development and rapid development of the domestic financial market is related to Azerbaijan one of the most attractive countries for Europe and Russia's foreign investment.

With especially strong international financial capital flows in the banking and insurance sectors Integration and approximation processes in sectors, as well as in the stock market the domestic financial markets of Azerbaijan have sharply strengthened. External financial institutions are strong financial intermediaries in all segments the development of the Azerbaijani financial market, including the most developed banking sector. That is it the situation is mainly due to the adequate capitalization of the banking system Azerbaijan is lower than the banking system developed countries.

In addition, the aggressive policy of the Russian banks on the financial market in recent years, Azerbaijan has increased its share in the total bank About ten percent of the assets of the banking sector of Azerbaijan. Moreover, they have a big share parent banks belong to the state.

As you can see, the domestic economy is the power of any country is not observed on the market. Such sorting can be considered a positive feature because this situation is economically less dependent and political conditions of a state. There are different types of finance today organizations in the financial market of Azerbaijan - global, regional and even some national leaders. Some of them operate only in certain segments of the financial market others in two or more sectors.

Normally, international financial institutions enter the financial market Azerbaijan invests 100% of the shares of a selected bank or insurance company. For this reason, we can conclude that the most common external property model is based on the control of the majority and the manage of the activities of the subsidiaries and affiliates.

During the period of high investment activity of foreign financial institutions in Azerbaijan, it should be noted that the price of domestic banks is one of the highest prices in the world. Mergers and acquisitions in the banking sector were made at a price 5-6 times higher than the capitalization of these banks. This interest in purchasing Azerbaijan banks was due to the following reasons:.

• Low level of development of the banking sector and reduction of banking services and prospects of retail segment.

• Higher growth potential than European and Western markets.

• There are many capital investments in Western countries.

• Quite unfavourable conditions in the financial markets of other countries of the region, usually with a competitive price and high pricing market.

Consequently, in spite of the low capitalization of the Azerbaijani banking sector, Azerbaijani banks were very seductive to foreign investors before the crisis. He adjusted the value of the recession in the country banking combinations and purchases.

Foreign financial groups have lost interest Azerbaijani banking institutions are afraid to escape suspicious bank assets quality. Foreign organizations in the period of public access to the local market in 2006-2008 highly appreciated the realities of the banking sector in Azerbaijan. Very basic mistake external investors who bought Azerbaijani banks do not want some of this a large part of the "shadow economy" and inadequate assessment of the banking segment Azerbaijan is will be only one market.

In terms of such a structure of assets, the world is not considered to be very complex life insurance companies and the effectiveness of the financial market retirement funds should be able to collect long-term financial significance invest in the local economy. The absolute size of the insurance market and pension funds are one of the major obstacles to financial development it is expected that the Azerbaijani market will be in demand since these institutional investors the main force for stock market activity.

Bank system - Most of the 44 banks in Azerbaijan are small. The Bank of Azerbaijan's high-end bank, the International Bank of Azerbaijan (IBA), still accounts for 34% of the banking sector's assets. International Bank of Azerbaijan’s privatization is under consideration, but special plans are not yet disclosed. There are only five foreign shareholders in 23 banks, most of which are foreign ownership. About 10% of the goods in the sector. Foreign investments have so far come from international financial institutions, from Russia, Turkey and the Middle East counties. High interest margins show that Azerbaijan can further increase the efficiency of the financial sector. The essential key constraints are the market segment, which creates special relationships between banks and existing or former government officials, private or public entities.

The weak working environment, as a rule, increases the risk for vulnerable banks; and, to some extent, the strong market position of IBA makes it difficult for other banks to implement their scale economies. Assets of the banking sector direct 28% of GDP, 63% of assets and 59% of total loans to households and services. Banks are keenly interested in financing the project. As a liability, the sector benefits from public finance programs, regardless of foreign debt. These programs partly explain the high share of long-term loans in total loans and the strengthening of mortgage lending in recent years. Customer deposits account for 47% of assets. This is higher than the regional standards. At the same time, it is important to mobilize deposits. In spite of the short-term and medium-term stability of the banking sector, the operational environment for banks is exposed to external shocks such as sharp decline in export prices of hydrocarbons.

In this regard, banks should continue their efforts to improve asset quality, strengthen liquidity, develop deposit bases and diversify funding sources. Banking legislation and regulation have improved in recent years, but vulnerability in corporate governance, exposure to single borrower, lending to related parties, classification of loans, consolidated supervision and border banking control. In addition, strong political relations of some banks may prohibit banking regulation and control.

The Infrastructure of insurance - Azerbaijan's insurance sector consists of 28 companies, most of which are related to banks. Sector segmentation is high and competition is limited. The market share of foreign organizations is still less than 7%, but now there are two major foreign insurers. The government has begun to support the sector through the strengthening of favourable environments and the introduction of compulsory insurance. At this stage of the sector's development, total assets are only 0.8% of GDP, and property insurance stays the dominant insurance product.

The stock markets. Though small, the stock markets in Azerbaijan help capitalize. About 250 companies have more than 100 shareholders. Some, while the securities are less developed and secondary markets are narrow and needless, they regularly issue securities. In 2011, companies made up 2% of GDP, with 142 issues; 14% of the total volume of banks. At the same time, capital raised by 101 corporate bonds total 1.2% of GDP. The state-owned Azerbaijan Mortgage Fund was the largest emitter and had a number of private financial institutions. The essential institutional framework for the securities market is more than a decade. The Government, along with the World Bank support for 2011-2020, reinforces the legal and regulatory framework within the State Program for the Development of Securities Markets.

The sector of microfinance - It has been intensified by borrowers in Azerbaijan over 400,000 in 2010 from 100,000 to 2018. Nevertheless, microfinance has not yet reached its potential. Despite the substantial demand for microfinance services, the combined microfinance loan portfolio of non-bank financial institutions and banks is still about 1% of GDP. The sector's concentration is high and Kapital Bank and FINCA, the two largest microfinance providers, make up 46% of the market. The legal and regulatory environment for microfinance institutions is relatively new and requires significant development, covering key areas of potential for control. Credit unions also depend on non-extrabudgetary credit lines, which increase membership concerns and deposits.

**3.2 Use of foreign experience and practices in the formation of favorable investment climate**

Increasing competition, increasing the quality and quality of banking services, transferring technology and easy access to capital have been accepted as a great advantage for foreign participants in financial systems. In some countries improved productivity has emerged. For example, the existence of a growing foreign bank in Chile depends on the decrease in costs. Access to foreign banks, which are stronger than internal competitors in the Czech Republic, improved risk management. The experience of financial experience was particularly positive when the companies expanded into the markets where they developed special application and risk management methods.

Foreign banks have encouraged the development of financial markets through initiatives that support the development of local currency revenues. In general, foreign banks have developed more advanced strategies over the last decade and focused on risk management. The presence of foreign banks in Poland increased the diversity of the financial system in terms of participants and products, and helped deep financial markets.

We must remember the experience of attracting foreign investment in the world. For this reason, the French economy is a system of state regulation, strategic planning, price management, salary control and the promotion of competition. The main investment area in this country is tax policy. State regulation of the economy, including planning, ensures the coordination of state and private sector activities; It directs half of the gross national product to the French government.

US investment experience shows that public investment activities are mainly limited to private sector or regional programs: military space, national infrastructure development, environment and disaster management. The government will influence investment orders through the public procurement system and provide environmental, sanitary and hygienic standards, safety rules and so on. It provides. The United States local government carries out an independent investment activity as a customer for the construction of various infrastructure facilities.

Sweden's experience in the use of Swedish tax privileges is of great interest. According to this system, companies reduced their investment income to 40% of taxable profit. The creation of investment resources encourages the acceleration of scientific and technological development.

The basic mechanisms for state regulation of the United States’ investment market are tax and redemption and finance-credit policies. In the investment process, private companies-clients and contractors conduct their activities on the basis of general norms in the economy, including tax and depreciation and the environment, sanitary-hygienic and other standards. There is no national legislation regulating the investment process.

It is necessary to maintain the positive dynamics of the economic growth achieved in recent years and to find the potential investment sources that structural reforms need in Azerbaijan. According to the quantitative and qualitative indicators of the world practice, if there is no clear structure, it is not possible to obtain the necessary level of investment and dynamism.

Sweden is often a very affordable investment target. Sweden offers a highly competitive open economy with access to new products, technologies, skills and innovations. Sweden has a well-trained workforce, select communication infrastructure and a stable and political environment, and is a selective destination for United States and foreign companies. Low corporate taxes, a lack of dividends and a favorable holding regime are additional incentives to do business in Sweden.

Sweden is equipped to meet the fourth industrial revolution with a high level of IT infrastructure. Bloomberg's 2017 Innovation Index, along with South Korea, has been cited as the most innovative country in Sweden. Sweden plays a pioneering role in adopting new technologies and developing new consumer trends. The United States and other exporters can use the test market with highly demanded customers.

The attractiveness of Sweden government as an investment target has been affected by several structures and business problems. These include high personal and VAT tax regime. In addition, high wages, harsh labour legislation and regulations, permanent housing shortage, and overall high cost costs in Sweden may present problems that involve recruiting, recruitment, and talent of new Swedish firms. Historically, telecommunications, information technology, health, energy and public transport sector have attracted most foreign investment. At the same time, recently, production, wholesale and retail trade has also increased foreign funds.

There are no laws or practices that discriminate or discriminate against foreign investors, particularly investors in the US, through the prohibition of, or restriction or regulation of, foreign investment in the economy sector. By the mid-1980s Sweden's approach to foreign direct investment was limited and governed by a complex set of laws and regulations.

The Swedish government recognizes the need for further improvement of the business environment for entrepreneurs, the need for research and education from the lab and market. The Swedish government has implemented a number of reforms to improve business regulatory environment and attract more foreign investment.

Taking into account the lack of security guarantees and high risk for the investor before the emergence of investment capital, the global trend to reduce bank lending is an additional factor in preventing Azerbaijan's economic development. Large cash flows, significant domestic recession in banking structures and increased access to global financial markets do not allow reducing credit rates and delivering them to small and medium enterprises.

World experience shows that efficient utilization of the potential of foreign investment is an effective tool for economic development on the basis of intensification, modernization of production, application of innovations, resource efficiency and application of modern management.

An innovative way to develop a country's economy is impossible without attracting foreign investment. Foreign investment not only provides additional capital flows, but also ensures the transfer of modern technologies, management methods, know-how, which positively affects the development and quality of business processes, improves product quality, ensures high efficiency of the economy and quality of life. A special role in the intensification of investment activity in Azerbaijan should be through the involvement of foreign investment in mutually beneficial terms, mainly in order to solve structural transformation problems of the economy, implementation of new technologies or implementation of joint projects to increase competitiveness.

Therefore, it is very important to learn how to attract the foreign economy to the Azerbaijani economy and to improve the process of increasing its volume. The involvement of foreign investment plays a leading role in the development of the national economy. The involvement of foreign investors in the investment process, the introduction of new technologies, the use of advanced foreign experience, the development of small and medium enterprises, increasing the investment potential of the territories, etc. The development of many countries (USA, Germany, France, Great Britain, etc.) indicates that it was foreign capital, which played an important role in the development and reconstruction of the economy as a catalyst for investment activity.

Tax policy is effective only when used as a production stimulant to expand the tax base. In the new economic conditions, the formation of tax policy in Azerbaijan should be carried out in the transition period taking into account the economic management features in the country. The current economic situation in Azerbaijan requires the use of effective regulators of investment processes to strengthen investment activity. Adoption of laws and other normative acts regulating investment activity is one of the most important conditions for the implementation of the state investment policy. The legal basis of this policy regulates investment activity in various forms. As a subject of the investment process, the state regulates the investment process in the following key forms: placement of priority investment objects; tax regulation of investment activity; proper depreciation and credit policy implementation; expertise of investment projects.

Gradual formation of the market organizational structures in the field of investment activity is observed in Azerbaijan. New institutions that govern or provide foreign economic activity are formed and functioning. These are structures like Foreign Economic Relations Board, State Export-Import Bank, Customs Committee, Monetary and Economic Regulation, Ministry of Finance, departments and services of other departments. The International Cooperation and Foreign Investment Agency has become the National Agency for Reconstruction and Development.

In many countries, state-owned entities are introducing self-regulatory organizations to the securities market oversight functions. For example, in the United States, securities trading is controlled by stock exchanges registered by the Securities Commission, and securities market oversight is controlled by the National Securities Partnership. It is important that one of the sources of investment resources formation be savings in the population.

In order to use this source, it is necessary to take measures to solve the contribution compensation problems and increase the confidence in the banking system. In this case, the increase in individual savings is a stable and reliable source - this is a common value. However, in conditions of the inflation economy, the process of increasing and increasing the purchasing power of the population can be observed, which, of course, affects the income and investment process of the individual structures and the state.

The measures taken, including planning, are widely used in the practice of advanced market economies. For example, France has a five-year plan. It should be noted that the share of the public sector in this country is more than 40%. In Germany, the share of the public sector, 3% are federal, and 25% are land investments. In market conditions, planning is different from the development plan of the state plan. The plan is strategic and most appropriate investment directions.

State investment management should be based on national illegal plans. Regardless of the ownership of the company involved in the implementation of such plans, loans and benefits will be obtained. Indicative plans define the scale and structure of investment activity:

-State orders for the commissioning of fixed assets are determined.

-The boundaries of the state centralized capital investment are determined.

-The directions and purposes of use of investment resources are determined.

-Priority trends in the use of centralized capital investments.

-State initiatives for the implementation of planned proposals.

The main feature of the modern state investment policy is to create conditions for the expansion of non-budget financing sources of capital investments and to attract investments from both foreign and domestic investors to the country's economy. legislative base and state support of effective investment projects. State regulation 99of the investment process is carried out to implement economic, scientific and social policies.

**4.** **Ways to increase investment attractiveness in the financial sector of Azerbaijan**

**4.1 Improving mechanism for attracting foreign investment in the financial sector of Azerbaijan**

Influence of globalization, flow of external banks and insurance capital it should be in the financial market of Azerbaijan, in spite of the dangers from the point of view of increasing the financial potential of the investment market and raising competition in banking and insurance sectors. On as a result of financial liberalization and removal of barriers, over the past two decades. International financial groups showed high activity in financial markets in developing countries and regions.

Foreign capital flow in the financial market Azerbaijan is very controversial because of its very positive and negative effects this is the process. Helped to assess the global financial crisis and the recession the importance of foreign economics for the domestic economy, especially their true motives expansion, impact on the country's financial market, and the level of risk for the state's economic safety.

The expansion of the domestic banking system to foreign investment has been largely provided for the solution of such a hot economic controversy, which is a discrepancy between savings and investment demand. During the crisis of 2005-2008, Azerbaijan's domestic savings accounted for 11%, 7%, 5% of GDP, 9% of GDP, with GDP 22%, 24%, 25%, GDP 17%. These differences in savings and investments indicate that the banking sector is able to lend economy economically faster than population savings. In 2006, the growth rate of loans was the highest after gaining independence, which had a positive impact on the dynamics of the Azerbaijan's economy.

Existence of foreign investors directly influence Azerbaijan economy from different aspects. Crucial effects of foreign investment in Azerbaijan consist of two sphere:

-Benefits and positive side of foreign direct investments for Azerbaijan. All of effects are:

• Improving the integration of the world economy.

• Expand the resource reserve, reinforce the global related economic development of Azerbaijan;

• The main part of economy should apply for modern technology techniques.

• Impressive global economic standards;

• Improving the quality of services and providing financial services in Azerbaijan and regions;

• Adjusting major domestic investors;

• Developing of proprietorship and accountability in Azerbaijan;

• Legal means of co-operation without committing an offense;

• Increasing Azerbaijan’s bank competition and insurance services

• Provide suitability of international transportation standards and legal procedures for local position;

• Search financial support for partner enterprises during the crisis.

• Increase the banking sectors of Azerbaijan capabilities and quality.

-Disadvantage and cons sides of foreign investments for Azerbaijan. All of effects are:

• Amplification negative effects in financial globalization;

• The hazard of economic sovereignty;

• Raised uncertainty and financial sector external capital dependence;

• Raising the impacts of external shocks financial crises of other countries Azerbaijan's economy;

• Uncontrolled disposal of external capital for Azerbaijan.

• Carry out other interests without prioritizing the countries Azerbaijan;

• Reducing local competitiveness financial institutions.

• Loans in foreign currency alternative to loans in national currency.

• Suppression of Azerbaijani producers through domination of imported goods;

The essential key role in the process of increasing the attractiveness of foreign investments and identifying the prospective directions and objects of foreign investment within the country. Investment attractiveness is undoubtedly a factor in the sustainable socio-economic development of the region and the country. The experience of countries with advanced market economy is the main regulator of the state's influence on the activities of economic entities in the taxation system, determining the proportionality of production, determination of labour product sharing, distribution and consumption. It stimulates business activity, investment initiatives of commodity producers and increases overall economic efficiency.

In this way, before the crisis, the local banking system can meet the financial needs of the country's economic assets. Nevertheless, the global financial crisis has a negative impact on the financial performance of the financial sector, as well as the risks and adverse factors.

Primarily, lending in foreign currency has increased the dollarization of the Azerbaijan economy. At the beginning of 2009, the share of long-term individual loans in foreign currency was more than 58% and long-term deposits dropped to 39%. At the same time, foreign banks allocated more housing loans to Azerbaijan. This was due to the fact that the banking system did not have a positive impact on the growth and rapid development of the Azerbaijan economy. A deeper gap between the financial sector and the real sector of the economy.

Another main factor, foreign banks have always violated the balance of payments in order to achieve the goals that are incompatible with the priorities of the Azerbaijan economy and the capitalization of banks from external sources country.

Finally, despite the increase in credit operations and capitalization of the banking system, it was cheaper and the terms were extended; banking activity was low. According to the authors, the main reasons are high inflation, discount rate and bank credit risk, based on the real economy of the country.

The positive effects of financial globalization are different for the insurance market participants in the reinsurance sector. Due to the growing integration processes and competitive position of the domestic insurance market, the rapid growth of the reinsurance market in Azerbaijan is due to the fact that foreign insurance companies have entered the capital.

Therefore, as in today's bank, foreign insurance the financial market segment of Azerbaijan is controversial. In particular, the size and opportunities of international financial institutions, which are the main suppliers of foreign investments the financial sector threatens the domestic financial market and economy generally. The main reason for this is the adequate capitalization of the fund. Uneven development of markets and segments, to summarize, focus on the impact of financial globalization. Defines the development of the financial markets and the national economy of Azerbaijan balanced approach to the development of monetary and financial sectors mechanisms of attracting foreign investments into the financial sector of Azerbaijan.

An important role in the growth of foreign financial capital concerns investment attractiveness. Factors forming an independent rating by international rating agencies country. Thus, the assessment of emerging investment is possible.

The risks and benefits of each investment project. Foreign attraction is open In particular, in the form of direct investments, a country should get a high appreciation. The research shows that the lower the country's independent rating, the higher the curiosity country's foreign financial resources.

Now Azerbaijan has relatively low investment. Additionally, according to another dimension of the Banking Industry Country Risk Assessment, the same institution, which ranks from zero to ten in the banking sector, has received eight points, such as, Ukraine, Venezuela, Argentina, Honduras and Peru (Standard & Poor's, 2018). This shows that foreign investors have very high reliability, high political risks and high credit risk.

The balance of payments balance should be paid particular attention - the impact of foreign investment on the balance of payments - a serious obstacle to currency deficit for all emerging economies. In the event that the development program is not limited to the currency deficit, the policy should be initiated to ensure that the deficit is as small as possible and the remaining neutral funding needs to be financed. It is important to analyze policies that directly affect foreign investment to reduce the pressure on the balance of payments of the recipient country.

The first circulation of foreign capital is provided by the benefit currency. However, as stated earlier, interest income, earnings and dividends may require a balance of payments at a cost. The boiling current of the investment can be exported abroad, increasing exports, reducing imports and earning additional capital from abroad, such as real earnings of local exports. Local capital participation is required to prevent or reduce these costs. Many developing countries are excluding foreign investment that does not help increase exports or change imports within foreign investment programs and scrutiny policies. transfers. By limiting the exchange and taxation, the developing country may also limit the maximum return on foreign investment that limits the profitability of some of the direct investment.

Annual investment or part of registered foreign investment, with a lower official exchange rate, and the rest remain only in a higher free marketplace. Exchange restrictions apply to return of capital. Some countries are trying to extinguish foreign income transfers by paying taxes for paid dividends. For this reason, thanks to an absolute ceiling for revenue and capital transfers, negative exchange rates and taxes, the host country encourages re-investment in reprints as a result of post-payment pressure.

Such an assessment of the investment environment is not appropriate for withdrawal domestic financial sector and, in general, the Azerbaijan economy. On the other hand, despite the difficult expectations of new foreign investors, foreign capital and financial institutions did not show significant change and continued. The continued existence of existing investors continues to finance the branches. Although Azerbaijan's fund is much lower than its potential. That means this is partly due to the main causes of investment instead of increasing the current market share.

What is the key to the impact of the balance of payments, the effectiveness of the investment and the general use of resources? Direct promotion of exports or direct imports is a misleading policy. In fact, the foreign currency deficit reflects the local product deficit. Therefore, it is much more likely to help reduce the pressure on the balance of payments for domestic production. If there is no capital consumption allocated to the most efficient use of capital, the necessary capital of the foreign capital can be directly linked to foreign capital. Although investments do not finance inflation, they can reduce imports indirectly despite the fact that they produce additional goods for the domestic market. It will definitely reduce imports of new products in the domestic market. There may also be investment

Release resources for the relocation of industries that are exporting or importing competitive industries, indirectly to increase the production of export substitutes or to increase their export power. The main point is that apart from the foreign capital's marginal efficiency criterion, it is possible to increase the revenues of a certain capital to the best debt service that helps foreign countries grow.

Concerns about re-investing can be briefly reviewed. Although the initial capital is important for itself, the attempt to move to a smaller extent can only be attributed to foreign investment if the foreign investor does not want to earn profits in the country again. to help re-invest profits. The amount of real national income to the economy is lower than the actual value of dividend payments from the capital. Non-credit companies will not expect the investment to be more profitable, and investments are expected without government demand.

At the same time, the increase in investment may lead to a decrease in foreign exchange demand abroad, additional dividends and the increase in the volume of foreign investments transferred in the future - any additional investment currency. Continuous expansion of a foreign company's unrecognized profit, if original investments are undertaken within a short time, refuses to make a special contribution to the economy. Nevertheless, the decline in revenue expands the income tax base to the new foreign investment and causes the country to pay foreign service fees, foreign capital is even greater. Therefore, in order to prevent the rise in foreign service fees, in Azerbaijan should strive for the next possible expansion, which can be financed from domestic capital resources. Alternatively, the host country is ready to further enhance the transparency of the economy in other economic activities, or encourages further expansion of the initial investment. The benefits of foreign direct investment are widespread if initial investments lead to greater investment in other parts of the economy structure.

The agility of the tax system enables each year to clarify tax rates and apply tax policies in line with changing economic conditions. At the same time, tax rules are stable, which is the legal protection of taxpayers. In the state, the main tax regulators of investment activity of economic entities are income tax concessions. Unfortunately, Azerbaijan is not a country with a favourable investment climate. One of the main factors affecting these facts is illegal legislation. Investor does not have to be aware of discrimination or simplified investment conditions on the validity of its legal regulation. An investment policy is required by applying a more accurate mechanism at the state and local levels to activate foreign investment activities. The general strategy of foreign investment development, the priorities of foreign investment should be determined on the basis of stable and promising economic impact.

**4.2 Problems in earning foreign investment**

The widespread application of national economic planning in developing countries makes international private investment problems a new dimension. In order to better understand the legal and economic problems that arise from this point of view, we need an analytical framework to assess investment laws and regulatory measures that can be accepted by a less developed country. This can help the country's development program more effectively than this capital. The following discussion tries to provide such a framework. By doing so, it moves direct foreign investment and negotiations as a direct legal adviser; a broader analysis, some formulas and structures of international economic law.

In general, "direct" foreign investment has been less developed with the national organization of such an investment capital acquisition countries. Policies adopted by host countries are designed to help alleviate inequalities in previous jobs targeting countries that expect a contractual arrangement of a foreign investment code or encourage foreign investment to promote and protect foreign investment. Over the past twenty years, the application of capitalist countries has become more prominent in determining the amount and quality of private investment flows compared to the actions of exporting countries. It tend to act as the country's last political figure, and, in the first place, undermine the country's investment.

The introduction of foreign capital, foreign capital regulation, revenue transfer and return of capital, the determination of foreign capital movements and the great importance of the share of the country accepted.

In the first fluctuations less developed countries are trying to shape nationalized national plans to identify priorities and make crucial and relevant decisions on allocation of resources. The search for economic independence was determined with new political independence. The development plan was an attractive alternative to commenting as a form of a historic step that was harmful to foreign capital and foreign businesses.

In addition to the freedom ideology of possible external domination, it was possible to criticize the development mechanism and create a private enterprise with the lack of individual entrepreneurship for development planning problems.

Discussions can easily be shown that the market mechanism is unnecessary, dangerous, or not needed for development. Therefore, most of the early development plans have been identified and measured only by the amount of investment in the public sector in the economy and have looked at the public resources of foreign capital as part of the development program.

This early approach to development planning pays particular attention to the private sector of the economy and private foreign capital: a sign of the initial efforts of development planning in many countries in a foreign-oriented position or outsourced investment.

Foreign direct investment is an important source of capital for developing countries such as Azerbaijan. Many countries follow the strategy of developing their economies by promoting direct investments. With the acceleration of the globalization process, countries that are both advanced and lack of savings and investments are making efforts to attract foreign direct investments. To attract such investments; It is accepted that foreign direct investments play an effective role in the development of countries as it contributes to the economy of the country as well as technology, employment, national income increase, production and wide foreign market advantages. The fact that foreign direct investment has not reached the desired level in Azerbaijan is an important issue to be investigated.

Determining the significant impacts of foreign direct investments on the economy, it is to determine the reasons of direct investments in Azerbaijan not to be realized at the desired level so far and the inadequacy of the effects of the investments coming to the country on employment, economic growth and national income and to propose solutions to this situation. In order for foreign direct investments to be hosted by Azerbaijan to affect employment, national income and economic growth optimally, the type of direct investments is important and in this context, Azerbaijan needs fixed capital investments. However, incoming foreign direct investment; it is directly related to the economic situation of Azerbaijan and thus to the size, stability and openness of its economy.

Foreign capital primarily comes to investment areas where it will profit. The future of the country; economic, political, legal, social, even psychological environment conditions should be positive. There should be no radical changes in the economic conditions, the political environment is stable, social peace and justice, the country's geographical position, legally liberal legislation, as well as having a lack of implementation, and finally all these conditions should include a long-term. is one of the biggest obstacles of economic and social development as it weakens the development by weakening the institutions and breaking the laws. Corruption also hampers the growth of the private sector, further impoverishing the poor and changing the direction of public services needed. In spite of public sector reforms in recent years, corruption is known to be a major barrier to trade. Among the firms surveyed in the foreign climate study, eight considers corruption as a major or serious restriction. It should be able to create an opportunity to realize investment climate, stability, development, continuous growth and registration, and encourage entrepreneurship. In the state, there is a need for openness, accountability, honesty and fairness, that is, democratic structuring and functioning.

The competitiveness of a country means that the goods produced by that country will compete in terms of quality and price with the goods of other countries, whether in domestic consumption or export. Competitiveness is a precondition for improving production and productivity, improving living standards and improving employment. Therefore, the increase in the welfare level of a country and the development of employment opportunities will increase the competitiveness of the country, in other words, in the process of globalization. It seems to be due to the superiority it can record in the competition.

Today, the countries of the world are competing with each other in order to attract foreign investment in commercial and national markets to an increasing competitive environment. Many of the literature on development economics have suggested that foreign direct investment has made the evils worse, destroying the natural resources of the poor countries and infiltrating the national markets, making the rich more rich and poorer. This type of perception has lost its influence despite the persistence in some regions. The investor has gained competitive power through the commercial relations in the countries where he goes through foreign capital investments. As a result of the product being close to the market to be sold, the tastes and consumption cultures of the consumers of that country will be learned. In addition, the competitiveness of the investor country is increased even when communication, transportation and comfortable connection facilities are considered.

Comprehensive planning for less developed countries from planning experience is an early development. The actual benefits of development planning did not meet their original expectations. Planning problems were very small and the expected outcomes of the government investment program and governmental loan were highly appreciated. Some of the least developed countries may have required administrative, social and educational funds to implement a complex development plan, despite several governments.

Despite having the required political forces and administrative skills, the poorest countries can not implement a planning plan that leads to many direct and specific government decisions. An unexpected outcome of comprehensive planning has already been achieved: In practice such planning has reacted to inflation pressure, individual entrepreneurship and prevented the implementation of the investment.

Potential inefficient industrialization in the private sector did not take into account the strategic importance of promoting agriculture growth and exports with technically adverse and highly potentially potential projects. This point has been recorded in recent years.

Eliminate anxiety for a comprehensive centralized planning. Some emerging economies seek to rely more on centralized policies aimed at improving market leadership and promoting economic incentives. This lightweight planning is more responsive to public policy, enhancing general development conditions through providing social and economic capital, building institutional arrangements, and market efficiency.

At the same time, most of the policy measures that can be implemented are also implemented. Affecting individual activities is not ordinary money or finance, but legal and institutional frameworks such as land law, commercial law, and ownership rights. There is more potential for the private sector, with a decline in society. Similarly, developing countries are already aware of the necessity.

Special resources, investment and foreign currency deficits. Many countries also offer private capital flows a rare quality advantage over public capital. A sad problem may be that a poor country's government does not allow the government to pay the investment costs and that additional capital investment can help mitigate the macroeconomic growth of revenues. The capacities of the capital of the country are relatively small compared with the design, construction and operation of capital projects. There is no problem of such a productive use private foreign capital. As for foreign natural resources, it is necessary to identify economic opportunities, to create an effective project.

Consequence of the development planning process, host countries' policies on private foreign investment reveal a mixed view of restrictions as well as propaganda. On the one hand, it can be restricted by many government regulations such as the freedom of foreign investor activities, non-exclusion, foreign ownership or management, local and foreign labour restrictions, restrictions on earnings, and currency control over earnings and return of capital.

In recent years, liberalization of foreign investment policies and a number of investment incentives have been adopted or reviewed. These incentives provide information about investment opportunities and help build and maintain weather conditions, such as industrial facilities.

Import taxes that compete with domestic products manufactured by a foreign entity, exemptions from the import tax, equipment and supplies excluded, currency guarantees or privileges, tax incentives for promoting new investments and special legislation for external protection investment.

While recipient countries have a more positive attitude towards foreign investment, foreign investors are aware that development planning practices should not be self-motivated in increasing the share of private equity. Development planning is already a public investment program and planning experience should not be mixed with public ownership and control. The essence of development planning is the creation and coordination of a number of policies to achieve clear goals. To do this, a plan should emphasize the complementary link between public and private sectors and may have policies to operate and support the private sector.

A development plan protects some areas of the public sector, but at least on the one hand there is a clear explanation of private investment. The development plan can serve as a clear way of determining the particular role of the private sector in the foreign investor, the more specifically the availability of investment opportunities, the facilitating advance, and the reduction of the uncertainty of the foreign investor in local private and public sectors.

Although national development plans have not been disseminated toughen special activities and create more attractive job opportunities, investors should share their common interests with the government to accelerate their development.

The purpose of development requires more effective government activities, international investment and more. However, a private investor and consultant should be aware of the country's goals and priorities for the country's development of foreign investment strategy. The issue of private investors is not simply a "relative climate" that is to eliminate their investment expectations by complaining; the meaning of "positive climate" requires evolution to plan development. No need guest countries claim that private capital flows are nothing but "foreign domination"; In the context of development planning, effects of foreign investment should not be analyzed anymore in the history of sociology undesirable features must be repeated. Development planning now affects the government.

Despite the introduction of private foreign investment, the government must fully assess the potential contribution of this investment and should develop a policy to encourage more private equity flow and maximum contribution to ensure the country's development. For this, it is necessary to analyze the outcomes of foreign investment more closely. Develop new approaches to thinking and inventing Mobilizing private foreign capital while providing the most "planned activities" in terms of country development program.

Understand the logic and provide an analytical basis impact of foreign investment policy on host countries will prepare cost-benefit analysis of certain foreign investments in this section. Once private capital has the opportunity and inconvenience in our country, we can come directly to the assessment of existing policies in the next chapter. At the outset, private capital flows will help the buyer country's development program to reduce its internal savings gap and increase its currency supply. Foreign investment increases domestic reserves and lowers the level of domestic investment.

The accelerated development program inevitably promotes imports and generally does not increase its export earnings, balancing balance of the developing country. This deficit should be financed by reducing foreign exchange reserves, receiving formal foreign aid, or acquiring foreign capital. Otherwise, the developing country is exposed to a constant currency bottleneck that prevents the progress and speed of the development program. Acquisition of direct foreign investments, simplification of foreign exchange deficits and the sharp stimulation of the import-replacing industry will help to increase the real income more rapidly in the process of eliminating the need for mediation and mediation

In addition to this initial contribution, the promotion of foreign investment is an increase in incomes from foreign investors and an increase in revenues generated from investment movements during the period of investment. If the value of foreign capital exceeds the amount invested by the investor, there is national economic benefit: social income is more than the individual investor's income. If foreign investment increases and productivity is not fully solved by the investor, more product sharing and other income groups should benefit from others. This help can be taken home low prices for consumers and state revenues are in the form of high real wages. In addition, in many cases, the implementation of foreign economies can be indirectly profitable.

The increase in total real wages is the main benefit of the foreign capital flow. Investing can only increase the effectiveness of specific employees, and capital flows can help to employ a larger workforce. The second impact is crucial to less developed countries for countries with less labour force and fewer labour force than other production factors. Lack of local capital is a bottleneck that limits the exploitation of non-agricultural jobs and the only option for labour is to join the unnecessary agricultural labour force in the land.

Domestic consumers can benefit from direct foreign direct investment. It can be invested in low-cost products by consumers of the product and reduces costs in a particular sector. Where investment is productive or product rising, consumers benefit from better quality products or new products. Outbound production should be less than production growth, because labour and consumer benefit from high productivity in foreign enterprises. Even if the increase in productivity is recognized as a foreign exchange, the government's income tax or acquisition of copyrights will still be a national gain. The country of capitalization, in the case of a double taxation agreement with an investor country, may benefit from such financial assistance; the taxable profit of an investor in the country may use taxable profits, with a full credit permit granted to foreign taxes.

The most significant contribution of foreign investments will go beyond foreign economies and other economic spheres, indirectly from the direct benefits of the investment project and the positive results. An industry growth ensures that foreign companies share or share other sectors, such as improved transport and marketing services, work ability and organizational changes, or more product or product or service, or more productive in other sectors.

Generally, to bringing physical and financial investment to the buyer country, technology, market information, management and supervision personnel, organizational experiences of non-cash resources and innovation in product and production processes are inadequate to direct foreign investment. As the bearer of technological and institutional changes, foreign investment provides "special technical assistance" and shows the potential effects of other parts of the economy. New resource resources are accompanied by a new technology and foreign companies support the expansion of technological advancements in the economy. This benefit is particularly important in a less developed country, as domestic enterprises can not be experimented with innovation, can imitate advanced techniques by foreign companies, and can overcome this gap. Technical assistance can also be provided to suppliers and customers of foreign businesses. In addition, foreign investment leads to the ability to acquire new skills and abilities. Workers may transfer to other members of the workforce and local firms that can employ new trained employees.

Foreign direct investment can also be encouraged locally investment in buyer country. Foreign capital is used the infrastructure of this country can be further facilitated investment foreign investments may be in the same sector promoting domestic investment by reducing costs for demand or demand in other sectors.

Further revenues will increase and may lead to expansion in other sectors. In a weak country, there are many specific deficiencies and it is common for investors to have difficulty in producing and character. It helps to grow by increasing profits using all low efficiency and pre-limited economy. When foreign investment brings a low-cost product, another industry using this product uses a low price. The second sector brings income and leads to growth.

With the growth of demand for other sectors, there is a significant amount of initial foreign investment to create foreign investment incentives. Foreign investments to the first sector can generate revenues from industry-generating products that produce first industrial or complementary products or produce products purchased by traders. External investment, the development of foreign equity product or product promotion, has a similar effect. Thus, it is possible to combine several internal investments with foreign investments.

In order to attract foreign capital, the host country must provide private businesses, provide additional government services, provide financial assistance, or engage in a foreign business. These are expenses to assimilate public resources that can be used elsewhere. Tax incentives can also be offered and the reason for the government's failure to discriminate against foreign investors for administrative or political reasons. There are financial expenses for promoting foreign investments, increasing government spending, or pre-paying cash. After attracting foreign investment, this should lead to higher income levels and increased internal savings. Nevertheless, foreign investments compete with local investments and, if indigenous industry is concerned, may be replaced by an outsourced share of that profit. Decrease in home-based savings will also have other direct foreign investment costs.

The most important value of foreign investment is prone to them payment balance management issues. While foreign investments are primarily issued by foreign currencies, foreign investment can put pressure on the payment balance. If capital inflow is not increased, new capital flows are insufficient to ensure interest, profit, and dividends are recycled. Despite the net outflow of foreign funds, the host country must create a current account balance equal to payments for external income transfers. Then redistribute resources export or import substitution. This should be done in the form of currency amortization or internal taxes, short-term monetary policy, import restrictions and currency controls.

The negative impact of the balance of payments on these measures represents the indirect costs of foreign investments to be included in the direct costs of foreign investments. The cost of direct investment costs is not a problem when generating enough high yields to increase or substantially increase the domestic real incomes to the capital of foreign equity holders. However, when there is a payment problem, indirect costs are in the foreground. If the country does not have enough foreign currency to cover the foreign investment of foreign investment, it is necessary to take steps to balance international resources or balance the balance of payments.

External measures such as import quotas, tariffs and clearance restrictions may be effective in combating drug trafficking, but are returned through productivity, productivity and real income. Domestic measures for higher taxation and debt consolidation cover costs for reducing investments that are not in line with the objectives of the consumption and investment development plan. Devaluation of the exchange rate may lead to changes in the country's trade conditions, distribution of revenues, inflation pressure and resource allocation.

In some ways or another, the relocation of foreign income can be costly in local real income. Now the main outcome of foreign investment is to classify these costs as benefits or benefits to increase the real income of the developing country and to minimize the adverse effects of some costs. An effective approach to the economic regulation of foreign investment is to ensure that each foreign investment project responds to the criteria that lead to a higher rate of return than the association. With the conceptual framework described above, we can now assess the investment laws and regulatory measures of developing countries.

Foreign capital flows can provide more employment in rural areas. From this point of view, international capital flows are an alternative to labour migration from a refugee country: international labour migration organizations it is the best solution to restrict the internal migration of agriculture to the industrial sector of the domestic sector. Because the new employer's salaries exceed the old (low or actual) wage in agriculture and this is added as a national gain, the social benefits of foreign investment in the industry are more profitable than the profit of this investment.

The direct foreign investment quality is directly divisible by this technical assistance component - management and technical knowledge, which is relatively shorter than capital. As a tool foreign investment, and technical and organizational changes for the transfer of foreign public capital.

Potential foreign investors are thoroughly and thoroughly analyzing the degree of attractiveness of a country, region, enterprise, and organization to reduce risks before investing. The key features of investment attractiveness for them can be:

- Features and availability of the local market;

- Favourable legislative environment and degree of protection of foreign investors in the country;

- Potential labour market (availability of qualified labour and its value);

- Legislative regulation of investment capital and export opportunities;

- Protection of intellectual property;

- Political stability;

- Favourable investment climate;

- Foreign economic policy (quotas, customs barriers, etc.).

The compliance of the investment object with the key features of attractiveness can be achieved through the establishment of certain mechanisms for the regulation and development of investment activity. The basic principles and principles of foreign investment were created through legislative basis and implementation.

As noted earlier, at the beginning of this year, it was very successful for many people. Among the positive signals are the government's emphasis on innovation, IT and creative economics, partial expansion of production capabilities, opening additional research centres and terminals, expanding or strengthening networks. Among the main positive results, the respondents are also clear about state information, gradual regulation, electronic services development (in particular, electronic VAT payment system), simplification of procedures for obtaining permits for construction, moratorium for checks, regulation of currency controls, introduction of private entrepreneur institute.

The main obstacles to attracting foreign investment to the Azerbaijani economy are as follows:

- There is no system for evaluating the investment climate in the country and in separate regions: foreign investors are guided by a large number of consultancy firms, including Azerbaijan, which regularly monitor the investment climate, including in many countries around the world. However, the estimates of the investment environment given by external experts outside of Azerbaijan and without the participation of Azerbaijani experts are quite reliable and perhaps misleading.

- Political instability: the investor appears indefinitely when the political course of the country changes frequently. It is not clear which policy will be implemented by the new government, and the weak economy of Azerbaijan can not always direct such rapid and high risk to risky capital.

- Decrease of market infrastructure of international business in Azerbaijan: a significant number of relevant experts, auditors and consultants will prevent the increase of the foreign capital inflow;

- Tax policy instability: high level and high taxes are deprived of competitive advantages in attracting foreign investors to the government. One of the most pressing issues is the timely payment of VAT previously issued by tax authorities. Taxation conditions for innovation and investment activities do not stimulate development.

- Inadequate legislation is not limited to illegal budgets of all levels and centralized special-purpose funds, as well as illegal registration of non-discrimination in order to register and obtain the necessary certificates. System of work in commercial courts and timely execution of their decisions; lack of investors' legal protection mechanisms from debtors and bad associates. All this caused the appearance of many powerful companies from the Azerbaijani market.

- Customs barriers: a large number of complaints among foreign business circles are mainly the work of customs services due to the volatility of the legislation and the corruption of these structures. High import duties on imports of foreign investments to Azerbaijan, misunderstandings with customs authorities, customs duties and excise taxes, delays of goods in determining customs value of commodities, are few and less appealing to Azerbaijan, abroad, western businessmen for a few days;

- Absence of effective insurance system: insufficient development of state insurance of foreign investments;

- High inflation rate in the country;

- Unreliability of the banking system: Azerbaijani banks lost the credibility of foreign creditors and, most importantly, the trust of citizens. The lending of banks to the legal entities and individuals is limited and the volume of deposits held in the accounts of the Azerbaijani banks has decreased considerably.

Foreign investment laws create a number of questions regarding legal security for foreign direct investment. In order to eliminate corruption, international investment should not be confiscated, foreign exchange deficit and negative discrimination should be protected against non-profit risk. With the history of the application, there is no emerging economically-equivalent tradition, the existence of legitimate environment that is further advanced in industrialized countries, and these countries have to ensure that they are guaranteed in foreign investment commitments and assurances.

It is also important not only to encourage the flow of foreign investments, but also to provide adequate security for a foreign asset to pursue longer-term policies such as human resources investment and foreign investment for Azerbaijan.

When issuing or submitting a foreign investor in accordance with a foreign investment contract, the registration certificate includes a number of specific warranties of the recipient country and liabilities of a foreign investor: at least a period of time for the property to be cleared from the currency control over the money. Profits and capital returns, tax exemptions and import restrictions. In fact, an "agreement on the development of foreign investment" is obtained and the protection of foreign investment is based on the specific terms set out in this first agreement of the host country.

However, the compatibility of these guarantees with international law is problematic. The first call to the instrument to prevent the international legal protection is to determine whether there are guarantees from the receiving state. If the approval documents are specifically agreed between the government and the foreign investor, the elements of the contract can be easily identified. However, the certification document is governed by the overall investment incentive scheme of the developing country, and these guarantees are readily available. Of course, the related law of the instrument - municipal law of the contracting party, municipal law of another state, international public law or "general principles of law" are economically cultural countries."

Problems are then tied to the content of the management law. Given that the Azerbaijan's right does not constitute an international public law, then we are faced with the least problematic aspect of the problem: a breach of an agreement, or a violation of the law by the state, is contrary to international law? The real issue is the protection of international law when the law is modified to end the contractual obligations of a domestic law, created and existing within the framework of the local municipal law.

More important than the investor's authority however, guarantees in international law are possible violation of the document proven by the host government. According to the investment law, the country's law can now be interpreted as a more effective defence proposal in Azerbaijan than private equity. Foreign investment regulations provide for extensive discussions and more security for specific investment contracts, if it leads to the exclusion of unwanted investment. Some types of foreign investment come before discrimination, but this tolerance is not discriminatory. These investments, which are "approved status" as a result of the court, are "a sympathetic review"; When the government joins the initial investment decision, the probability of a breach decreases.

**5. Conslusion**

The existence and operation of international financial groups in the Azerbaijani financial market has led to a certain dependence on the functioning of the national financial system. Therefore, the impact of foreign investment on the insurance market of Azerbaijan is more important than its small volume and more participants in the banking sector. Foreign financial institutions in Azerbaijan are a stronger financial intermediary than domestic financial markets. However, as a result of the financial crisis, the situation may vary slightly, resulting in a partial loss of investment in the domestic financial markets to foreign financial institutions. This can lead to a significant decline in foreign investment in the development of the financial sector in Azerbaijan.

The government should still support and develop the weaker national banking system to create a more competitive environment. It should actively encourage mergers and acquisitions between banks, especially with the participation of foreign investors. If such reforms are successful, access to finance will be improved for entrepreneurs at all levels (generally and especially in better credit terms). Foreign investments directly contribute to capital accumulation and production capacity in the economies of the countries in which it goes. Countries that want to increase their capital accumulation and production capacity create a better investment climate and encourage liberal policies to encourage foreign direct investments. There are economic, social, political and institutional factors affecting foreign direct investments. Recent facts have shown that corruption is a factor affecting foreign direct investments. Corruption increases transaction costs for investors who want to invest in foreign countries. Countries wishing to attract more foreign direct investment should implement more transparent policies and also develop anti-corruption strategies.

Totally, if foreign investment becomes an integral part of the globalization process and plays an important role in the domestic market, the integration of Azerbaijan into the international monetary system can lead to very positive results. Expanding creditors and investors, medium and long-term financing, low interest rates on financial instruments and liquidity create favorable conditions for the development of financial markets. According to empirical studies, the impact of foreign investment on economic indicators is very controversial. It is important to develop an effective market infrastructure, appropriate regulatory policy and appropriate macroeconomic environment to minimize potential negative consequences and provide international financial assistance. Furthermore, the participation of developing countries in the globalization process is subject to financial stress due to different external shocks and requires special regulatory oversight in accordance with the interests of the country.

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