

**THE MINISTRY OF EDUCATION OF THE REPUBLIC OF AZERBAIJAN**

**AZERBAIJAN STATE UNIVERSITY OF ECONOMICS**

**INTERNATIONAL CENTER OF GRADUATE EDUCATION**

**MASTER DISSERTATION**

**on the topic**

**“THE CRITICAL ROLE OF SMALL BUSINESSES FOR THE ECONOMIC  
GROWTH OF KARABAKH REGION”**

**Əlipənahov Kamran Vüqar**

**BAKU – 2022**

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GROWTH OF KARABAKH REGION”**

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## **Elm andı**

Mən, Əlipənahov Kamran Vüqar oğlu and içirəm ki, “The critical role of small businesses for the economic growth of Karabakh region” mövzusunda magistr dissertasiyasını elmi əxlaq normalarına və istinad qaydalarına tam riayət etməklə və istifadə etdiyim bütün mənbələri ədəbiyyat siyahısında əks etdirməklə yazmışam.

# “QARBAĞ REGIONUNU İQTİSADI ARTIMI ÜÇÜN KİÇİK SAHİBKARLIĞIN KRİTİK ROLU”

## XÜLASƏ

**Tədqiqatın aktuallığı:**Xüsusilə torpaqların işğaldan azad olunmasından sonra bütün diqqət regionun inkişafına və iqtisadi yüksəlişinə yönləndirilmişdir.Ölkə ərazisində bu məqsədlə xüsusi komitələr ,qurumlar yaradılmış,bir sıra tədbirlər və konferanslar keçirilmişdir.Bu səbəbdən mövzunun həmin bugünkü iqtisadi siyasətlə,həm gələcəklə bağlılığı vardır.Tədqiqat zamanı bütün bunlar nəzərə alınmağa çalışılmışdır.Bugünkü şəraitdə xırda sahibkarlığın inkisafi ,xüsusilə qeyri-neft sektorunun önəminin artdığı bir dövrdə olduqca vacibdir.Ən əsasda regionlarda ,xüsusən Qarabağ regionunda sahibkarlığın inkişafı indiki dövrdə çox vacib məsələdir.

**Tədqiqatın məqsədi:**Tədqiqatın ən önəmli məqsədi regiondakı potensialı araşdırmaq və hazırki vəziyyəti təhlil etməkdir.Bundan başqa tədqiqat zamanı xırda sahibkarlıqla bağlı xarici təcrübənin necə olduğu və onların üstün cəhətlərinin öyrənilməsinə cəhd göstərilmişdir.

**İstifadə olunmuş tədqiqat metodları:**Tədqiqat zamanı analiz,müşahidə və müqayisə metdolarında istifadə olunmuşdur. Tədqiqatın birinci hissəsində əsasən analiz və müqayisə metodlarından istifadə olunmuşdur.Digər hissələrdə daha çox müşahidə metodundan istifadə olunub və əsasən mövcud vəziyyət tədqiq olunub.

**Tədqiqatın informasiya bazası:**Tədqiqat işində bir sıra mənbələrdən istifadə olunmuşdur.Əsasən tədqiqatın ilk hissəsində xarici ədəbiyyatlar olduqca çox istifadə olunmuşdur.Digər iki hissədə isə əsasən yerli mənbələrdən istifadə olunub.Xüsusilə konfrasn materiallarından,məqalələrdən və müsahibələrdən çox istifadə olunmuşdur.Bundan əlavə ölkəmizin qanunvericilik aktlarından,prezident fərmanlarından da istifadə olunmuşdur.

**Tədqiqatın məhdudiyətləri:**Məhdudiyətlər əsasən elmi ədəbiyyatın bu mövzu ilə bağlı olduqca az olmasıdır. Çünki bu məsələ həm tədqiq olunur,həm də birbaşa həyata keçirilməyə çalışılır.Bu səbəbdən gözləmə imkanı olduqca azdır.

**Tədqiqatın elmi yeniliyi və praktiki nəticələri:**Qeyd olunduğu kimi mövzu olduqca aktual olduğundan tədqiqat zamanı yenilikçi fikirlər qeyd edilməyə çalışılıb.Əsa diqqət potensial sahələrin aşkarlanmasına və praktikada necə istifadə oluna biləcəyinə yönəlib.

**Nəticələrin istifadə oluna biləcəyi sahələr:**Tədqiqatın nəticələri regiondakı xırda sahibkarlığa dəstək olan qurumlarda nəzərdən keçirilə bilər.Qeyd olunan nəticələr barəsində təhlil aparılıb, reallıqda əsk oluna bilər.

*Açar sözlər : xırda sahibkarlıq, tədqiqat, analiz metodu*

## **“THE CRITICAL ROLE OF SMALL BUSINESSES FOR THE ECONOMIC GROWTH OF KARABAKH REGION”**

### **SUMMARY**

**The actuality of the subject:** Especially after the liberation of the occupied territories, all attention was focused on the development and economic growth of the region. For this purpose, special committees, institutions, a number of events and conferences were held in the country. In today's conditions, the development of small business is very important, especially at a time when the importance of the non-oil sector is growing. The development of entrepreneurship in the regions, especially in the Karabakh region, is a very important issue today.

**Purpose and tasks of the research:** The most important purpose of the study is to study the potential of the region and analyze the current situation.

**Used research methods:** It was used in the analysis, observation and comparison methods during the research. In the first part of the study, mainly analysis and comparison methods were used. In other parts, more observation methods were used and the current situation was mainly studied.

**The information base of the research:** A number of sources were used in the research. In the first part of the research, foreign literature was used a lot. In the other two parts, mainly local sources were used. Especially conference materials, articles and interviews were used. In addition, legislative acts and presidential decrees were used.

**Restrictions of research:** The limitation is that there is very little scientific literature on the subject. Because this issue is being studied and tried to be implemented directly. Therefore, the chances of waiting are very low.

**The novelty and practical results of investigation:**As mentioned, the topic is very relevant, so the research tried to highlight innovative ideas. The focus is on identifying potential areas and how they can be used in practice.

**Scientific-practical significance of results:**The results of the study can be considered by small business support organizations in the region. The results can be analyzed and reflected in reality.

*Keywords: small business, research, analysis method*

## **ABBREVIATIONS**

<b>AIC</b>	Azerbaijan Investment Company
<b>AZPROMO</b>	Azerbaijan Export and Investment Promotion Fund
<b>EU</b>	European Union
<b>GDP</b>	Gross Domestic Product
<b>NAFTA</b>	North American Free Trade Agreement
<b>SBA</b>	United States Small Business Administration
<b>SBiC</b>	Small Business Investment Company
<b>SBIR</b>	Small Business Innovation Research
<b>SMB</b>	The Small and Medium Business Development Agency of the Republic of Azerbaijan
<b>SME</b>	Small and medium-sized enterprises
<b>STTR</b>	Small Business Technology Transfer
<b>USA</b>	United States America

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## INTRODUCTION

**Relevance of the research topic:** Small business is the most important element of the market economy, without which the state cannot develop harmoniously. The small business largely determines the rate of economic growth, the structure and quality of the gross national product. There is no official or generally accepted definition of SMEs, the definition of sounds different in different countries, but in most cases, the selection of a particular type of enterprise occurs depending on the number of employed personnel. It is generally believed that fewer than 500 people should be employed in SMEs, although this figure may be lower in some countries. In some countries, the conditions are different for industrial enterprises and enterprises in the service sector, as a rule, the second should be less than the first. In some countries, there is a distinction between autonomous SMEs and those associated with a large enterprise or industrial group, or SMEs are also distinguished based on the management structure (for example, the owner is personally involved in all the affairs of the firm, or the enterprise is family-owned). After all, statistical definitions of SMEs often differ from those developed for economic policy; for example, although a 600-person firm may not be classified as an SME for statistical purposes, it may be eligible to participate in public programs to support SMEs.

The main characteristic of SMEs is small size in the sense that the enterprise does not belong to 10 or 20 percent of the largest firms in the market or industry.

In the thesis to assess the current situation and potential of the region on the background of the economical environment of the country, analysis and comparative methods will be used. The method can also incorporate a wide spectrum of the economic, political, social, and other factors that affect the increasing directions of small businesses in the Karabakh region. To research already experienced mechanisms and methods, their appropriateness and the possibility to implementation in the region comparative analysis method will be used. Economic conditions and other affecting factors s of the Karabakh Region will be compared with similar territories by making an analysis of past events, current political



situation, production, and service opportunities. On basis of that, outputs of used methods in those regions can be assessed in the context of the Karabakh Region, and suggestions and conclusions can be made.

**Statement of the problem and learning level:** The job of private not entirely settled by the exemplary undertakings that private company tackles in created nations. This is, most importantly, streamlining changes in the monetary climate through an extraordinary component for adjusting organic market; improvement of a sound cutthroat climate of the economy, making an arrangement of solid persuasive impetuses for more complete utilization of information, energy abilities and difficult work of the populace, which thus permits all the more effectively create and utilize the accessible material, human, hierarchical and mechanical assets; development of a broadened and excellent arrangement of family, hierarchical and creation benefits; the formation of countless new positions, the development of the main layer of society - the working class; improvement of the imaginative capability of the economy, introduction of new types of association, creation, deals and supporting. The improvement of independent ventures makes the preconditions for sped up financial development, adds to the broadening and immersion of neighborhood markets, simultaneously making it conceivable to make up for the expenses of the market economy (joblessness, market changes, emergency peculiarities).

. Independent venture carries critical pay to the nearby financial plan. Thusly, private companies are exceptionally intrigued by close and successful collaboration with neighborhood specialists, in light of the fact that the majority of the issues of the improvement of little undertakings are associated unequivocally with the arrangement of issues of territorial and nearby significance.

As mentioned, the topic is very relevant, so the research tried to highlight innovative ideas. The focus is on identifying potential areas and how they can be used in practice. The results of the study can be considered by small business support organizations in the region. The results can be analyzed and reflected in reality. As mentioned, the topic is very relevant, so the research tried to highlight innovative

ideas. The focus is on identifying potential areas and how they can be used in practice.

**Purposes and objectives of the research:** The main motivation behind the review is to concentrate on the capability of the area and dissect what is happening. It, first of all, is important to concentrate on the circumstance in the country all in all, and afterward the overall financial circumstance and the current capability of the Karabakh district and to decide the pertinent bearings.

- current situation of the region
- social infrastructure
- regrowth trends of the economy after the pandemic
- potential areas of entrepreneurship that can be developed

**Research methods:** During the assessment of materials, monetary investigation, similar examination, speculation, realistic examinations, examination combination techniques were utilized. Quantitative methods were preferred because the research is based more on statistical and numerical data. The first chapter of the thesis will be explained the role of small businesses in the modern economies, its advantages and disadvantages. In the second chapter of the thesis will be explained the role of small businesses in our country and their main increasing directions. And in this part will be compared small businesses in other economies. In the third chapter of thesis will be talked about the importance of small businesses for economic growth of the Karabakh region, their potential directions, advantages for the region and e.g. The limitation of the study of the subject is the lack of literature on English and native language. Generally, kinds of literature related to this subject is conference materials, articles and statistical materials.

**Research database:** The research database includes published reports of international financial institutions, official websites of government agencies and regional administrations, articles and research of experts in the field, publications of scientific journals as well as other open internet resources.

**Research limitations:** Lack of prior research studies on the topic and the ongoing changes in global circumstances by the date of assignment are the key

limitations of the study. The limitation is that there is very little scientific literature on the subject. Because this issue is being studied and tried to be implemented directly. Therefore, the chances of waiting are very low.

**Scientific novelty of the research:** During the study, potential areas in the Karabakh region were explored, new potential areas were identified. During the study, proposals were made on potential areas. Also, opportunities were created and economic activity in the region was noted.

**Scientific and practical significance of the results:** The outcomes got during the examination and the referenced ideas can be utilized for the working on the proficiency in the organization business framework and to battle such a sort of breakdown later on. Notwithstanding, it assists with helping advantage through cutthroat examination in the district. The consequences of the review can be viewed as by private venture support associations in the locale. The outcomes can be broke down and reflected truly.

# **CHAPTER I. THE ROLE OF SMALL BUSINESS IN THE DEVELOPMENT OF A MODERN ECONOMY**

## **1.1 The role of small businesses and their importance for economies**

Entrepreneurship, or entrepreneurial activity - economic activity aimed at the systematic receipt of profit from the production and / or sale of goods, the provision of services. This definition is given in many economic dictionaries. Thus, both small and medium-sized businesses can be defined in this way. However, this type of business has its own characteristics. So what is small and medium business, and how does it differ from the business itself.

To give a definition, it is necessary, first, to understand why some enterprises can be classified as small and medium-sized, while others cannot. We are talking about the criteria for classifying enterprises as small and medium-sized businesses.

Often, only three criteria are used to classify enterprises as small or medium-sized businesses: the composition of the founders, the amount of revenue and the number of employees. Of course, the size of these criteria is different in each country.

When defining measures to support small businesses at the EU level, other indicators can also be used. The role of small businesses in the world economy increased sharply in the 80s and 90s. According to the UN, in general, small and medium-sized enterprises in the world employ almost 50% of the working population and produce 33-60% of the national product.

International Organization for Economic Cooperation and Development (OECD), which includes economically highly developed countries, enterprises with a population of up to 19 people. belong to very small, up to 99 people. - to small; 100-499 people - to the average; more than 500 - to large ones. In this organization, the main factor is the average number of employees for the reporting period.

The meaning of the European Commission, contingent upon the quantity of representatives the yearly monetary record and the turnover, is viewed as pretty much perceived: the classes of miniature, little and medium-sized undertakings

incorporate those with up to 250 workers, and the yearly turnover doesn't surpass 50 million euros and/or the yearly complete equilibrium doesn't surpass 43 million euros. However, enterprises are not considered SMEs if more than 25% of their capital is held by state-owned entities, excluding institutional and venture capital investments., universities and research centers, small municipal bodies, or more than 50% - to organizations of the types from the list of exceptions above (Johnson.R , Soenen L , 2003: p 364-369).

Foreign experience confirms that legislation may not contain clear quantitative criteria for defining small and medium-sized enterprises.

The Small Business Law (first enacted on July 30, 1953) does not prescribe threshold values for any indicators. According to this law, small is an independent enterprise that does not dominate its field of activity, i.e. does not have a controlling or significant impact on the industry. In one country, there may be several definitions of small and medium-sized enterprises, depending on the purpose for which they were developed (to determine the status of an enterprise from a legal point of view, conduct statistical records and for other purposes). For instance, in Canada, monetary establishments, government and different associations in their exercises work with a genuinely extensive variety of meanings of little and medium-sized undertakings: the National Statistics Agency of Canada involves the measures for the quantity of representatives in the endeavor and its yearly pay to order ventures as little and medium-sized endeavors, and the Association of Canadian banks, little and medium-sized organizations remember endeavors for which the volume of consent to give a credit (i.e., the greatest sum that an endeavor can get as an advance) doesn't surpass \$ 1 million (the requirement for such a methodology is because of the way that most monetary specialist co-ops in Canada don't monitor their clients' employment)(Almeida .P ,2004: p 34).

In light of the investigation of the standards used to characterize little and medium-sized undertakings abroad, it very well may be presumed that because of the absence of a solitary, by and large acknowledged way to deal with grouping endeavors as little and medium-sized organizations, there are numerous definitions

in view of different rules and embraced in various nations. Maybe the main pretty much normal component of numerous definitions is that they accentuate the freedom of little and medium-sized undertakings from the control of bigger endeavors or their gatherings concerning property privileges.

Such a variety of definitions, in our opinion, is inevitable, since the economic development of states proceeded in different directions, and also in accordance with national characteristics, the national legislative base was formed in each country. Considering the role and place of small and medium-sized businesses in the national economy, several factors can be distinguished due to which small business is of particular importance in the country's economy. So, it does not require large start-up investments, but at the same time provides a fast turnover of resources and high growth dynamics (Almeida .P (2004: p 25).

Small businesses are helping to innovate, tackle unemployment and economic restructuring. Smaller scale makes small businesses, which are based on local needs in nature, more flexible to changing economic conditions. In response to changes in market conditions, "small business ... actually helps to smooth out fluctuations in the business cycle." In addition, small business can contribute to social and political stability in the country, since in terms of their economic position and living conditions, private entrepreneurs are close to the majority of the population and form the basis of the middle class, which is the guarantor of such stability. The share of small businesses in US GDP produced by the private sector (excluding agriculture) has also remained relatively stable for several decades, hovering around 50%. American researchers found that the share of small business in the economy depends primarily on how dynamically those sectors of the economy are developing in which small businesses dominate, primarily the service sector. At the same time, in the context of a growing economy, small businesses are expanding their activities, and some of them are moving into the category of large ones, which may entail a decrease in the share of small businesses in GDP. However, the growth in those industries that provide the greatest opportunities for the creation and development of small businesses, contribute to a constant influx of new firms in this area and the

dynamic functioning of already established enterprises. It should be noted that the percentage of small and medium-sized businesses from the total number of firms in the foreign countries we are considering in the historical perspective remains high and fairly stable. In the United States, the number of small enterprises did not change significantly over time, this can be explained by the fact that in the process of their development, as well as under the influence of changes in the economy, some small enterprises became large firms, while some large firms, on the contrary, became small enterprises. Although the role of small businesses in the US economy as a whole remained virtually unchanged, however, the position of small businesses themselves and their impact on the country's economy changed, especially depending on the phase of the business cycle. Little and medium-sized endeavors are significant financial backers in the economy. For instance, notwithstanding the way that huge undertakings stay the principal financial backers in France, it ought to be noticed that in 2006 around 45% of interests in unmistakable resources fell on little and medium-sized organizations.

On the planet monetary framework all in all, little and medium-sized undertakings utilize practically half of the working-age populace. In nations, for example, Japan and Switzerland, most of the workforce is amassed in little ventures (around 67%). In the United States, they represent about portion of those utilized in the confidential area of the economy, in Canada - 60% of the absolute utilized. In North America, little and medium-sized endeavors represent 60-75% of occupation creation. It tends to be noticed that in the United States the portion of laborers in little and medium-sized undertakings in the complete number of representatives is lower, and the portion of laborers in enormous ventures is higher than in Europe. This can be made sense of by the way that in the USA the larger part (around 80%) of microenterprises are exclusively claimed, for example are unincorporated, claimed and worked by one individual, which, when determined, influences the typical size of little and medium-sized undertakings (in Europe this figure is around half).

The typical number of individuals utilized in one private venture in the United States is 3 individuals, similar figure for little and medium-sized undertakings in Europe is 5 individuals.

There are significant differences between individual countries regarding the average size of the enterprise: it is larger in those countries with relatively high GDP per capita, such as Germany, Luxembourg and the Netherlands (the average number of employees is 7-8 people). The opposite situation is observed in Portugal and Greece (4 and 2 people, respectively). About half of small and medium-sized enterprises are self-employed, thus providing jobs and income only for the self-employed and family members working in the enterprise. In general, the role of small and medium-sized enterprises varies significantly depending on the sector of the economy, which is mainly a result of the peculiarities of production processes in various industries. For example, in Europe, large enterprises as a whole dominate in the extractive industry, in the energy sector, in the transport industry (in particular, air and water transport, however, small and medium-sized enterprises dominate in the field of land transport), and small and medium-sized businesses - in wholesale and retail trade, construction, hotel and restaurant business. This is confirmed by the somewhat low normal number of representatives in the endeavor and the huge portion of little and medium-sized ventures in the complete number of employees. A enormous number of little and medium-sized undertakings inside a nation can likewise be tracked down in the schooling, wellbeing and social areas (as, for instance, in France). In Canada, notwithstanding the help area, a generally enormous number of little and medium ventures are tracked down in assembling, horticulture and normal asset extraction.

An unmistakable component of the circle of little and medium-sized organizations is the main job of microenterprises. Specifically, in the nations of "Europe-28" they comprise by far most not just of the complete number of little and medium-sized ventures (92.5%), yet in addition of all undertakings overall (92.3%), and furthermore outperform huge firms in the sign of the portion of representatives



in the absolute number of workers: miniature endeavors represent 39.4%, enormous ventures - 30.3% of the all out number of workers.( M.A. Abdirahman , 2018:p 47)

Simultaneously, for instance, in Italy, miniature ventures with under 10 workers. represents the majority of the utilized - 48%. In Canada, for ventures without workers and for miniature endeavors with the quantity of representatives from 0.5 to 4 individuals. represents by far most of little and medium-sized organizations in ventures like science, proficient administrations, agribusiness and normal asset extraction.

In the Russian Federation, lately, the upsides of such pointers as the quantity of individuals utilized in little undertakings, interests in fixed resources, and the volume of turnover have been expanding. Since there was no regulative meaning of medium-sized organizations in the Russian Federation before January 1, 2008, for the gathering of little and medium-sized undertakings all in all, main an informal marker can be given, for instance, the complete number of workers: as of the start of 2015, it surpassed 25% of the all out financially dynamic populace of the country.

In terms of the sectoral structure, in 2015 the largest number of small businesses were engaged in wholesale and retail trade and renovation, real estate transactions and rentals. On average, the number of employed per one small enterprise was 9 people in 2015 (this indicator has remained virtually unchanged since 1999). Small and medium business is a powerful lever for solving a complex of economic, social and political problems. In countries with a market economy, the small and medium-sized business sector concentrates most of the economically active population and produces about half of the gross domestic product. Thus, the share of small businesses in countries such as the USA, Japan, Germany exceeds 95%, and the share of small businesses in GDP is in the range of 50-60%. The role of small and medium-sized businesses is great not only quantitatively, but also functionally, that is, in terms of the tasks that they solve in the economy. The classic tasks for developed countries, solved by small and medium-sized businesses, include: Smoothing fluctuations in the economic environment, providing a special mechanism for balancing supply and demand<sup>14</sup>. Small firms form a kind of

foundation on which the higher "floors" of the economy grow and which largely determines the architecture of the entire building. This primarily refers to the integrating role of small companies that ties the economy together.

**Table 1. Small businesses shares in GDP**

Economies	Share in GDP, %
Great Britain	50-53
Germany	50-52
Italy	57-60
France	55-62
USA	50-52
Japan	52-55
Russia	10-11,5

Source: [https://www.rosstat.gov.ru/storage/mediabank/St\\_ob2-eng.pdf](https://www.rosstat.gov.ru/storage/mediabank/St_ob2-eng.pdf) 2019

The fact is that, in principle, in a market economy, the presence of effective demand for a certain product should automatically give rise to its supply. But the flip side of effective production is its selectivity: it is not economically justified in all conditions. Large-scale production is more focused on mass, relatively homogeneous demand, the release of large batches of standard products, it does not produce small-scale goods. Only small and medium-sized enterprises are ready to seize any business opportunity. Thus, specialized production is profitable with significantly smaller batches than large-scale production, but it arises only where special and, at the same time, sufficiently long-term needs have been formed. Venture capital (risk capital) is ready for any area of application, but only if success promises ultra-high profits. (Z. J., Audretsch, 1990: p 18)

Small and medium-sized enterprises are able to fill the "free niches" formed in the intervals between the mass of commodities supplied to the market by giant enterprises. Due to the fact that consumers of specific goods in modern markets, as a rule, are hundreds and thousands of times more than suppliers, the individual characteristics of each consumer cannot be satisfied. Large suppliers are guided mainly by average goods and needs, from which a lot of unsatisfied or not fully satisfied retail demand falls out. This is the niche for small businesses. In other words, without small and medium-sized businesses, a patchwork economy would emerge. Some market needs would be fully met, while others would be ignored. On

the contrary, the constant search for new social needs and the continuous adaptation to them is the basis of the strategy of small enterprises. The role of small and medium-sized enterprises in the formation of competitive relations in the economy is no less important. For an individual small and medium-sized enterprise, a collision with a monopoly often ends in death. In the relationship of all small and medium-sized businesses and big capital, the roles are distributed differently. The attacker is most often a swarm of small and medium-sized firms. Let us dwell on two modern forms of this process. In recent years, a new term has appeared in the economic press - generics. It refers to a growing group of small companies that copy the products of leading firms. Initially, this phenomenon originated in the pharmaceutical industry, then spread to electronics and a number of other industries. Almost any effective drug is now on the market in two versions: the original drug and its numerous copies with the same chemical formula. Why are the drugs of small firms cheaper, and not of their powerful competitors? Two points play a major role:

- copying already known drugs, generics do not incur huge costs for research and development, therefore, have low costs;
- monopolies artificially raise prices, but small firms do not.

Thus, the activities of small and medium-sized firms act as a serious constraint on arbitrariness in monopoly pricing. Another noticeable trend in the development of the modern economy is the so-called decrease in the depth of self-processing of the product. Within the framework of the leading monopolies, both highly efficient mass production and small-scale production areas, characterized by low labor productivity, often coexist. What will happen if some of the monopolies close their subsidiary industries and start buying cheaper and better quality parts (components) from small firms? Their costs will fall, and they will be able to sell their products cheaper. Essentially, small independent producers compete with the subsidiary divisions of large enterprises and successfully drive them out of the market. Small and medium-sized businesses act as a scalpel, cutting off low-performing divisions of large enterprises. Small and medium-sized enterprises represent a significant force that can influence the overall structure of the market. If there were no constant

competitive pressure from small and medium-sized enterprises, it would be enough for large companies to conclude mutually beneficial agreements with each other. Nobody would prevent them from jointly raising prices, preserving imperfect technologies, and so on. All this is hindered by small and medium-sized enterprises, effectively curbing the tendency to stagnation inherent in giants. The development of competition creates a system of strong motivational incentives for a fuller use of the knowledge, skills, energy and hard work of the population, which in turn allows more active development and use of the available material, personnel, organizational and technological resources. ( Brusco, S. and E. Righi ,1989).

The flexibility and high adaptability inherent in small and medium-sized businesses to the volatility of market conditions contribute to the stabilization of macroeconomic processes in the country. Little and medium-sized organizations work effectively in little market sections. On the off chance that huge types of business venture add to an expansion in by and large monetary effectiveness because of economies of size of creation, then, at that point, little endeavors give the economy adaptability and portability.

Changing the innovation and design of individual businesses, speeding up the course of capital rearrangement from obsolete ventures to the most encouraging and quickly creating ones. Formation of an enhanced and excellent arrangement of family, hierarchical and creation administrations invigorates the improvement of more adaptable and versatile authoritative and creation structures. Development of the imaginative capability of the economy. Little and medium-sized organizations are open to novel thoughts. Here, one representative records for 2.5 times a bigger number of advancements than one worker of an enormous enterprise. Enterprises of this sort are more adaptable, switch all the more rapidly to the turn of events, testing and creation of new items, which huge organizations frequently deny because of the serious level of chance. The pace of dominating new kinds of items or administrations among little and medium-sized ventures is 30% higher, and the effectiveness (at much lower costs) is multiple times higher.

The US National Science Foundation estimates that small firms innovate 6 times more per employee than large firms, taking an average of 2.2 years to bring their innovation to market, while large firms take 3.5 years. Small firms have relatively low production costs at the initial stage of the innovation process, since, as a rule, the duration of this stage can affect the development and release of new products.

- Expansion of the taxable base of budgets of all levels. Most of the taxes collected in the world come from small businesses.

- Accelerated assimilation of investments.

A particular type of venture action, renting, is quickly creating. Renting particularly draws in little and medium-sized ventures as an answer for the issue of gear arrangement. They become the beneficiaries of the rented hardware, and subsequently put resources into fixed assets. Thus, high paces of development execution, portability of mechanical changes, fast development of the help area, extraordinary cost and non-cost rivalry, driving, from one viewpoint, to bring down costs, then again, to the way that the customer gets items and administrations of better caliber, the chance for the state to get enormous assets as duty incomes - this is the main commitment of little undertakings to the economy. Considering the social meaning of little and medium-sized ventures, the accompanying parts can be recognized: - the production of a wide layer of little proprietors (working class)

- proprietors of little and medium-sized ventures and their workers, the all out number of which is one of the main subjective qualities of any country with a created market economy. They freely guarantee their own prosperity and a good way of life, are the premise of social and financial changes, the underwriter of political steadiness and vote based improvement of society;

- carrying on with work isn't just a wellspring of vocation, yet additionally adds to the exposure of the internal capability of the individual; - the little and medium-sized business area can make new positions, and, hence, can give a diminishing in the degree of joblessness and social pressure in the country.

Small and medium-sized business is a survival sector that draws people who have lost their jobs, servicemen who are transferred to the reserve into the reform process, and is practically the only sector for the rehabilitation of seriously "sick" transitional (mutating) social groups. Small owners, family businesses, small and medium-sized entrepreneurs are less and less dependent on the state and can, by expanding the scope of their activities, reduce the severity of unemployment;

- solving youth problems. Small and medium-sized businesses also open vacancies for young people, some of whom, unfortunately, are now using their forces in the criminal environment;

- solution of issues of regional and municipal development. Factors of economic and social tension are especially acute in regions with undeveloped infrastructure, remote from commercial and industrial centers and roads, with a raw material orientation of the main industries, a monostructure of cities, and agriculture that does not provide basic needs. The development of small towns and villages is unthinkable without the participation of small and medium-sized industrial enterprises. Little and medium-sized endeavors and the imaginative and different handiworks made on their premise add to the reinforcing of the economy of little settlements, smooth out the distinctions between the middle and the territory, and balance the scholarly level and way of life of the populace.

The political impact of little and medium-sized organizations, if they are created, is likewise very huge. With regards to feasible social, financial and political improvement of society, little business visionaries are recognized by the best adherence to the standards of a majority rules government, political strength and monetary opportunity. The layer of little proprietors is most dynamic and, surprisingly, forceful when there is a danger to property, since, in contrast to huge proprietors, for proprietors of private companies their property is much of the time the main method for resource and the main method of endurance. This element decides the indivisibility of the association between independent company and the interests of nearby and provincial networks, which decides its reliance on the public premise and structures a favorable place for its energetic opinions. Simultaneously,

as the verifiable experience of Russia affirms, energetic opinions among little proprietors in states of financial downturn and political shakiness can take outrageous structures and push them to help the most fanatic political forces. Thus, little and medium-sized organizations enjoy many benefits. This is a fast reaction to changes popular, adaptability in navigation, weakness to development, and if fruitful, a moderately top level salary. Notwithstanding, because of restricted assets, the instability of little and medium ventures is a lot higher than that of medium and huge endeavors. That is, the inconsistency of independent venture is self-evident. From one viewpoint, little and medium-sized ventures fundamentally impact the improvement of market relations. Little and medium-sized ventures assemble all suitable monetary and creation assets in the nation, animate logical and mechanical advancement, increment the seriousness of the climate, neutralize imposing business model patterns in the economy, and add to tackling social issues of the market economy. Then again, the suitability of little and medium endeavors is moderately low. The featured inconsistency is intrinsic in little and medium-sized organizations as a compulsory underlying component of any market framework. And yet, there are motivations to affirm that in the states of the created condition of the last option, this logical inconsistency mellow. (Edmiston, K.D,2004.: p. 295)

## **1.2. Foreign experience of small business development**

At present, private venture assumes a vital part in the economy. The level of its advancement generally decides the level of the economy of any state, influences financial development, immersion of the market with merchandise of the necessary quality, and speeds up logical and mechanical advancement. These enterprises are characterized by sufficient mobility, which is why they have the ability to smooth out negative processes in the field of employment of the population, for example, such as the emergence of new jobs. Also, small business has significant potential in the field of involving labor force reserves in production, which, due to its technological and other features, cannot be used in large-scale production. It should be noted that it is small business that gives rise to and develops lending to small businesses, stimulates a decrease in the level of interest rates. Experts disagree about

the role and place of small business in the modern economy. Some experts assign a priority role to small business, while others believe that the state and large companies in economic terms should pave the way for small forms, since it is difficult for the latter to independently create a developed economic space. One thing is clear: in modern conditions, both the state and large firms cannot do without small enterprises, and small businesses need support from government agencies and large businesses.(Clark III, M. and Moutray, C., 2004:p 68.)

Likewise, the improvement of independent venture can foreordain the degree of democratization and receptiveness of the economy of our state, subsequently, it is particularly significant and important to help this section of business. In such manner, the examination of the elements of the improvement of private venture, as well as proportions of state backing and guideline of private company, is of specific importance.Small business is vital for the advancement of the nation's economy. To start with, independent company can be viewed as one of the principal wellsprings of duty income. Thus, private ventures participate in the development of the financial plan through allowances from the benefits of different associations. Likewise, the improvement of independent company adds to the production of new positions, that is to say, it is a type of revenue for the populace (Юрченко А. В. ,2018: стр 35)

Secondly, small business is an important sector of the economy. Small businesses are able to respond more gently to environmental changes than large businesses because they adapt to changes in the market, thereby demonstrating the flexibility and mobility of small businesses. Thirdly, thanks to small business, new types of products and services, which contribute to the development of scientific and technological progress. Thus, for the stable and effective functioning of the economy of any state, the key direction of the economic policy of the state is the development and strengthening of the activities of small businesses.( Богомолов А.И. 2018)

Analysis of the dynamics of small business development.For a more detailed study of the small business segment and its role in Russia, let us consider the analysis of the dynamics of small business development, which was carried out by me according to the results of surveys of small businesses, published annually by the



Federal State Statistics Service. After analyzing the statistical data, we see a negative trend. The number of entities involved in small business is gradually decreasing. At the end of 2017, there is a slight decrease in the number of entities (less than 1%) in relation to 2016. At the end of 2018, the indicator decreased by 6.5% in relation to 2016. In April 2019, the number of entities decreased by 8% compared to 2016 and is 248,085 units.

**Figure 1. Change of legal entities over the years**



Source: [https://www.rosstat.gov.ru/storage/mediabank/iHcck6ia/Stob\\_2019-1\(104\)\\_eng.pdf/](https://www.rosstat.gov.ru/storage/mediabank/iHcck6ia/Stob_2019-1(104)_eng.pdf/) 2019

The diagram shows that in 2017 the share of legal entities in the total number of entities is 89.4%, and individual entrepreneurs - 10.6%, respectively. By 2019, the decrease in the number of legal entities is more intensive than that of individual entrepreneurs. So, in the first quarter of 2019, out of the total number of entities (248,085 units), legal entities make up 89.1% (221,064 units), individual enterprises - 10.9% (27,021 units)

**Figure 2. Workers in the small business sector (2016-2019)**



Source: [https://www.rosstat.gov.ru/storage/mediabank/iHcck6ia/Stob\\_2019-1\(104\)\\_eng.pdf/](https://www.rosstat.gov.ru/storage/mediabank/iHcck6ia/Stob_2019-1(104)_eng.pdf/) 2019

Having analyzed the dynamics of the number of workers in the period from 2016 to the first quarter of 2019, we can notice a downward trend in the number of workers in the small business sector. Compared to 2016, the number of employed in the small business sector decreased by 12.3% and amounted to 6,510,258 people. This decline in the number of small businesses and the level of employment can be explained by a number of factors that negatively affect the development of small businesses. Among the factors, one can note a drop in real incomes of the population, an increase in the tax burden, and the expansion of large networkers in the regions. It is worth noting that experts notice a tendency for individual entrepreneurs to become self-employed for additional tax savings.

The quantity of subjects by area and their absolute divide between the Federal Districts remains basically unaltered. Thus, in the North-West, North-Caucasian, Privolzhsky, Uralsky Federal Districts, the quantity of private company substances has not changed. It ought to be noticed that in 2016 the portion of 1% was in the Crimean Federal District. In any case, to expand the effectiveness of the exercises of state specialists, on July 28, 2016, by pronouncement No. 375, the Crimean Federal District was annulled and remembered for the Southern Federal District. In March 2019, the Central Federal District represents 86,194 elements, 2,041,573 representatives and 238 items, which is multiple times more in the quantity of substances than in the Far Eastern Federal District, multiple times more in the

quantity of workers and multiple times in the quantity of products. State backing and guideline of private venture in Russia. Right now, it is vital to evaluate the viability of the execution of state support measures, since there is an expanded interest in the issues of the connection among business and the state. Bringing measures and instruments to help private venture to a great level is one of the need bearings of state strategy in the field of independent company at the current stage. It ought to be noticed that the possibilities for the advancement of private company in not entirely set in stone by the procedure for the improvement of private ventures in Russia, endorsed by the request for the Government of the Russian Federation dated 02.02.2016 No. 1083-r for the period up to 2030, which thus is pointed toward expanding the turnover of little endeavors, expanding efficiency work, as well as an expansion in the portion of the utilized populace in the private venture area. (Богомолов А.и,2019).

Based on this essential preparation of the state in the field of private company advancement, the turn of events and execution of state projects of the Russian Federation and the constituent substances of the Russian Federation is conveyed out. As for taxpayer supported initiatives, they assist with supporting private companies and assist with decreasing the monetary weight on organizations.

In turn, I believe that entrepreneurs should more carefully study existing government support programs in order to use the opportunities provided to them with maximum efficiency. The infrastructure for support and development of small business is largely developed. A regional network of business incubators, innovation centers, technology parks, transfer and technology centers, microfinance funds, and structures to support export-oriented enterprises has been created. Information, marketing and legal systems of measures to support small businesses are envisaged. Moreover, new electronic forms of tax and statistical reporting, a simplified accounting procedure for some types of activities have been introduced. To optimize the accounting system and tax payments of small businesses, special tax regimes are envisaged. To facilitate the creation and conduct of business, new services have been proposed, including those using mobile devices.

(<http://pravo.gov.ru/proxy/ips/?docbody=&prevDoc=102170561&backlink=1&nd=102571278>  
2019)

Consequently, the significance of independent venture for the advancement of the country's economy is colossal. Independent company is one of the principal wellsprings of assessment income. Plays an extraordinary part in the financial circle, in light of the fact that can affect expanding work and decreasing joblessness. Because of private venture, new kinds of different items and administrations are being made. Private venture keeps an ideal cutthroat climate, deters the improvement of imposing business models and increments customer interest. Subsequently, the extension of the limits of the exercises of little business visionaries valuably affects the monetary market of Russia. Based on the examination of the elements of the improvement of private company, we can presume that, in the period under study, there is a negative pattern in the quantity of independent companies and the quantity of laborers in the independent venture area.

### **1.3 The role of small enterprises in the economy of the European Union**

Until the mid-1990s, different definitions of Small and Medium Enterprises (SMEs) were used at both the European Union (EU) and member states level. In addition, different definitions of SMEs were used in different Union policies such as competition, structural funds, research and development (R&D), public procurement tenders.<sup>1</sup> While this situation caused confusion, it also had a distorting effect on competition in the market. These negativities strengthened the need to establish a consistent and effective policy towards SMEs at the EU level and initiated attempts to develop a common definition of SMEs at both the Union and member levels. In this meeting, where the industry ministers of the member countries came together, the issue was brought to the agenda and the European Commission was asked to develop a common definition for SMEs. (Ewa Lehmann, 2010: p28)

At the request of the European Council, the European Commission presented its Recommendation on a common definition of SME, which would eliminate the definition differences at the Union level. SMEs are defined within the framework of the number of employees, finance and independence criteria in this

Recommendation, which states that it will improve efficiency and competitive conditions by developing more consistent policies for the .( Fox, W.F., and M.N. Murray. 2004).

As should be visible from Table 1, in the primary meaning of the Commission, endeavors with in excess of 50 representatives and under 250 workers are named Fair size Enterprises in the event that their yearly business volume doesn't surpass 40 million ECU or their yearly monetary record complete doesn't surpass 27 million ECU. Limited scope Enterprise is the undertakings with under 50 representatives, whose yearly business volume doesn't surpass 7 million ECU or whose yearly accounting report all out doesn't surpass 5 million ECU. As per the definition, undertakings with under 10 workers, no matter what their business volume, are in the Miniature Business classification. According to the independence criterion set in the Recommendation, if 25% or more of its capital or voting rights belong to one or more organizations, an enterprise will not be considered an SME even if it fulfills the other conditions. However, here, an exception is made for public investment companies, venture capital companies or institutional investors, and it is stated that the fact that these companies have more than 25% capital or voting rights will not prevent them from being classified as SMEs. In addition, the fact that the capital of the enterprise is very dispersed in a way that prevents the determination of who is in control is also included in the scope of the exception. SMEs also have a very important place in the European economy. The fact that SMEs, which constitute 99% of the enterprises in the EU with the number of enterprises over 20 million, provide two-thirds of the total employment, causes them to be described as the real giants of the economy. The advantages they have in terms of their structures have led to the recognition of the importance of SMEs in all developed or developing world countries, and as a result, various policies have been created by the governments for the development of these companies and their opening to foreign markets. One of the advantages of SMEs is that they provide more production and product diversity with less investment cost and create more employment opportunities. The fact that these firms adapt more easily to changes and diversities in demand contributes to

reducing the income distribution between regions. SMEs, which have an important contribution in mobilizing individual savings, also have the quality of being the supporter and complement of large industrial enterprises.

Starting around 2007, there are in excess of 20 million organizations working in the European economy, which are inside the extent of the Union's SME definition. As should be visible in Table 3, when we take a gander at the conveyance of these undertakings as per their scales, we can say that the EU economy has a miniature venture overwhelmed structure. Miniature measured undertakings, whose number is moving toward 19 million, have a vital portion of 92% in the all out number of ventures in the EU. The portions of little and medium-sized endeavors in the complete number of ventures are 7% and 1%, separately.

In parallel with their increasing importance in the economy, there has been a rapid increase in the number of SMEs in the EU. Table -SME EU , which shows the increase in the number of enterprises as of 2002-2007, gives us an idea about the size of the increase in the number of SMEs compared to large enterprises over the years. As can be seen from the table, an increase of nearly 2 million was observed in the number of SMEs as of the mentioned years, while the number of increase in large enterprises remained at only 2 thousand. If we express the increase in the number of enterprises proportionally, while the increase rate in large enterprises was 4.8%, the increase rate in SMEs approached 11%. The mobility in the number of businesses opened and closed is also an important indicator in the evaluations regarding the number of businesses. As of 2003-2005, around 1.5 million new workplaces were opened in the EU every year, while 1.3 million workplaces were closed.( Lukacs, E., 2005.).

The pointers given in regards to SMEs show that these endeavors have a vital spot in the economy both at the Union and part states level. The way that SMEs can be laid out with a little capital and their general costs are low is a strong variable for the foundation of the business and results in them having a huge mathematical load in the financial structuring.SMEs, which make up over the vast majority of the quantity of ventures, comprise a significant piece of the EU business experience and

monetary movement. Albeit the expansion in the quantity of huge undertakings was 2,000 in the 2002-2007 period, the expansion in the quantity of SMEs north of 2 million is a significant mark of the size of the gig creation limit of these ventures. Because of the fast expansion in the quantity of SMEs, the portion of SMEs in the expansion in work in this period was over their commitment to business.

Despite the high number of enterprises and their high share in employment, the fact that they have a less efficient structure causes the contribution of SMEs to the economy to remain below the expected level. The fact that the labor productivity of SMEs, especially micro-enterprises, is at a very low level, causes the contribution of these enterprises to added value to be low. However, given that micro enterprises are more advantageous than large firms in terms of job creation capacity, the question of why more employment is provided in micro enterprises with a less efficient structure comes to mind. This is explained by the change in the traditional roles of SMEs due to increasing globalization. Globalization leads to an increase in the outsourcing and offshoring opportunities of large enterprises, and as a result, these enterprises shift their production to lower cost countries. While this situation has a positive effect by increasing the productivity of these enterprises, it also leads to a decrease in the number of employees they employ. SMEs play a key role in eliminating unemployment that arises as a result of large enterprises shifting their production from the country to lower cost countries with the opportunities brought by globalization. (Foss, N., Robertson, P., 1999).

SMEs bring dynamism to the economy with the new job opportunities they create on the one hand, and their performance in the field of innovation on the other. As a result of their flexible structure, their rapid adaptation to innovations makes it easier for SMEs to quickly adapt to structural changes. SMEs, which have an entrepreneurial spirit in their main structure, contribute to political and economic stability by strengthening the middle class. led to its development. The main purpose of SME policies followed at EU level is to create a suitable environment for the establishment and development of these enterprises. SMEs, which have a large numerical weight in the EU economy due to their flexible production structures and

low establishment costs, have important advantages as well as disadvantages compared to large companies. The main problems of these enterprises are the inadequacy of their financial resources and thus their inability to carry out adequate research and development activities, their lack of technical and sectoral knowledge and consequently their low productivity levels, their inability to benefit from economies of scale as a result of not having sufficient market power. In addition, the fact that they have less lobbying power compared to large-scale companies causes SMEs to be more vulnerable to market uncertainties and risk, and accordingly, they are more sensitive to government policies and activities of other companies.

SMEs have been significantly supported at both the member states and the EU level in order to eliminate these disadvantages they have and to work more effectively in proportion to their weight in the economy and thus to gain competitive power in the international arena. However, the policies for these enterprises were not included in the Founding Treaties of the Community and developed and shaped over time within the framework of various policies and programs introduced and implemented especially since the 1980s. The legal basis of the SME policy was the Maastricht Treaty of 1992. For this reason, it was thought that it would be appropriate to consider the development of the EU's SME policy in two basic periods, namely the pre-Maastricht period, where the activities for the development of industrial policy were predominant, and the post-Maastricht period, when the legal basis of the SME policy was established and developed. The Treaty of Rome, which established the Community, did not include any provision on the establishment of a common industrial policy. This is because it is assumed that the development of the Common Market, the removal of barriers at internal borders, and the implementation of free competition and common trade policy will ensure the development and dynamism of the Union's industrial sector. As a result of this assumption, in the first years of the Community, a common policy on industry was not determined, except for certain sectors such as coal and steel industry within the framework of the European Coal and Steel Community (ECSC). In this period, the activities of the Group towards the industrial sector were mostly aimed at



modernizing the structure of this sector. These efforts, on the other hand, have been limited to a few intergovernmental programs for micro-mergers with minimal impact.

In the 1960s and 1970s, the different goals and economic philosophies of the member states constituted an important obstacle in the formation of a common industrial policy of the Union. In this period, while the German, British and Dutch governments followed liberal economic policies, the French and Italian governments preferred strategies that supported state interventions. The 1973 oil crisis, on the other hand, caused almost all countries to follow overprotective industrial policies in order to compensate for the losses incurred.(Idson, T.L. 1996).

These policies followed by the member states of the Union were heavily criticized by the economists of the period and non-member countries. In the context of the protectionism policy after the 1973 Crisis, the state aids protecting the outdated and inefficient sectors and stopping the structural reforms weakened the competitiveness of the European industry. In this period, European companies lagged behind the American and Japanese companies, which carried out their structural reorganizations more effectively in high-tech industrial sectors, and the developing countries of Southeast Asia, which produced much cheaper in traditional industrial sectors. The fact that the European industry lagged behind both developed and developing countries led to the re-evaluation of the industrial policies of the member countries at the national level, and revealed the need to coordinate the industrial policy more effectively at the Union level. Seeing SMEs as unstable and marginal companies until the 1980s, the EU realized their importance in the economy and started to determine its industrial policy mainly for these initiatives. Based on the importance it attaches to SMEs, the Commission declared 1983 as the "European Year of Small and Medium Enterprises and Crafts" as the first action. The first SME Action Plan to increase entrepreneurship was put into effect on May 24, 1984. With the First Action Plan, it is aimed to increase the number of SMEs by simplifying and making the administrative, legal and economic environment more transparent, to improve the training and financing opportunities of these enterprises,

to establish healthier communication between SMEs and the Union, and to increase the interaction and cooperation between SMEs. . The Action Plan has also brought various formations such as the European Information Center Network, Business Development Centers Network, Company Cooperation Network in order to achieve the stated objectives. The second action plan regarding SMEs was drawn up in 1987, and in 1989, a new General Directorate responsible for business policies was established within the Commission for the purpose of improving the business environment of SMEs. In order to ensure the continuity and sustainability of these supports, multi-year programs have started to be introduced.

#### **1.4 The role of small enterprises in the economy of the USA**

The United States Small Business Administration (United States Small Business Administration (USSBA) extensively characterizes little and medium-sized organizations, alluding to this classification any venture, the quantity of workers of which doesn't surpass 499 individuals. The portion of such ventures represents 99.6% of the all out number firms in the US Micro-undertakings (up to 9 individuals comprehensive) make up 75.8%. Advances to SMEs represent just 26.5% of all business credits in the United States. Starting around 2009, their volume has been diminishing and added up to USD 607.6 billion toward the finish of 2011. Simultaneously, credits to organizations in general have additionally declined since 2009. The normal financing cost on business advances diminished fundamentally in 2015 contrasted with 2011 - just about 2 times. The US Small Business Administration (United States Small Business Administration (SBA)) assists entrepreneurs with every year accessing government orders in overabundance of US \$ 100 billion, and the FDA's arrangement of assurances surpasses US \$ 90 billion. More than 1 million private companies get free counsels consistently. (<https://www.sba.gov/about-sba> 2022)

The office offers help to private companies in various ways, specifically, gives admittance to financing sources.

a) The SBA doesn't give credits to business people straightforwardly, yet streamlines the very methodology for getting them. The SBA gives ensures under

advances got under the results of credit establishments planned as per the necessities of the SBA.

b) Insurance of execution of commitments. The SBA can go about as an underwriter for contracts, one of the members of which is the SME substance, and ensures the satisfaction of the SME's commitments under the agreement. Ensures are given under agreements in how much up to \$ 5 million, and now and again - up to \$ 10 million.

c) Access to investment. Adventure funding is given through Small Business Investment Companies (Small Business Investment Company - SBIC). These organizations are made and work on confidential cash, the SBA manages permitting and administrative exercises, and furthermore furnishes SBIC with admittance to credit finances based on positive conditions.

SBA conducts instructive work among business visionaries by directing preparation phases in the accompanying regions:

- beginning a business and dealing with a business; business supporting;
- government request;
- specific preparation phases (trade arranged business, "green" business, current media advancements in business, and so on.)

The SBA gives admittance to independent ventures to government acquisition, with the fundamental objective being to move something like 23% of government obtainment to private ventures, of which 5% to ladies possessed organizations and 3% to organizations claimed by military veterans and organizations that work an on the area of generally underutilized zones for business.

1) Subcontracting - SBA keeps a register of huge ventures that have gotten an administration request in how much north of 650 thousand US dollars (over 1.5 million US dollars in development) - such organizations are expected to get ready and send plans for subcontracting to the Government for endorsement.

2) Preferential circumstances for getting an agreement by organizations claimed by residents from the most weak portions of the populace (the supposed organizations "8 (a)" - as per the quantity of the statement of the law on independent

ventures). This program incorporates classes and meetings, a "tutor protégé" sub-program, in which currently effective business visionaries give their experience to fledglings.

SBA is the organizer of two fundamental projects around here - the Small Business Innovation Support Program - Small Business Innovation Research (SBIR), and the Technology Transfer Program to Small Businesses - Small Business Technology Transfer (STTR).

It appears to be wrong to gripe: in the United States, SMEs are a fundamental piece of the economy and one of the principal causes of occupation creation. Organizations with up to 500 representatives utilize 60 million individuals. Private companies (up to 20 utilized) represent 18% of occupations in the confidential area. Additionally, there are 21 million independently employed individuals in the United States. In 2015, 394 thousand new businesses made 2.3 million new positions (a normal of 5.8 each).

Be that as it may, in ongoing many years, the speed of start-up has eased back decisively. Both the quantity of new organizations and the quantity of firms under five years old have declined. Solely after 2014, when workers laid off from huge companies went into their own business, this pattern started to unfurl gradually, and the decay stopped. Taxes are one of the fundamental worries for little and medium-sized organizations in the United States. It is truly challenging to begin a business due to permitting expenses, finance charges and deals charges. To be sure, the development of deals and work charges is one of the most mind boggling in the world. Taxes are horrendously muddled. The sites through which you can pay burdens electronically are exceptionally complicated, and the duty authorities you go to for exhortation are frequently befuddled and commit errors, offering various responses to similar question. The fundamental issues of the expense framework are the intricacy, continuous changes and fracture of guideline. Charges are managed by four degrees of government: organization, state, locale, district. Expense form structures change at a recurrence of two times per month.

To recruit a worker, you really want to enlist with five distinct government organizations. Numerous entrepreneurs accept charges are erratic and unfair. The second issue is State guideline. American businessmen complain about difficulties in obtaining all kinds of permits and licenses almost like Russian ones. The process of obtaining licenses is very expensive and slow, entrepreneurs complain, and it takes months. The Kentucky administration is trying to support small entrepreneurs, but the site where you can register a business is very inconvenient, and the whole process of obtaining documents, licenses, paying many fees for them is completely discouraging. One of the exceptions is Texas. Houston has made one window for business registration and provides free consultations to small entrepreneurs. Together with the University of Houston, the City Hall has opened a variety of industry-specific training courses for them. Another exception is Georgia, where in just a few hours and a small fee, you can set up a company online, even getting a taxpayer identification number. In a few hours, you can register a company in Nevada. (Anderson, P.M., and B.D. Meyer. 1994, p. 68)

The situation with the regulation of an already operating business is much worse. Many regulations, as in the case of taxes, operate at the local level. Each municipality and county introduces its own requirements. As a government certified Florida building contractor, to work in any municipality, he must re-register, pay a fee, and meet specific local requirements. The entrepreneur has a license to build the entire house from foundation to roof. But he has no right to repair your roof if it starts to leak: this must be done by roofers licensed below him. This excessive control creates a lot of confusion and wastes the time of officials and business. The third issue is employing laborers. Around here, independent ventures additionally have numerous grumblings against authorities. Setting the lowest pay permitted by law at \$ 8 every hour raises the expense of employing a laborer to \$ 5500-9500. Notwithstanding installment, entrepreneurs should safeguard the worker's responsibility. The similitude of the issues of the American and Russian private company shouldn't console. The States are a large developed economy. Regulatory flaws can be forgiven for at least the size of the market, where everyone has a place.

We do not have this "excuseful" circumstance. And looking at the shortcomings of someone else's regulation is very helpful. If you see not the most pleasant person when you look in the mirror, you might think that it is lying. But when you look at another, the mirror cannot deceive. And if your shortcomings seem worthy of forgiveness, then a beam in someone else's eye is a good reason to find and remove obstacles to business development at home.

Thus, the American economy is in many ways a model of regulation for many countries of the world, and small businesses face problems in it. There are some problems associated with the functioning of the tax system and the state regulation system.

## **CHAPTER II. PROSPECTS FOR THE DEVELOPMENT OF SMALL BUSINESSES IN AZERBAIJAN**

### **2.1 Research of the current state of development of small business in the our country**

The motivation behind this part is to give data on the scale and financial significance of miniature, little and medium endeavors in Azerbaijan. This is the reason for figuring out the elements of improvement, the effect on the economy and the current issues on the presentation of the business. As of late, the country's economy has become particularly because of the quickly developing oil industry, which, thusly, has added to the development of the quantity of little and medium-sized endeavors. In any case, the expansion in the quantity of SMEs doesn't mirror the commitment of the business area to GDP. Because of the development of the oil area, the improvement of the non-oil area was nearly mechanized against the background of an overall monetary flood. That's what late patterns demonstrate, as opposed to the oil area, development in the non-oil area has declined. In Azerbaijan, little and medium ventures are partitioned into two gatherings:

- 1) individual business people (for example the sole proprietor of the undertaking)
- 2) little and medium-sized undertakings (for example lawful substances).

Sole owners unambiguously are considered as little undertakings, and those enrolled as legitimate elements are characterized by two pointers (number of workers and yearly turnover).

The growth of the SME sector indicates its increasing importance for the country's economy. This is characterized by an increase in the number of registered enterprises, in particular, an increase in the number of employees employed here. However, 90% of the workforce in the entrepreneurial community is made up of private entrepreneurs. According to the information received during the survey, it is easier for entrepreneurs to work as a sole trader in the formal economy for a number of reasons:

- 1) The process of registering an individual entrepreneur is relatively simple for a legal entity;

2) individual entrepreneurs have less registration, licensing and permit costs;

3) According to traders, individual entrepreneurs are less frequently inspected by local or regional departments of inspection bodies than legal entities, since there is no single list of individual entrepreneurs, registered with the head offices of ministries or departments. Legal entities are registered at the central office ministries or departments and are therefore audited by those agencies. According to the general opinion of entrepreneurs, informally reaching an agreement with central government officials is more difficult than agreeing with regional representatives of these agencies. (<https://www.economy.gov.az/en/article/kichik-sahibkarlig-meyar/21404>)

According to the State Statistics Committee, 5 out of 6 entrepreneurs were engaged in agriculture, forestry and fishing, trade, repair of vehicles, provision of services in other areas, storage facilities. The main part of individual entrepreneurs intending to engage in entrepreneurial activity was registered in the economic regions of Baku (29.1%), Aran (21%), Ganja-Gazakh (14.5%) and Lankaran (10.2%). By the Decision No. 556 of the Cabinet of Ministers of the Republic of Azerbaijan dated December 21, 2018, Standards for the conveyance of miniature, little, medium and enormous business elements was endorsed. As indicated by the above measures, the rundown of workers is 10 individuals and less or business elements with a yearly pay of 200 thousand manat or less miniature, the rundown of representatives is 11 to 50 individuals or the yearly pay is from 200 thousand to 3,000 thousand manat independent ventures, the rundown of representatives Entrepreneurial substances with a yearly number of 51 to 250 individuals or a yearly pay of 3,000 to 30,000 manat are viewed as medium-sized endeavors, workers with a rundown of workers of 251 individuals or more or a yearly pay of in excess of 30,000 manat are viewed as enormous business substances. Yearly pay incorporates the expense of merchandise conveyed, work performed and benefits delivered during the announcing year, as well as non-deals pay. As indicated by the measures, to decide business people as miniature, little, medium or enormous business people, the typical number of representatives and the yearly pay are higher than the standards.



In deciding recently settled business substances as miniature, little, medium or huge business visionaries, the quantity not entirely set in stone inside 1 (one) year from the date of their state enrollment or duty enlistment will be taken as a premise. Task of business visionaries to miniature, little, medium or enormous business not entirely settled by the Ministry of Taxes of the Azerbaijan Republic and the Ministry of Labor and Social Protection of the Azerbaijan Republic based on data on these business elements sent to the State Statistics Committee of the Azerbaijan Republic. As per Part 3 of Article 4-1 of the Law of the Republic of Azerbaijan On Entrepreneurial Activity, state backing and advantages gave to miniature, little and medium undertakings inside the system of measures to direct business are done based on standards for division of miniature, little, medium and enormous ventures.

The new criteria identified by studying international experience allow to significantly expand the scope of these supports and benefits. (Əbdürrəhmanov Ə, 2000)

**Table 2 Limits of criteria for classification of small entrepreneurship subjects on types of economic activity**

<b>Entrepreneurship category</b>	<b>Average number of employers (person)</b>	<b>Annual turnover (without VAT, excise)</b>
Industry and construction	< 50	> 500 thousand AZN
Agriculture	< 25	> 250 thousand AZN
Wholesale trade	< 15	> 1 mln. AZN
Retail-store trade, transport, service and other types of economic activities	< 10	> 250 mln. AZN

Source: <https://economy.gov.az/en/article/small-entrepreneurship-subjects> 2020

As a result of the reduction of opportunities for economic development of oil and gas activities, rich natural reserves of the country, including such countries as Kazakhstan, Saudi Arabia and Russia, there are difficulties in dealing with economic difficulties. At that time, Azerbaijan encountered the same situation. The state has a strong political freedom and a chance to further strengthen its position in the world economy, based on the foundations laid for the last decade. A sharp reduction in the price of oil in the results of processes occurring in the international economic system since 2014, as well as the reduction of dynamics economic growth as a result of the

crisis in the trading partners of Azerbaijan required the introduction of new approaches to economic development in our country. The main task, which was solved at this time, was the realization of new economic reforms to mobilize existing potential non-oil sector and ensuring dynamic development in this area.

Selection of points of growth for further economic growth of the country is a significant strategic conclusion. With reduced potentials development of value added in the model of enhanced savings of wealth, in new strategic period, the country faces two options to approach

further growth:

1. labor-intensive growth model
2. Growth based on performance and efficiency.

Interfacing with the worldwide worth chain, changing to an efficiency and effectiveness based monetary development approach, at the right and sensible time, could be an undeniable vital decision as far as development quality and sustainability. An significant job was played by the financial strategy of President Ilham Aliyev in the field of economical improvement of our nation, including the enhancement of the economy, which is one of the needs of this strategy. Accordingly, the economy has become over the beyond five to six years, for the most part because of the advancement of the non-oil area, and the portion of this area in the GDP has arrived at right around 70%. As a general rule, as per official measurements and macroeconomic pointers, throughout the course of recent years, the country's non-oil area has developed by more than 2.5 times. Accomplishing the objectives set makes the circumstances for making an exceptionally productive financial framework that is adequately cutthroat on a worldwide scale. Verifiable and late experience demonstrates the way that such a framework can work just under states of market relations in view of enterprising drive and free contest. Simultaneously, the arrangement of reliably high paces of advancement in the monetary and social circles requires a satisfactory association of state guideline in a market economy and its further improvement, considering the most recent patterns and bearings in the worldwide world economy. With the finishing of the change time

frame and the arrangement of solid market relations in Azerbaijan, the elements of state guideline and the executives started to work, principally in the field of keeping up with macroeconomic security, making conditions with the expectation of complimentary contest in the nation, fostering the business climate and expanding neighborhood and unfamiliar speculation, modernizing design of the economy, execution of venture and huge foundation projects, compelling association of social assurance of the populace. The utilization of the most recent advancements in modern movement is being energized, particular and broadly useful modern towns are being made. The arrangement of the foundation of modern towns by financial locales is the principal bearing of the state strategy for the advancement of the non-oil handling industry. With this perspectives in term of this idea is the errand of framing a unique monetary zone and the making of modern towns for each financial district by working out their monetary potential. Right now, major areas of strength for an is being made in the locales of the country for the improvement of the non-oil industry. Starting here of view, consideration is attracted to the most common way of making modern parks Balakhani and Pirallahi in Baku, the start of the association of drug creation in the nation, as well as work to make modern zones in the locales. Coincidentally, the "State Program for the Development of Industry in the Republic of Azerbaijan for 2015-2020", supported by President Ilham Aliyev toward the finish of last year, will without a doubt speed up the fast improvement of the non-oil industry before long. As per President Ilham Aliyev, the executed and arranged industry undertakings will carry incredible advantages to our nation, make thousands and a huge number of new positions. This will build the commodity of non-oil items in Azerbaijan. During the announcing time frame, some non-oil stores were seen in the mining business (copper minerals and concentrates, silver, salt, gypsum and anhydride). In January-September, products worth 6 billion 482.3 million manats were created, which is 0.7 percent more than in a similar period last year. Because of the steady execution of the food security errands recognized by President Ilham Aliyev as one of the needs of the financial advancement of our country, food items, which are viewed as one of the main areas of the non-oil area, expanded by 4.3% in

the initial nine months of this current year. During the revealing time frame, material items in the nation expanded by 2.7 times, clothing - by 34.6%, furniture by 16.3%, carpentry and wood items by 32.2%, printing items - 12.7%, electrical hardware - 2.6 times, PCs and electronic items - 14.9% and other significant items. Measures have been taken to help the consequences of scholarly movement, make great circumstances for drawing in interest in curiosity and imagination, consistently extend the non-standard economy in view of licensed innovation, and increment the offer in the nation's GDP.( <https://azerbaijan.az/related-data/139> 2021)

As per the Decree of the President of the Republic of Azerbaijan No. 610 dated June 24, 1997 and negative. 733 dated August 17, 2002 "State Program for the Promotion of Small and Medium Enterprise Entrepreneurship in the Republic of Azerbaijan (1997-2000) State Program for the Development of Small and Medium Enterprises in the Republic of Azerbaijan (2002 - 2005) "Was embraced and carried out.. During the 90s, the Laws "On ventures", "On pioneering movement", "On speculation action", "On the insurance of unfamiliar speculations", "On state support for private company" were taken on. ", "On antimonopoly exercises", and so on. What's more, the State Program for the Reliable Supply of the Population with Food in the Republic of Azerbaijan for 2008-2015, supported by Presidential Decree No. 3004 of August 25, 2008 and 3043 of September 15, 2008, and Republic for 2008-2015", as well as Decree No. 118 dated February 27, 2014 "On the condition of financial advancement of the districts of the Republic of Azerbaijan for 2014-2018" Program "and the State Program for the Development of Industry 2015-2020 in the Republic of Azerbaijan, supported by Decree No. 964 of December 26, 2014 on the advancement of business venture, further improvement of the business climate, Measures are visualized to work on the systems for safeguarding real interests. April 25, 2016 by the Decree of the President of Azerbaijan Republic of April 21, 2016, pointed toward empowering the job of business visionaries in essential issues like work, non-oil sends out, improvement of the business climate, and advancement of help for business venture in the public arena. It was made as "Business person's Day" in Azerbaijan. Another course for the extension of business venture in the state was

given by the undertakings reflected in the Development Concept "Azerbaijan-2020: an investigate what's in store". The development of business in the express, the future improvement of the business area, the association of neighborhood and unfamiliar speculations, the utilization of imaginative advancements, the improvement of the creation of top notch and serious items are one of the upsides of Azerbaijan's financial development strategy. For this, orderly and predictable measures are being proceeded, the motivation behind which is the development of business venture in the state. Needs for business ought to be distinguished, including a brought together way to deal with little and medium venture strategy, more extensive utilization of developments, worldwide guidelines, development of state backing to trade markets, further extension of monetary, warning and other help components, as well as observing and assessment systems SME improvement in Azerbaijan is a difficult issue. Thus, from the macroeconomic strategy it is important to go to lengths pointed toward tending to various issues, including clear objectives, according to the perspective of the residents of Azerbaijan, particularly business people and significant government authorities. Thusly, the execution of institutional changes that help the improvement of SMEs and the production of good circumstances for their advancement are of vital significance. Guaranteeing the feasible improvement of current business is the reason for carrying out the technique for the financial advancement of Azerbaijan. It is the premise of the creative and useful nature of the economy.

## **2.2. The main directions of incrsing the contribution of small businesses to the development of the economy of Azerbaijan**

As of now, the changes completed in the country under the administration of the President of the Republic of Azerbaijan, Mr. Ilham Aliyev, have become more far reaching, and the establishment has been laid for the progress to a subjectively new phase of reasonable improvement in financial turn of events. Fundamental the reason for the new stage is to guarantee the supportability of dynamic financial improvement in the country in the drawn out in view of the standards of monetary proficiency, civil rights and natural security, expanding the seriousness of the public

economy and its compelling mix into the worldwide monetary framework. Consistent improvement of the business climate in the country for the advancement of business, improvement of the regulative system around here, fascination of neighborhood and unfamiliar speculations, current innovations, the executives practices and creation of excellent cutthroat items are among the needs of the financial improvement methodology laid out by the President of the Republic of Azerbaijan. Our primary objective today is to guarantee the supportability of dynamic advancement in the nation in view of expanding the seriousness of the public economy and the successful coordination of the world financial framework, speeding up the improvement of the non-oil area and business venture. The methodical execution of state sponsorships for business venture, working on the effectiveness of state support measures for business venture has accomplished significant accomplishments around here. State relations have been created and significant measures have been taken to further develop state guideline of business. Functional instruments have been laid out to safeguard the freedoms of business visionaries and their obstruction has been diminished because of their application. Administrative archives took on in the field of business advancement, further improvement of the state monetary component for business venture, expanded the self-assurance of business people, animated the extension of pioneering movement, particularly new business elements in the locales. Enterprising associations working in the nation are presently effectively engaged with social drives. Pronouncement of the President of the Republic of Azerbaijan dated October 5, 2002 "On the advancement of insurance in agribusiness", "On the endorsement of the Regulations on the circulation and installment of monetary help to animate protection in farming", dated March 4, 2004 "On Determining the piece of agrarian property and guaranteed occasions and protection installments paid for monetary assets accommodated monetary help", embraced by the Cabinet of Ministers of the Republic of Azerbaijan on March 4, 2004. These administrative legitimate demonstrations supported the guidelines for the dissemination and installment of monetary help to animate protection in the economy. Likewise, grain, corn,

sunflower, potatoes, sugar beets, vegetables (greens without VAT) organic products, citrus and grape plantation items area (item) - fire, hail, flood, flood, ice hit the state monetary help with rustic regions as well as species property and guaranteed occasions and the piece of the authoritative insurance payment paid from the state spending still up in the air in how much 50% of the protection payment. Instances of giving monetary help to animate protection in agribusiness are likewise plainly demonstrated.

As per the prerequisites of market relations, the course of improvement of private venture in the country's economy proceeded. New measures for distinguishing independent ventures by sort of monetary action were endorsed by the important Decree of the Cabinet of Ministers of the Republic of Azerbaijan.

Chips away at the production of an online business online interface and an electronic monetary guide of the country, which will uphold business people, particularly farming makers, in the utilization of current strategies and advancements. Because of designated measures, the positive patterns saw in the nation's economy and the improvement of its business keep on arising. In the primary portion of 2012, the genuine GDP development rate was 1.5% contrasted with a similar period last year and arrived at AZN 25.9 billion at current costs.

Excitement is in a general sense not the same as inspiration. As per the creators, inspiration can be deciphered as a complicated framework that expects to change values, and feeling is one of the manners by which inspiration is given. The worldwide experience of the market economy affirms the significant position and high financial productivity of private companies in the development of new sorts of work and social relations and the making of new kinds of specialization and participation of work. The benefits of little ventures are tracked down in the capacity to rapidly adjust to showcase changes and changing creation conditions. Little and medium-sized ventures are a typical and primary piece of the economy of practically all nations, and thus industrialized ones. It is realized that the development of little ventures in every nation has its own attributes, in light of authentic traditions, and thus the laid out job and position of little endeavors in the economy of the state.

Also, it relies upon the accomplished degree of industrialization and centralization of the economy, and thusly, the undertakings of which should be settled in the field of business in the new financial circumstances. Business extension is a fundamental condition for financial development. An economy where the little and medium-sized venture (SME) area assumes a part receives significant rewards:

- The mobility of the economy is expanding, as most market members (SMEs) are innately quick and proficient flexibility to financial circumstances;

- The security of the economy is expanding, in light of the fact that dangers are divided between countless organizations (SMEs), reliance on a set number of market elements is diminished;

- The cutting edge probability of the economy is expanding, in light of the fact that most business elements (SMEs) inside will generally reinforce the presentation of current thoughts in business venture and their dispersal in the financial circle;

- The financial development of individual areas of the nation is settling, as the area of most market members (SMEs) will in general be decentralized.

Over the previous period, various measures have been taken to help the advancement of business venture in Azerbaijan. In this way, as per the Decree of the President of the Republic of Azerbaijan No. 610 dated June 24, 1997 and negative. 733 dated August 17, 2002 "The State Program for the Promotion of Small and Medium Enterprises in the Republic of Azerbaijan (1997-2000) The State Program for the Development of Small and Medium Enterprises in the Republic of Azerbaijan Republic (2002-2005)" was embraced and implemented. In the setting of the globalization of the worldwide monetary framework, the most common way of extending the worldwide division of work is escalating. In such circumstances, need undertakings emerge, like ideal displaying of the advancement of the public economy, assurance of public monetary interests, enhancement of the economy, and lessening the reliance of the public economy on unrefined substances and regular assets. Obviously, the support, mediation and development of the monetary strategy of the state in these issues are vital. Guidelines and changes are continually being executed in our country to help private company. One of the most significant of these



is The Small and Medium Business (SMB) Development Agency of the Republic of Azerbaijan . (<https://www.smb.gov.az/en/nav/about-us> 2021)

Starting around 2004, another stage in the advancement of business has started. In 2015, the portion of the confidential area in GDP and business was 81 and 75 percent, separately. As of July 1, 2016, the quantity of business elements enrolled in the nation surpassed 700,000. The state strategy in the business area ought to give various circumstances:

- Constant, and that implies the computation of the elements of business in the short, medium and long haul

- The entirety, which is appeared in considering the shortcomings of little and medium-sized organizations, both in the asset and in the product market

- Effectiveness, which counts not just pay for the objective limits of little and medium-sized organizations, yet additionally the fascination of its goal merits;

- Proportionality of costs to distributed tasks. There is a minimum "critical mass" of the country's costs to stimulate the sphere of small and medium-sized businesses. Stimulation of the sphere in the mode of ineffective economy degenerates in the choice of various organizations according to the criterion of proximity to the bearers of power.

State policy, as an important part of the state regulation mechanism in the business sector, should have:

- Clearly distributed tasks;

- Governing bodies that implement functions that create conditions for achieving the set goals;

- An information system that creates a notification image of an object total reliability control;

- A management and incentive mechanism that creates conditions for state regulatory bodies to influence business entities and the sphere within the boundaries of their functions.

The small scale of SMEs and vulnerability to market changes require more government support. Thus, SMEs face difficulties in obtaining certain information,

as well as in accessing a number of business services. Studies show that SMEs in Azerbaijan are less likely to use business consulting services than others, which reduces their competitiveness and sustainability. One of the main reasons for this is that SMEs are less interested in consulting services. Thus, some SMEs start against the requirements of the law, business risks, the situation in the existing sector, which sometimes leads to their failure. One of the reasons for the low interest of SMEs in advisory services is their lack of knowledge, and the other is the difficulty in accessing business advisory services. In Azerbaijan, various state institutions currently provide various services on SME subjects (including consulting, sales and other support) within their competence. However, according to international experience, the provision of such services from a single point of contact for SMEs will provide better access to these services and thus to their development. All this can also be done by creating a centralized SME agency to ensure the separation of policy and regulatory activities in the field of entrepreneurship. Sustainable development of entrepreneurial activity is an important component of the economic policy of the state in Azerbaijan. In recent years, the state has taken comprehensive measures to improve the legislative framework, administrative procedures and public business relations. One of the most modern tools in the field of improving legislation is the system of legislative analysis. This system prevents direct decision-making without analysis and provides options in the decision-making process by providing relevant information to the relevant authorities. Public conversation of regulation with partners, concentrating on the places of these gatherings and the effect on them is considered as a significant piece of the examination. In this way, the effect of regulation survey is a conventional cycle that is important for the most common way of creating guidelines, through which the job of the confidential area will be analyzed through the reception of guideline. Legitimate association of public discussions gives more powerful data on the viability of new regulation and potential outcomes. One of the principal undertakings noted in the Strategic Roadmap for the development of buyer merchandise at the degree of little and medium-sized ventures

(SMEs), endorsed by the President of the Republic of Azerbaijan Ilham Aliyev, is to work on the process for supporting private companies.

This issue is given a unique section in the record, where the wellspring of financing is demonstrated by five state organizations: the National Entrepreneurship Assistance Fund of the Republic of Azerbaijan (NFES), the Azerbaijan Investment Company (AIC), the Azerbaijan Export and Investment Promotion Fund (AZPROMO), the State Service for Agricultural Projects and Management credits under the Ministry of Agriculture, the State Fund for the Development of Information Technologies under the Ministry of Communications and High Technologies (presently the Ministry of Transport, Communications and High Technologies). The record likewise discusses the ongoing hardships of getting cash, which, notwithstanding certain essential middle of the road components, normal to every one of these designs, have their own qualities. The system of state excitement of private venture right now is:

- government regulations aimed at stimulating and expanding small businesses;

- management and expansion of small business; the state apparatus, which is a community of state institutional structures responsible for expanding small business, creating conditions for the implementation of state policy in this sector and managing the small and medium-sized business sector and regulating the infrastructure for stimulating it;

- the state infrastructure for stimulating small businesses, which includes non-profit and commercial enterprises that were created with or without the participation of the state, whose work is started, stimulated and supported by the state, and is designed to implement the state incentive mechanism to expand small and medium-sized businesses. (<https://www.azpromo.az/az/page/haqqimizda/azpromo> 2022)

Methods of financial regulation are varied. Significant of them are: forecasting, planning, taxation, insurance, self-financing, lending, settlement mechanism, financial assistance mechanism, financial sanctions mechanism, depreciation mechanism, support mechanism, pricing principles, trust operations,

collateral operations, transfer operations, factoring, rent, leasing. The main element of these methods are special methods of financial regulation: credits, loans, interest rates, dividends, exchange rate quotation, excise tax, discount, etc. Organizational structures for stimulating business are currently represented primarily by the State Committee of the Republic of Azerbaijan for stimulating and expanding small business, The State Fund for Small Business Stimulation, territorial funds, agencies, centers, etc. Associations and other public organizations are becoming more and more active at the state and local levels. associations of small and medium enterprises. The mechanism of chambers of commerce and industry has been significantly introduced, which have a great opportunity in the sector of stimulating small entrepreneurs. A significant role in the mechanism of regulatory influence is played by specific schemes and methods of relations between the administration and the organization, the system of its stimulation. One of the main methods of assistance in expanding a business, exclusively at the first stage, is the issuance of loans to business entities. Loans can be issued directly by the administration from the budget and extrabudgetary funds or through banks, as well as in the form of equity participation, based on the desirability of expanding a particular business sector in the region. There are currently a number of organizations providing financial services to SMEs in Azerbaijan. These establishments include: National Entrepreneurship Support Fund (NFES) of Azerbaijan Republic. NFES furnishes business people with good advances, including the arrangement of credits with particular terms from the state spending plan. Concerning the quantity of advances, 97% of credits are little advances, which is 9% of the aggregate sum assigned by the NFES.

Azerbaijan Investment Company (AIC). AIC, alongside homegrown and unfamiliar speculations, additionally upholds the improvement of different areas, except for the oil and gas industry, through huge capital ventures. AIC's shareholding ensures that investment (business capital) is something like US\$1 million. AIC's portfolio is multi-layered and unites different businesses like weighty industry, agribusiness, planned operations, value appropriations and food.

Azerbaijan Export and Investment Promotion Fund (AZPROMO). Alongside limited time and instructive exercises, AZPROMO, a worldwide exchange association, designates assets for cooperation in fairs. AZPROMO draws in monetary assets from SMEs.

( <https://www.azpromo.az/az/page/haqqimizda/azpromo> 2022 )

Utilizing government advances with a yearly financing cost of 2%, approved banks give credits to business visionaries and ranchers based on good conditions without applying an extra loan fee of in excess of 5%. Thus, these SMEs can get 7% or lower neighborhood money financing costs..

State Fund for the Development of Information Technologies under the Ministry of Communications and Information Technologies of the Republic of Azerbaijan. The asset funds innovative new companies with a complete dispersion of up to AZN 300,000. In the nation, little and medium-sized organizations mean business endeavors, in the approved capital of which the level of cooperation of the Republic of Azerbaijan, public and strict affiliations, magnanimous and different assets doesn't surpass 25%; the rate possessed by at least one legitimate elements that are not little and medium-sized organizations isn't higher than 25%, and where the typical number of representatives isn't more than the most extreme levels: in industry, development and transport - 100 individuals; in agribusiness and the logical and specialized circle - 60, in discount exchange - 50, in retail exchange and purchaser administrations - 30, in different enterprises and in the execution of different kinds of movement - 50 individuals. Private venture elements, thus, incorporate people participated in enterprising exercises without framing a legitimate substance (individual business visionaries). An examination of worldwide public and confidential exploration structures in this area is likewise given in the Roadmap, in which, regarding The authority site of the European Commission shows an outline that mirrors various pointers for little and medium endeavors. Whether or not we are discussing nations with low, medium or big league salary per capita, the portion of little and medium ventures in the complete worth added is 63-67%. Most SMEs are customarily tied down by credits because of an absence of land

like land or are reluctant to apply for a reference. While the law permits both portable and relentless property to be gotten, practically speaking banks give credits got by versatile property, except for vehicles and protections. Renting is one of the key monetary instruments supporting the improvement of business venture through the consideration of banking credits, renting and speculation components. The primary issue of the renting market in Azerbaijan is the absence of monetary assets in renting organizations. The inclusion of renting organizations, portfolios and low degree of capitalization decreases the engaging quality of this area for unfamiliar financial backers. Right now, in excess of 30 organizations in Azerbaijan have some expertise in renting, and their renting activities are a large number of manats, which is around 0.5 percent of GDP. Improvement of renting strategies at the current phase of the public economy can act as one of the fundamental types of state support for industry in Azerbaijan. Albeit a portion of these monetary instruments are utilized in the monetary business sectors of Azerbaijan, an expansion in their number will invigorate SME funding through these monetary instruments.

### **2.3. The significance of private companies for financial development in Azerbaijan**

The Small and Medium Business (SMB) Development Agency of the Republic of Azerbaijan Supporting the improvement of little and medium-sized organizations in the country, the office is a lawful substance that gives a scope of administrations to SMEs, facilitates and directs administrations gave around here by government offices, and is subordinate to the Ministry of Economy. The administration of the organization comprises of 7 individuals from the Supervisory Board. The Supervisory Board of the Agency incorporates the Deputy Ministers of Finance, Labor and Social Protection of the Population, and Agriculture, the delegate of the State Tax Service under the Ministry of Economy of the Republic of Azerbaijan, the Deputy Chairman of the State Agency for the arrangement of administrations to residents and social developments under the President of the Republic of Azerbaijan and the President of the National Confederation of Organizations business people (bosses) of the Azerbaijan Republic. Director of the Council, Minister of Economy

of the Republic of Azerbaijan. The mission of the Agency is to work on the effectiveness of the arrangement of guideline of little and medium-sized organizations, offer various help components and admittance to them for business people, guarantee the supportable advancement of the SME area and reinforce its job in the nation's economy. The fundamental objective of the Agency is to understand the significant mission of a companion of business people. SMB by the Decree of the President of the Republic of Azerbaijan dated December 28, 2017 to additionally work on the speculation and business climate in the nation, work on the arrangement of guideline of pioneering movement and apply compelling coordination, increment the job and seriousness of little and medium ventures in the nation's economy.( <https://www.smb.gov.az/en/nav/about-us> 2022).

It was established to harmonize, expand access to financial resources for SMEs and form institutional support mechanisms, strengthen the legal framework for entrepreneurship. Internal market research is aimed at reducing the costs of SMEs in production, labor, logistics, conformity assessment, certification, licensing and permitting, marketing, advertising and other areas to stimulate competitive production, as well as the creation and development of new products or services. is an activity carried out in the direction of identification. Micro, small and medium entrepreneurs can benefit from this support. Support is organized and paid by SMB. The state pays 80% of the cost of each internal market research conducted on the basis of an application of a micro-entrepreneur, and 50% of the cost of each internal market research conducted on the basis of an application of a small entrepreneur. Medium entrepreneurs are provided with trainings and seminars, regular information support in the areas identified in the training process. The amount of support paid for each domestic market research may not exceed 20,000 manat. According to the Tax Code of the Republic of Azerbaijan, 75% of the income and profits of a micro-entrepreneur are tax-free. At the same time, this category of entrepreneurs is exempt from property taxes. Startups engaged in micro and small business activities come for a period of 3 years from the date of receipt of the Sartap certificate and are exempt from income tax. A small entrepreneur can apply accelerated depreciation of fixed

assets by multiplying the annual depreciation rate by a factor of 1.5. According to the Tax Code of the Republic of Azerbaijan, SME cluster companies operating within SME clusters are exempt from profit, land and property taxes for 7 years, as well as VAT on imported equipment. startup - is an entrepreneurial activity carried out on the basis of an innovative initiative, meeting the relevant criteria and issued by persons who have been issued a Startup certificate. KOBIA has been identified as the competent authority for issuing the Startup Certificate. Small and Medium Business Cluster - formed in the same or similar sector, with the location of related and complementary areas of activity in a certain geographical area, building common economic relations by sharing common infrastructure, technology, single market, labor and services, opportunities for joint activities which is a model of cooperation between the SME cluster company and its participants.

The Tax Code of the Republic of Azerbaijan defines a number of tax benefits for SME cluster company and SME cluster participant. SMB has been identified as the authorized body for issuing SME cluster company and SME cluster participant certificates. The Tax Code of the Republic of Azerbaijan defines a number of tax benefits for SME cluster company and SME cluster participant. Thus, the SME cluster company is exempt from profit, land and property taxes for 7 years, VAT on imports of machinery, technological equipment and facilities. The participant of the SME cluster is exempt from income tax for the part of the profit earned for 7 years, which is used to cover capital expenditures. The Agency for Small and Medium Business Development of the Republic of Azerbaijan has been designated as the authorized body for issuing certificates of SME cluster company and SME cluster participant. In order to expand and promote investment activities in our country, to stimulate investment, since 2016, the Ministry of Economy has issued an investment promotion document to entrepreneurs. The investment promotion document is a document that provides the basis for obtaining benefits provided for in the Tax Code of the Republic of Azerbaijan and the Law of the Republic of Azerbaijan On Customs Tariffs. Entrepreneurs who have received an investment promotion document are exempted from 50 percent of profit and income tax, property and land



tax, as well as VAT and import duties on imported machinery, technological equipment and facilities for a period of 7 years.( <https://www.smb.gov.az/en/nav/other-supports> 2022)

The Agency carries out the following activities in the areas defined by the Charter of the Small and Medium Business Development Agency of the Republic of Azerbaijan:

- participates in the formation and regulation of a unified state policy in the field of micro, small and medium enterprises;

- takes necessary measures to protect the rights of entrepreneurs in the relevant field;

- ensures that government agencies provide services (including necessary mobile services) to entrepreneurs in a relevant area in a single space with better quality, convenience, new style and application of modern innovations;

- monitors the implementation of services provided in small and medium business houses (SME houses), small and medium business development centers, State-Entrepreneurship Partnership Development Center, small and medium business development funds on the principles of efficiency, transparency, courtesy, responsibility and convenience;

- Provides assessments of the implementation, quality and transparency of each service in SME homes in accordance with the law;

- Analyzes and evaluates each service provided by government agencies to entrepreneurs and takes measures to create and improve relevant software, information systems, databases and a register of services for their implementation in electronic form;

- takes measures to create a favorable business environment in the relevant field

- to cooperate with international organizations, relevant government agencies and investors of foreign countries in order to explore the possibility of applying international experience, to study the relevant experience of foreign countries, etc.

SME, first of all, volunteers assume a significant part in safeguarding the interests of business people in the urban areas and locales where they work, in

addressing the troubles they face, and, if essential, in the on location examination of the allure. Since the send off of the first SME volunteers in September 2018, SME volunteers have gotten many solicitations and ideas from business people. These requests are essentially connected with the foundation of business, extension of innovative movement, coordination with significant government organizations, insurance of the interests of SMEs, admittance to state support instruments, funding, instruction, and so on issues. All requests to the SME Friend are examined and the important help is furnished to business people or facilitated with the applicable offices inside the Agency's power. As of November 1, 2019, 22.3% of the requests got by the Agency through the SME Friendly network are for the arrangement of legitimate help and counseling administrations, 22% for admittance to monetary assets, 47% for security of interests, 8.7% was connected with illumination issues. In expansion, it ought to be noticed that the Decree of the President of Azerbaijan dated May 29, 2019 endorsed the "Rules for state support for homegrown statistical surveying to animate the cutthroat creation of miniature, little and medium undertakings." In understanding with this Regulation, miniature, little and medium ventures benefit from this help component. Under the new help system, data and monetary help is given to SMEs to lead statistical surveying in the important field in line with entrepreneurs. State support for homegrown statistical surveying for miniature, little and medium-sized organizations will lessen pioneering costs around here, from one perspective, and backing the making of new items and administrations, ventures and offices, and increment private area creation by animating serious creation. Yet again the send off of this help component shows that the President of Azerbaijan, Ilham Aliyev, is the greatest ally of entrepreneurs. 80% of the expense of each inner statistical surveying directed in line with a miniature business element is covered by the state, and half of the expense of the interior statistical surveying led in line with a private company substance is covered by the state. As a general rule, how much help to be paid for every homegrown statistical surveying really depends on 20,000 manat. Medium-sized organizations can profit from this help system by going to preparation phases and courses for nothing and

giving customary data support in unambiguous areas. Briefly depict the most common way of leading interior statistical surveying, as a matter of some importance, the business visionary applies to SMB straightforwardly or electronically by finishing up an example application structure for statistical surveying in the field of interest. The business person's application is assessed by the Working Group laid out by the Agency and orders are given to neighborhood and unfamiliar legitimate substances and people gaining practical experience in understanding with the Law on Public Procurement to lead a positive inner statistical surveying. Nearby and unfamiliar legitimate elements and people incorporate colleges, organizations, particular examination and investigation focuses, counseling organizations, as well as little and medium business improvement focuses. When the inside statistical surveying is prepared, the Agency assesses the report and submits it to the business person. Business people can apply for statistical surveying exclusively or in gatherings. As you most likely are aware, there are business relationship in different areas of the economy in our country. You can likewise apply for the relationship to direct inner statistical surveying. I might want to take note of that the statistical surveying, which will be ready based on the business person's application, will be introduced exclusively to that business visionary. Simultaneously, as per the significant principles, the Agency will, on its own drive, request counseling organizations to direct homegrown statistical surveying in need region of the economy, which will be available to all organizations. (<https://www.smb.gov.az/en/nav/about-us>)

One of the exercises of the SMB is to grow the state-business person exchange in the country. This is finished through close participation with public relationship of business people, the creation and utilization of configurations that will add to the advancement of public-private exchange. Inside the structure of the public-private discourse, SMB consistently coordinates field gatherings. Up until this point, around 40 such gatherings have been held in Baku and the country's districts with the support of business people and government organizations working in pertinent fields. The travel industry, creature farming, cultivation, natural product developing,

administration, deals, and so on. At the sectoral gatherings coordinated in the fields, the issues of the field, proposition on the advancement possibilities were talked about on the foundation of state-business person participation, the recommendations were summed up and submitted to the applicable government agencies. Another course is the association of state-business person exchange through a web-based stage. Hence, the association of SMB, with the interest of applicable government organizations, consistently puts together web-based mindfulness occasions for miniature, little and medium undertakings. Up until this point, 8 web-based mindfulness occasions have been coordinated on charges, customs, public acquisition, food security, admittance to monetary assets, corporate administration, agribusiness, admittance to utilities, and in excess of 7,000 business visionaries have profited from these occasions. As a rule, the issues raised through the internet based stage were answered on the spot, and requests requiring examination were connected to the important offices. The office is keen on guaranteeing public control, illuminating the business local area about the exercises of the association, and concentrating on general assessment. Starting here of view, there is a Public Council comprising of 15 public associations under the SMB. The Public Council frequently coordinates public conversations in a three sided design with the support of little and medium-sized organizations, pertinent government offices and common society establishments working in different areas of the economy. suitable measures are taken. (<https://www.smb.gov.az/en/nav/about-us>)

Little and medium business houses (SME houses) are one of the significant components made to help the advancement of SMEs. As of now, proper measures are being taken to sort out the principal SME house in Baku. Business people in the SME House will be given all G2B and fundamental B2B administrations in a single spot. Here, organizations will actually want to get to the administrations they need at all phases of business the board, from arranging their business. In excess of 100 G2B administrations of in excess of 30 government organizations and B2B administrations of private associations will be coordinated in the SME House on business cycles, for example, marketable strategy, begin a business, maintain a

business, foster a business. The SME House will offer banking, protection, operations, public accountant, plan, data innovation, counseling administrations and different administrations required by business visionaries throughout their business exercises. fitting measures are taken. The e-SME House gateway will offer help systems for SMEs in a relentless shop mode over a solitary electronic stage. One of the significant undertakings of SMB is to invigorate the creation and advancement of groups of miniature, little and medium organizations. To make SME groups the significant regulation, most importantly, ought to be shaped around here. The most vital phase toward this path was taken in December 2018, and the Tax Code incorporated the ideas of "SME bunch organization" and "SME group member", and characterized various tax reductions for bunches. In this manner, the "SME bunch organization" is dependent upon annual duty for a very long time, land and local charge, VAT on import of hardware, mechanical gear and offices, and the "SME group member" is dependent upon personal expense with respect to benefit procured for a long time to cover capital consumptions. is free. As a subsequent stage, the standards for the SME Cluster Company were supported in May this year. Legitimate elements that meet these measures will get a SME Cluster Company declaration and will profit from the advantages accommodated the SME Cluster Company in the Tax Code. The draft Model Regulations on Clusters of Micro, Small and Medium Enterprises is prepared and is being concurred with the applicable organizations. With the endorsement of this model guideline, the work on the development of regulation on the foundation of SME bunches will be finished. At the following stage, it is intended to make SME groups and offer proper help for their turn of events. Little and Medium Business Development Agency "SME bunch organization" and "SME group member( <https://www.smb.gov.az/en/nav/sme-group>)

Supporting imaginative ventures, new businesses and SMEs in this field is one of the significant exercises of SMB. The Agency's Charter accommodates the enlistment of new companies and licensing of their creative thoughts, extending admittance to monetary assets for new companies, coordination of connection of

new businesses with advanced education and examination foundations, modern and innovation parks, innovation business hatcheries to advance imaginative business venture. SMB has been distinguished as the skillful expert for giving startup declarations. A draft "Rules for deciding the startup" has previously been arranged and is presently being viewed as by the important specialists. The standards characterize the necessities for people and legitimate substances applying for a startup endorsement and their inventive items. After the endorsement of these measures, the issuance of "startup" testaments will start. Miniature or private companies that have gotten a Startup testament will actually want to exploit tax cuts accommodated in the Tax Code. Significant work is in progress to lay out SME Development Centers. Being a primary unit of the Agency, these focuses expect to teach business people by including experienced and proficient specialists, to assist them with partaking in preparing, counseling, data and worldwide trade programs. The focuses will give organizing administrations by experienced and proficient specialists to the people who are imaginative in business structures, have business drives and need to begin another business. The SME Development Funds, which are essential for the organization's construction and are as of now being laid out, are laid out in our country to offer monetary help to SMEs, draw in neighborhood and unfamiliar speculation, coordinate new advancements into the nearby economy, and animate the improvement of scholarly business. These assets will likewise attempt to guarantee that business people benefit from elective wellsprings of subsidizing. SMB helps out significant organizations of various far off nations to concentrate on prescribed procedures in the field of little and medium business, to lay out and foster relations around here. The organization has laid out collaboration in the field of SMEs with applicable organizations of Turkey, Switzerland, Poland, Russia, Kazakhstan and Saudi Arabia. The experience of nations, for example, Korea and Israel in the field of SME was contemplated. This work is as yet continuous. Relations with global monetary foundations, as well as unfamiliar financial backers keen on putting resources into the Azerbaijani economy and helping out

neighborhood SMEs are growing(<https://smb.gov.az/en/nav/international-cooperation-1> 2021).

Formation of innovation infrastructure that stimulates the activities of small and medium entrepreneurs. Improving the innovation infrastructure is an important factor for the development of SMEs and startups. Incentive programs will be developed for the establishment of high-tech parks by the private sector, including the expansion of the establishment of technoparks and business incubators at universities. measures will be implemented. International examples will be studied, the creation of new innovation centers, technology transfer centers, the activities of enterprising investors in the formation of the country's innovation infrastructure will be supported. In addition, a special program will be developed in technoparks and business incubators for the implementation of innovative business plans of SME entities, and investment incentives will be applied to finance these activities. In innovation centers (FabLabs, ILabs), those who want to engage in potential entrepreneurship or startup activities will be provided with information technology equipment, they will be able to use ready-made laboratory tools.

Although there are state-owned research institutes in Azerbaijan, there are no innovation profile institutions, including private ones. For this reason, measures will be taken in the future to establish state-owned and independent research institutes that stimulate innovation, and the establishment of scientific-production associations will be stimulated for the exemplary production of inventions. Expected result and result indicators

Key performance indicators:

- Opportunity to create innovation-oriented infrastructure by independent residents;
- application of discounts on elements of innovation infrastructure;
- formation of state-important and independent research centers (research and development) and establishment of scientific-production associations.

Expected risks

- Lack of interest of independent residents in participation in innovation-oriented zones;
- low interest of small and medium entrepreneurs in the use of innovation infrastructure;
- Lack of sufficient scientific potential in the establishment of independent research centers (research and development) and the establishment of scientific industrial associations. ([https://www.mida.gov.az/documents/Kiçik\\_və\\_orta\\_sahibkarlıq\\_səviyyəsində\\_istehlak\\_mallarının\\_istehsalına\\_dair.pdf](https://www.mida.gov.az/documents/Kiçik_və_orta_sahibkarlıq_səviyyəsində_istehlak_mallarının_istehsalına_dair.pdf) 2016)

In addition, a number of other measures have been taken at the state level. At present, the policy in this area is aimed at ensuring the systematic implementation of state support for entrepreneurship, increasing the effectiveness of state support measures for entrepreneurs. Consistent measures are being taken to implement this strategic line. A mechanism of state financial support for entrepreneurship has been established, which serves as an important real source of meeting the financial needs of small and medium entrepreneurs. The foundation of the Export and Investment Promotion Fund in Azerbaijan, pointed toward accomplishing need objectives like expanding the nation's commodity limit and drawing in unfamiliar venture, has been guaranteed. State-business person relations have been created, huge advances have been taken to work on the arrangement of state guideline of business. Working systems have been laid out to safeguard the privileges of business people, and because of their application, the quantity of instances of obstruction has diminished. Ordinary measures are being taken to reinforce the counseling, data arrangement and improvement of business relations. From January 1, 008, the association of the exercises of business substances on the standard of "all in one resource" started to be guaranteed. After the presentation of the "single window" framework, the methods for beginning a business in Azerbaijan were decreased from 15 to 1, and the time spent for this was diminished from 30 days to 3 days. After the presentation of this framework, the quantity of enrolled legitimate substances has expanded significantly. As a consequence of designated measures, the portion of the confidential area in GDP came to 85%. To guarantee the feasible advancement of



business in the country, the institutional association of organization between the state and business visionaries has been executed. In such manner, the laid out components (Agency for Small and Medium Entrepreneurship Development, Azerbaijan Export and Investment Promotion Foundation, Business Training Centers, and so on) assume a significant part in the advancement of state-business visionary relations at the common level. In 2003, the Azerbaijan Export and Investment Promotion Foundation (AZPROMO) was laid out to accomplish the need objectives of expanding the nation's product limit and drawing in unfamiliar venture. The Fund intently upholds business visionaries in expanding the commodity capability of the nation's business people, extending speculation amazing open doors, finding likely accomplices and executing joint participation projects. The Ministry of Economy and the Azerbaijan Export and Investment Promotion Foundation (AZPROMO) hold significant monetary occasions toward this path both inside the nation and abroad, including business discussions, shows, workshops and meetings. These occasions are significant both for the advancement of the country's business climate and monetary potential, as well concerning the improvement of business contacts of neighborhood business people. The occasions coordinated in outside nations, specifically, are showing their positive outcomes in expanding the volume of interests in need region of the nation's economy. By the Presidential Decree "On working on the component of state support for the improvement of business in the Republic of Azerbaijan" dated July 31, 2018, the Entrepreneurship Development Fund under the Ministry of Economy laid out a public legitimate element. To utilize delicate credits, the yearly financing cost on advances from the Entrepreneurship Development Fund has been diminished from 6% to 5%. Simultaneously, the new standards changed the constraints of medium-sized advances from 50,001 to a million manat. The law mirrors the objectives and standards of assessments in the field of business, the guidelines of association and lead, the freedoms as well as certain limitations of review bodies and authorities, the security of the privileges and interests of business visionaries. The fundamental reason for the law is to lay out uniform principles for reviews in the field of business

venture and to forestall unlawful impedance in the exercises of business visionaries during assessments. A wide range of examinations did an in the area of the nation ought to be completed exclusively in cases and in the way recommended by this regulation, with earlier enlistment in a solitary data register.(<https://www.azpromo.az/en/page/haqqimizda/azpromo>)

Different monetary models of business advancement are applied in the main nations of the world. One of such models is exceptional financial zones. The motivation behind making unique financial zones is to speed up the improvement of need areas of the nation's economy, make better circumstances for drawing in nearby and unfamiliar venture, support the advancement of cutting edge enterprises, the association of serious, effective creation and administrations. Important work is being finished in Azerbaijan to make new models of business venture improvement - unique monetary zones, modern parks and neighborhoods, agro-parks. By the Decree of the President of the Republic of Azerbaijan dated December 28, 2017, the Small and Medium Entrepreneurship Development Agency was laid out under the Ministry of Economy. The Agency is a public legitimate substance that upholds the improvement of little and medium-sized organizations in the nation, gives various administrations to organizations, facilitates and directs the administrations of government organizations around here. As of now, measures are being taken methodically and every time to grow business venture and increment its part in the economy, and further work on the business and speculation environment in the country. Changes are being completed in the field of supporting the confidential area, security of the privileges and interests of business visionaries as per the new financial circumstances, and systems that address present day difficulties are being applied for the improvement of this field, considering worldwide experience. Because of measures to help business venture, the quantity of business substances has expanded fivefold throughout the course of recent years, the portion of the confidential area in GDP surpassed 85%, and its portion in work surpassed 76 percent([https://www.mida.gov.az/records/Kiçik\\_və\\_orta\\_sahibkarlıq\\_səviyyəsində\\_istehlak\\_mallarının\\_istehsalına\\_dair.pdf](https://www.mida.gov.az/records/Kiçik_və_orta_sahibkarlıq_səviyyəsində_istehlak_mallarının_istehsalına_dair.pdf) 2016).

Quite possibly of the main move toward supporting private company in our nation is the state regulation on "State help to independent venture" endorsed by Heydar Aliyev. We might sum up the law under the headings:

-Improvement of private company help projects and association of their execution, making of particular circumstances for independent company elements to get monetary, material, logical specialized and data assets, help to private company substances in the field of preparing, retraining and expert turn of events, independent venture to aid the advancement of unfamiliar financial action of the subjects, as well as creation, monetary credit, exchange, logical specialized and data relations with unfamiliar partners;

- Financing of small business assistance programs is carried out from the state budget, local budgets and other sources provided by this law. Budget expenditures for financing small business support programs are shown on a separate line. The amount of funding from local budgets is determined by local governments. Assistance to small business includes the following measures, improvement of the regulatory framework of entrepreneurship; creation of infrastructure to support the development of small business at the central, regional and local levels; Involvement of the socially disadvantaged segments of the population, including the unemployed, refugees and IDPs, the disabled, the families of martyrs, pensioners, women and youth in entrepreneurial activities; formation of a system of incentives for small business and providing financial assistance; conducting research on the development of small business structures; providing state support for production-oriented small business.

-Relevant executive authorities take measures to develop the foreign economic activity of small businesses, as well as to expand their participation in international exhibitions and fairs, the implementation of foreign economic programs and projects. including transportation, information acquisition, participation in international exhibitions (fairs) in full or in part.

- Mutual financial assistance organizations of small entrepreneurs are established by small businesses on a voluntary basis at their own expense in order

to meet their financial needs. Mutual financial assistance organizations of small businesses provide financial assistance only to the participants of these organizations.

Business hatcheries assume a significant part in the advancement of SMEs. Legitimate association of business hatcheries has a positive effect, particularly among youngsters, on diminishing joblessness, local turn of events and the advancement of development. There are additionally good circumstances for the execution of startup projects inside business hatcheries. Business hatcheries are spread all around the world and give a large number of administrations to business visionaries, contingent upon the country, as well as the profile of the hatchery. Significant advances have been taken to lay out a business hatchery in Azerbaijan, they have been given the important specialized framework, and in equal, business hatcheries have been laid out to give preparing and counseling administrations. Be that as it may, there is a need to expand the number and inclusion of these hatcheries. As per global practice, business hatchery support administrations include:

- counseling administrations;
- preparing administrations;
- coaching;
- intervention;
- authoritative administrations, and so on.

One of the open doors that can add to the advancement of SMEs is the production of model endeavors. The foundation of a model venture in Azerbaijan can act as an important stage for trial (experience-based) preparing of SME laborers. Model ventures ordinarily show the utilization of best practices and abilities inside an undertaking. Special attention is paid to the use of cost-effective production practices in such enterprises. The model enterprise will offer a comprehensive training curriculum, including the process of transformation from the current situation to the future. These enterprises incorporate all the key elements of a cost-effective production system and provide an active specialization environment based on the concept of “seeing, hearing and performing”. International experience shows

that such plants can serve 25 or more companies during the quarter by organizing specific training programs. The program begins with business owners getting acquainted with the enterprise. The first lectures for the group usually last two days, during which the groups are given knowledge about the theoretical foundations of cost-effective work practices and the basic principles of these practices are explained . The next 3-5 days are dedicated to conducting experimental trainings at the enterprise. These trainings include components such as experimentation and demonstration at the enterprise. After a week-long intensive program, transformation training begins, covering a period of up to six months. At this stage, participants return to the facilities where they work to experiment and improve. During this period, participants may be provided with appropriate assistance by a field experience consultant by arranging field trips. Once the formal process is complete, participants can apply cost-effective work practices in the companies they work for to sustain their success. There are open doors in Azerbaijan to secure some hardware quicker and at a lower cost because of existing inactive plants and framework. This need can be accomplished by utilizing the case of effective model ventures laid out in various nations. Moreover, various measures are taken to help new businesses

Various foundations and assets putting resources into new businesses have been laid out. For instance, the State Fund for Development of Information Technologies under the Ministry of Communications and High Technologies of the Republic of Azerbaijan they are. Likewise, the service is executing the Startup Azerbaijan project. The primary objective of this venture is to further develop the speculation environment in the ICT area in the country, to distinguish the best web and ICT projects, to assist with transforming imaginative thoughts into a fruitful business([https://www.mida.gov.az/documents/Kiçik\\_və\\_orta\\_sahibkarlıq\\_səviyyəsində\\_istehlak\\_mallarının\\_istehsalına\\_dair.pdf](https://www.mida.gov.az/documents/Kiçik_və_orta_sahibkarlıq_səviyyəsində_istehlak_mallarının_istehsalına_dair.pdf) 2016).

The establishment of a pilot model enterprise for use by industrial SMEs will be considered. In this regard, the international experience of the model enterprise will be analyzed, the sector to be selected for the model enterprise, the size of the

enterprise, its location and staffing issues will be identified. will be done. Non-operating plants from the former Soviet Union will be evaluated and the most suitable for the model enterprise will be selected (if no suitable asset is identified, the construction of a new one will be considered). A working group will be established to implement this project. Once a decision has been made on the method of financing the model enterprise (from private companies or the state), the supplier who will carry out the construction and commissioning of the model enterprise will be identified through a tender. This enterprise will serve as a platform for improving the practical skills of SME employees.

Information on the establishment of a model enterprise will be provided to companies in the selected pilot sector, workshops will be organized to inform those companies about the advantages and benefits of such an enterprise, and best practices will be discussed at these workshops. The establishment of model enterprises in the industrial zone with the highest density of SMEs in Azerbaijan will be ensured. The first model enterprise will potentially be located in the Baku region as a pilot project. The underlying objective is most in the span of a year It will incorporate the foundation of an undertaking that can serve something like 100 little and medium-sized organizations, and the improvement of practical creation abilities of those 100 organizations chose as members, with the contribution of worldwide specialists who will prepare SMEs.

What's more, guaranteeing legitimate contest is one of the principal conditions for the advancement of private venture. Rivalry is one of the main circumstances at self-guideline of costs in the market as per organic market, and for accomplishing a harmony among request and cost. Thus, when a healthy competitive environment is provided in the market, the increase in the price of the product by any market entity causes consumers to turn to alternatives. Offering the same product to other competing market entities at a lower price forces that market entity to lower prices by adapting to market demand, which results in competition to form a common price for homogeneous goods and ensures the functioning of the market mechanism of price formation. One of the main features of a competitive environment is the

unlimited number of participants, their ability to enter and exit the market freely. This means that anyone can engage in or stop entrepreneurship in any area of legal activity at any time. The body supervising antitrust activities in the Republic of Azerbaijan is the State Service for Antimonopoly Policy and Consumer Protection under the Ministry of Economy of the Republic of Azerbaijan. Monopoly in our country and Preventing unfair competition has been identified as one of the state's strategic objectives in regulating the economy. In order to further improve the competitive environment, it is necessary to improve the legal framework and strengthen the institutional governance mechanism. Thus, one of the main challenges facing the country today is to ensure the export orientation of the economy and import substitution. The main goal is to increase the competitiveness of local production. Increasing competitiveness is possible only through the competitive pressure created by an effective competitive environment in the market. Thus, the pressure of competition between market participants creates conditions for increasing productivity and economic efficiency, the widespread use of technology and innovation. Only by providing liquidity to the economy in a fully competitive environment can imports be replaced by local production and exports be promoted, as only then can the competitiveness of local products and services be ensured( [https://www.mida.gov.az/documents/Kiçik\\_və\\_orta\\_sahibkarlıq\\_səviyyəsində\\_istehlak\\_mallarının\\_istehsalına\\_dair.pdf](https://www.mida.gov.az/documents/Kiçik_və_orta_sahibkarlıq_səviyyəsində_istehlak_mallarının_istehsalına_dair.pdf) 2016).

The expansion of financial services for international trade operations of SME entities and the promotion of foreign direct investment are very important for the economy. Azerbaijan is carrying out ongoing reforms to simplify international trade operations of SMEs, increase export-oriented financial opportunities and promote investment. More flexible and transparent customs clearance in connection with international trade operations and the development of official-entrepreneurial relations on the basis of modern management principles, including the use of automated electronic information systems based on the results of risk assessment; In order to further optimize the application of export procedures, the Decree of the President of the Republic of Azerbaijan No. 920 dated May 21, 2016 approved the

Rules for the use of Green Corridor and other clearance systems for the movement of goods and vehicles across the customs border. In addition, stimulating the export of non-oil products, In order to increase the production and export of competitive non-oil products, access to traditional and new markets, and further expand the favorable conditions in this area, the President of the Republic of Azerbaijan Decree No. 811 of March 1, 2016 established a mechanism to finance export promotion and payment support. Despite the measures taken in this area, the number of export-oriented financial products for SMEs in Azerbaijan remains limited. An analysis of the financial products offered in the country shows that currently there are two main types of SME entities can get a support tool. These instruments cover the credit mechanisms offered before or after shipment. The following are examples of other export financing products used in the experience of other countries:

- Grants for sales exhibitions abroad - to exporting companies allows you to participate in sales exhibitions abroad;
- short-term export credit insurance - provides coverage for losses due to commercial risks;
- local and international factoring - this financial service offers receivables management and financing mechanisms based on these debts;
- Narrative exchanges, for example, letters of credit and bank ensures - such exchanges are global monetary instruments that shield the two exporters and shippers from various dangers. As should be visible, the quantity of monetary items presented by banks in Azerbaijan today to fund global exchange activities is exceptionally restricted. Some banks generally do not offer services such as documentary letters of credit, international bank guarantees, and international factoring. As a result, there is a lack of funding for SMEs to effectively conduct international trade operations, especially export operations. Banks can significantly increase the income of entrepreneurs from international operations by improving the range and quality of services used to finance international trade.



## **CHAPTER III. THE ROLE OF SMALL BUSINESSES FOR ECONOMY OF KARABAKH**

### **3.1. The main role of small businesses for growth of Karabakh region**

Wars definitely have a negative impact on the economic development of the region. This applies to all economies. Our country has been in a state of war for more than 30 years. Naturally, the Karabakh region has suffered the most due to this conflict. As a result of the 44-day war, our army definitely won and liberated our lands. A new struggle has already begun for us. To give impetus to the development of this region as a whole and to win this struggle economically.

In one of the events held at the Azerbaijan State University of Economics (UNEC) as part of the Karabakh talks, the chairman of the parliamentary committee T. Mirkishili said that in the pre-occupation period, Karabakh accounted for 15-20 percent of the country's economy. brought to attention. At present, the economic potential of the Karabakh region is wider, Mirkishili said, adding that these opportunities can be increased to about 8%. Noting that the establishment of the Regional Innovation Center in Karabakh can have a high effect, the chairman of the committee shared the factors that led to the establishment of this center, as well as international experience. (<https://unec.edu.az/en/unec-de-qarabag-iqtisadiyyatinin-gelecek-inksafi-ile-bagli-muzakireler-kecirilib-4/> 2022)

The Great Return to the Liberated Territories is reflected in the Azerbaijan 2030: National Priorities for Socio-Economic Development approved by the President of the Republic of Azerbaijan on February 2, 2021, and this issue is one of the five national priorities for socio-economic development in the next decade. The fact that he is one of them is a clear example of how much the Azerbaijani state attaches great importance to this work. As the President of the Republic of Azerbaijan Ilham Aliyev said at the meeting in the form of a video conference dedicated to the results of 2020: Our plans are big. The war is over. Restoration work has already begun, and this shows that there is no difference between our words and our deeds this time as well. We have said that we will restore these lands soon after they are liberated from occupation. I recently said that we will create a paradise in the Karabakh region, and

I keep my word. It is up to all of us to fulfill these words. Therefore, 2021 should be very significant in this regard. It is in 2021 that the people of Azerbaijan and the whole world will see that our intentions are reflected in life, our plans come true. I wish the former IDPs to return to their native lands soon. In any case, the Azerbaijani state will do its best to get closer today. The united state of Azerbaijan will develop successfully and confidently from now on. Ensuring the territorial integrity of Azerbaijan has a great place in the centuries-old history of our people. By restoring state borders, the people of Azerbaijan have achieved the greatest military and diplomatic victory in the last century. In order to perpetuate the victory, the return of people displaced from their native lands must be ensured. This Great Return will be a bridge for the sustainable settlement of our citizens in the liberated territories and the integration of these territories into the economic activity of the country. In order to restore a decent life, which is the basis of modern life, construction must be achieved in all areas. This should be done on the basis of incentives and the development of public-private partnerships. Only in this way is it possible to ensure the full integration of the liberated territories into the great future of Azerbaijan. For the successful implementation of this priority, the following two goals must be achieved:

- sustainable settlement;

- reintegration into economic activity (<https://www.azerbaijan-news.az/az/posts/detail/muzeffer-komandanin-quruculuq-missiyasi-1649709509> 2022).

The Scientific Center for Restoration of Post-Conflict Territories has been established at the Institute of Economics of ANAS. Development of general (methodological) principles of post-conflict rehabilitation at the center; comparative assessment of pre-conflict and post-conflict situation in the territories; specific features of the public administration system and community self-government in post-conflict areas; reconstruction of life support systems (including housing, energy, water and gas supply) in post-conflict areas and organization of population repatriation; rehabilitation of infrastructure (including civil service infrastructure, transport infrastructure, telecommunications and social facilities) in post-conflict

areas; identification of measures to revive the economy in post-conflict areas, areas of domestic and international comparative advantage; assessment of opportunities for cooperation with international financial institutions in the field of post-conflict rehabilitation; Research will be conducted to manage potential external and internal risks that may arise in the post-conflict rehabilitation process. (<https://www.azerbaijan-news.az/az/posts/detail/muzeffe-komandanin-quruculuq-missiyasi-1649709509> 2022).

If we look at the international experience, Japan, Western European countries, especially Germany, in the recent past, Iraq, Lebanon and so on. In the post-war years, various types of assistance were provided to countries to meet their financial, food and other needs. Many cities were destroyed during the Second World War, including some of the leading industrial and cultural centers of Great Britain, France, Germany, Italy and Belgium. to meet the basic needs of the population, to ensure the development of a region with a weak economy. In this and subsequent stages of reconstruction, the assistance of foreign countries, international organizations and organizations in various directions plays an important role. We can summarize the assistance provided to different countries at different times as follows: donations; investments; loans; grants; debt write-off; making deposits in local banks; Increasing the value of the local currency. In the liberated Karabakh, systematic restoration and reconstruction of territories will be carried out, resettlement will begin, and the economy of the region with great potential will be developed. It may be useful for our country to use international experience in financing these events, which will require large sums of money and will turn our Karabakh into a paradise again. Restoration work has already begun on the liberated lands. 2.2 billion manat has been allocated in the 2021 state budget for construction work in Karabakh. At the same time, by the Decree of the President of the Republic of Azerbaijan Ilham Aliyev dated January 4, 2021, to ensure modern and decent life for sustainable settlement in the liberated territories, to carry out construction and rehabilitation work in all areas, as well as sustainable living, efficient operation and welfare The Karabakh Revival Fund was established to support the growth of This fund provides financial support and investment in the rehabilitation and reconstruction of the

liberated territories of the Republic of Azerbaijan, as well as the transformation of the country into a region with a sustainable economy and high prosperity, as well as the development of public-private partnership in this field. is a public legal entity that carries out the necessary campaign activities abroad. A number of friendly countries - Turkey, Pakistan, Israel, Hungary, Iran, Italy, Great Britain, USA and others. expressed his desire to take part in the process of restoration of our liberated territories. The Azerbaijani government has also announced its intention to cooperate with friendly countries in this area. Speaking at a meeting of the CIS Council of Heads of State, President Ilham Aliyev expressed his opinion on this: "We attract and will attract friendly countries to Azerbaijan. The first contract was signed with a Turkish company, and the second contract is planned to be signed with a company from Italy. I would like to take this opportunity to appeal to the heads of states and countries with which Azerbaijan has friendly relations, so that their companies also take an active part in these projects as contractors. We will finance the restoration work ourselves, at our own expense. However, we want companies from friendly countries to be involved in the reconstruction of our cities and villages. Let them also implement these projects and show solidarity, because we will undoubtedly restore all cities, revive Karabakh and make it one of the most developed regions in the world. According to the Memorandum of Cultural and Scientific Cooperation signed between GOSB Technopark, which supports 130 technology companies in Turkey, and the Azerbaijan Innovation Agency, a High Technology Park will be established in Karabakh. The park plans to conduct the latest soft and hard scientific research, as well as the production of high-tech devices. It is necessary to give some information about the center(The Scientific Center for Restoration of Post-Conflict Territories). The action plan of the Post-Conflict Territorial Rehabilitation Scientific Center for 2022-2025 of the Institute of Economics of ANAS, compiled in accordance with the Azerbaijan 2030: National Priorities for Socio-Economic Development" approved by the Order of the President of the Republic of Azerbaijan dated February 2, 2021 determined in accordance with the direction of scientific research. The center plans to implement the plan "Effective

forms of public-private cooperation in the recovery of the economy in post-conflict areas" on the problem of economic recovery in the liberated territories of the Republic of Azerbaijan for 2022-2025. One of the most important issues for economic development in the liberated territories is the identification of potential comparative advantages of the region. The economic resources of the liberated territories, traditional pre-occupation employment, and the level of habit and professionalism of the repatriates must be taken into account when determining both domestic and international preferences. Also, the framework of interaction in the production-processing-sales chain between post-conflict areas and other regions of the country should be assessed. In general, using the latest digital methodologies, it is planned to identify areas of comparative advantage for the region on the basis of scientific research. (<https://www.azerbaijan-news.az/az/posts/detail/muzefffer-komandanin-quruculuq-missiyasi-1649709509> 2022).

It is safe to say that the favorable business environment to be created in the liberated territories, the formation of micro, small and medium enterprises will give a major impetus to the dynamic development of the non-oil sector. will also increase. The material basis of this confidence will be the natural resources of the liberated territories, and the socio-economic base will be selfless and proud people returning to their native lands. According to the Ministry of Ecology and Natural Resources of the Republic of Azerbaijan, there are 167 different mineral deposits in the liberated territories. 5 of them are raw materials for cement and soda, 42 are facing, sawn and various types of building stones, 19 are gypsum and clay, 14 are colored and decorative stones; 14 are sand-gravel and construction sand, 21 are pumice and volcanic ash deposits. According to preliminary estimates, the proven reserves of these deposits are 132.6 tons of gold; 37.3 thousand tons of lead, limestone for the production of 129.8 million cubic meters of soda; 147.1 million tons - cement raw materials; 2.1 million cubic meters of pumice, etc. They are also raw materials that play an important role in the development of the country's economy. The liberated areas are rich in various materials of industrial and construction importance. At the same time, the areas have rich water resources, which are of exceptional importance

for the industry and agriculture of our country. There are about 120 mineral water deposits of different composition in the region, which are of great medical importance. In general, about 40% of the total geological reserves of Azerbaijan's mineral waters fall to the liberated regions. The region's energy resources (hydro-energy, solar, wind and thermal energy potential) will play an important role in meeting all sectors of the economy, as well as the daily energy needs of the population. All these facts show that these areas have enough raw materials and energy resources to create a wide network of businesses in various forms of ownership. The main task facing the present and future generations is to ensure the sustainable socio-economic development of Karabakh by using these resources sparingly. It must also be acknowledged that it will not be easy to restore the territories, real estate, material and spiritual wealth destroyed by Armenian vandals in a short time. But we can also say with confidence that the President of the country, who put an end to 30 years of longing for our people, successfully led the process of liberation of our native Karabakh with his courage, far-sighted policy, diplomatic skills and determination, was awarded the highest military rank and the title of National Hero. With the direct support of Ilham Aliyev, these difficult and very complex socio-economic problems will soon be resolved. For the organization, management and development of entrepreneurship in the liberated regions, a complex legal, organizational-economic, technical-technological, social, environmental, etc., meeting the requirements of modern times, reflecting the best international practices, based on a systematic approach. development and implementation of character measures is required. In other words, a conceptual approach to land reclamation should be preferred. In this regard, the fundamental monograph "Restoration of post-conflict areas of Azerbaijan (conceptual framework)" prepared and published in 2010 by well-known economists Nazim Muzaffarli and Eldar Ismayilov with the support of the Caucasus Institute for Strategic Studies provides a regulatory framework for the restoration of liberated territories. can serve as the result of advanced research for the development of relevant government programs. Professor Frederick Starr, Director of the Central

Asia and Caucasus Institute at the J. Horkins University in the United States, who wrote the foreword to the monograph, which was published in Azerbaijani, Russian and English and sent to the necessary addresses, praised the issues resolved in the book. noted that it was based on important conceptual frameworks for their territories. As can be seen from the latest statistics, not only foreign, but also local businessmen are ready to try their hand here. So far, the Small and Medium Business Development Agency (SMB) has received 945 applications from entrepreneurs who want to do business in the territories liberated from the Armenian occupation. About half of them (446 applications) are reported to be investment projects. At the same time, the structure of appeals is distributed as follows: construction - 27%, trade and services - 27%, industry - 21%, agriculture - 18%, tourism, healthcare, education, culture, transport and logistics - 7%. Data on the total volume of investments planned by private companies are not reported.( <https://www.azerbaycan24.com/en/azerbaijani-agency-receives-945-applications-from-businesses-to-set-up-businesses-in-karabakh/> 2022)

The main focus of the efficiency of investment processes is security and stability, and therefore it is important to provide state support to entrepreneurs who are interested in it, according to Dr. Saleh, Doctor of Economic Sciences. According to him, the state can support the construction of enterprises with concessional lending, to cover up to 50% of the cost of scientific and technical production. After all, this is a pledge of high profits for the country, including the number of future tax revenues. Finally, it is an incentive to develop the territory. The state can take on its own scientific and technical assistance to the business there, to create free information resources, software support. Thus, business developed in Turkey and England. Let's say that in the fraternal country today are implemented dozens of programs to support small and medium-sized businesses, - said the scientist. One of the good things is that many of our women have applied to set up businesses in the region. As of January 25, 2022, the Small and Medium Business Development Agency (SMB) under the Ministry of Economy has received 980 applications from entrepreneurs seeking to establish a business in the liberated territories of Azerbaijan, 42 of them women.( <https://www.azernews.az/business/188421.html> 2022)

Of the tasks presented by ladies business visionaries who need to begin a business, 13 were in exchange and administrations, 10 in industry, 6 in horticulture, 6 in the travel industry, 4 in development, 2 in schooling and 1 in wellbeing. We consider the role of women entrepreneurs important to achieve efficiency in the economic and social development of Karabakh and East Zangazur, to benefit from economic development and growth. The increase in the number of women entrepreneurs in recent years will contribute to the development of employment in these areas. Along with all this, active propaganda work on the economic potential and investment opportunities of Karabakh and East Zangazur is a priority on our agenda. I call on women entrepreneurs to be more active in the reconstruction of the liberated territories. I am confident that our women entrepreneurs will be ready to take on more important functions in these processes and will contribute to the socio-economic development of Karabakh and East Zangazur, benefiting from international experience. "In the regions, including the economic regions of Karabakh and East Zangazur, KOBIA will provide appropriate support to women in entrepreneurship, increase their knowledge and skills, develop business plans, support their access to financial resources and take necessary measures in such areas," O.Mammadov noted. (<https://www.azernews.az/business/188421.html> 2022)

In her speech, Deputy Minister of Agriculture Ilhama Gadimova said that one of the ultimate goals of the construction work in the economic zones of Karabakh and East Zangazur will be to ensure employment by making maximum use of the economic potential of the region. According to him, full employment will play an important role in the future transformation of these areas into economic centers. About half of the people working in Azerbaijan's agricultural sector are women. For this reason, their activity is inevitable in the liberated lands. After the Great Return, our women will have contributed to the revitalization of those lands through farming and agrarian entrepreneurship. At present, our women farmers have become part of this process. Thus, our women farmers are among the first participants in agricultural activities in our liberated lands. (Conference on "The role of women's entrepreneurship in the economic development of Karabakh and East Zangazur", Baku, 2022)



He noted that one of the main tasks is to make maximum use of the agricultural potential of the liberated territories. This is important both for better food security in the country and for employment in the liberated areas. In June last year, for the first time, beekeeping and sheep farms were relocated to the Kalbajar and Lachin pastures through the Ministry of Agriculture. In all these farms I mentioned, our women were also engaged in joint economic activities. In particular, women took an active part in the process of honey filtration, milking in sheep farms, primary processing, and the Ministry of Agriculture provided all possible assistance to allow them to enter the territories where the special regime is applied for economic activities. One of the most important steps taken last year to ensure a Great Return to the liberated territories was the construction of "smart villages" in the Zangilan and Fizuli districts. At present, the construction of the first "Smart Village" in Agali village of Zangilan region is nearing completion, and preparations are underway for construction work in Dovletyarli village of Fuzuli region. The "Smart Village" built in Zangilan will be the first point of return to the liberated territories. The Ministry classifies the citizens to be relocated to the village by age groups, professions and other categories, especially the opportunities for women communities to participate in economic activities after returning to their homes. The opportunities of our compatriots, who will return to their homeland after a 30-year break, to be engaged in the production and processing of agricultural products, have been taken into account from the first day in the "Smart Village" project. Our women who will return to the village will go down in history as the first women farmers operating in the agricultural sector of Karabakh and East Zangazur economic region after the liberation of our lands.

Talking at the gathering, Sakina Babayeva, Chairwoman of the Board of the Association for the Development of Women's Entrepreneurship in Azerbaijan, said that the state offers extraordinary help for the improvement of business in our country. She noticed that since the foundation of the Association for the Development of Women's Entrepreneurship in Azerbaijan, it has executed significant undertakings for business visionaries and ladies who need to become

business people. In this manner, preparation stages on business advancement for ladies and admittance to concessional monetary assets were held in Baku and the districts. The work done by the Ministry of Economy, the State Committee for Family, Women and Children, the Azerbaijan Confederation of Entrepreneurs, the Small and Medium Business Development Agency and different associations to help business people has yielded positive outcomes.(  
<https://www.azernews.az/business/188421.html> 2022)

### **3.2. The main directions of small businesses in the Karabakh region**

On July 7, President Ilham Aliyev marked a declaration on the division of Azerbaijan into zones of monetary districts. As per the request, their number expanded from 11 to 14. Baku, the capital of the nation, was singled out as a different monetary locale. Hence, the Karabakh and Eastern Zangezur monetary areas were made. The Karabakh monetary area incorporates the accompanying urban communities: Khankendi, Aghjabadi, Aghdam, Barda, Fizuli, Khojaly, Khojavend, Shusha, Terter. The request expresses that to guarantee the rebuilding and fast improvement of the old locale, which has a rich social verifiable legacy and pleasant nature, making this region was chosen. Another as of late made Eastern Zangezur district covers the freed regions: Jebrail, Kalbajar, Gubadli, Lachin and Zangilan. These urban communities are situated in the eastern piece of the Zangezur level, encompassed by the Zangezur mountain reach and extending an across a huge area from Lachin with Kelbajar to Nakhchivan, situated on the line with Armenia. Review that these regions generally were situated in a similar region. For the vast majority years they were viewed as a component of the Zangezur locale, laid out in 1861, and were associated by conventional financial, verifiable and social relations. This reality required the unification into one financial locale. The new division of financial locales in Azerbaijan adds to monetary flourishing, more effective venture strategies and adaptable territorial administration. Their creation will act as an impulse for the rebuilding and advancement of the freed domains during the 44-day war. This step can be considered as a solitary arrangement for the thriving of the freed domains. This is likewise significant according to the perspective of the

reintegration of the freed domains into the Azerbaijani economy, since it requires an expansion in the productivity of work on arranging the advancement of monetary locales, guaranteeing the adequacy of the executives and reexamining the design of the economy of these districts. Without a doubt, the acknowledgment of monetary open doors in the freed regions after reclamation will fundamentally affect what is going on in Azerbaijan. Because of the occupation, right around 7,000 endeavors were shut in Karabakh. They turned out 24% of revenue from grain crops, 41% of wine creation, 46% of potatoes, 18% of meat items, and 34% of dairy items. In the recently involved domains, there are different rich stores of minerals, like gold, copper, mercury, chromite, lead, zinc. During the long periods of occupation, they were unlawfully taken advantage of by Armenia. The reclamation of creation limits will make a critical commitment to the improvement of monetary areas, particularly horticulture. As per primer evaluations, before very long, just the recently made East Zangezur district will actually want to create a 4% development in the Azerbaijani economy, as it has great chances to animate areas like industry, horticulture, domesticated animals and the travel industry. In spite of the fact that during the occupation, the portion of the district in the all out GDP of Azerbaijan diminished to 0.1%, yet sooner rather than later in the Jabrayil, Kalbajar, Gubadli, Lachin and Zangilan areas, understanding the creation of horticultural and modern items in how much 1.76 billion dollars will be conceivable. The freed regions likewise have critical sustainable power potential, particularly hydropower. Around 2.56 billion cubic meters of water, or 25% of Azerbaijan's neighborhood water assets, is produced in Karabakh, which sets out open doors for the production of hydroelectric power plants (HPPs). During the 44-day war, Azerbaijan dealt with hydroelectric power stations, which were cruelly taken advantage of and afterward obliterated by the Armenian trespassers. A significant number of these power plants have been restored, while others are going through reclamation work. Karabakh likewise has huge potential in the sun oriented and wind energy industry. As per primer appraisals by the International Renewable Energy Agency, the freed regions have the potential for in excess of 4,000 megawatts of sun oriented energy and up to 500 megawatts of

wind energy. Kalbajar and Lachin locales have extraordinary potential for wind energy, while Zangilan, Jabrayil and Fuzuli districts are wealthy in sun oriented energy potential. To understand the financial capability of the freed domains, it is likewise important to have a practical vehicle foundation, in this way one of the principal bearings of the program for the reclamation of the freed regions is the making of a coordinated vehicle framework. Fizuli International Airport, the primary air terminal in Karabakh, has previously been fabricated and experimental drills have been done, the runway of this air terminal is 3000 meters in length and 60 meters wide. Also, the groundworks of two other global air terminals were laid in the Zangilan and Lachin areas of Karabakh. It is realized that the economy in Karabakh will foster in six fundamental regions: farming business, food industry, mining, environmentally friendly power energy, strategies and the travel industry. Indeed, the freed lands are totally obliterated, the occupiers, escaping, annihilated even those couple of ranches that were unlawfully utilized throughout recent years, pillaged mines, serious natural fear, ruining the water in certain supplies ... Regardless, the stock work proceeds and, probably, a point by point report on how much material harm brought about by the occupiers will be ready. In a word, it is now realized that much should be modified and made without any preparation. Yet, these grounds are primordially Azerbaijani, separately, their true capacity is notable to our subject matter experts - what can be planted so it develops, what can be fabricated with the goal that it works. There are regions that are totally new - environmentally friendly power energy, the formation of "shrewd" urban communities and towns. However, any other way, according to the assertion of the monetary divisions, inclination will be given to the customary headings for Karabakh and Eastern Zangezur. Consequently, it is realized that horticulture in Karabakh was created to the point that it represented close to 33% of the volume of agrarian creation in Azerbaijan during the long periods of Soviet power. (<https://www.report.az/analitika/14-rayon-vahid-azerbaycan-artiq-olkenin-iqtisadi-inkisafinda-torpaginin-her-qarisi-istirak-edir/> 2022)

As Minister of Agriculture Inam Karimov revealed before, the readiness of an activity plan for the restoration of horticulture in the freed domains has proactively started. The rural business will include 200,000 hectares of farmland, pastures, as well as a huge number of hectares of unused land. In any case, it is important to examine the dirt, clean it and set it up, restore the activity of water system frameworks, figure out which region is more appropriate for planting specific harvests, and which can be surrendered to fields and animals ranches. What precisely can be filled in Karabakh and Eastern Zangezur? The way that the dirt here was initially fruitful and permitted to take part in any sort of yield creation is an undeniable truth. Wheat, cotton, tobacco, grapes, potatoes, vegetables and gourds - this developed and proved to be fruitful, permitting local people to live in success and overflow. Also, the items developed on the terrains of Karabakh have forever been of top notch and efficiency. In this manner, the recovery of these areas will be a decent assistance for the improvement of the rural area all through the country. It is realized that Azerbaijan looks to accomplish most extreme independence in grain, principally wheat. Specifically, the cutoff time for exception from VAT on grain imports has been broadened, another component for the development of supplies of food wheat is being made, the water system framework is being changed, and the specialized hardware of homesteads is being gotten to the next level. How pertinent this issue is according to the perspective of food security was shown by the pandemic emergency, because of which various enormous grain exporters presented portions and expanded traditions obligations on the offer of wheat abroad. The outcome is self-evident - the world is encountering high unpredictability in grain costs, which has caused inflationary cycles in many portions of the shopper market. What's the significance here for Azerbaijan? As per official measurements, in January-May of this current year, 392.2 thousand tons of wheat worth 100 million US dollars were brought into the country from Russia. Also, its cost has expanded by practically 34% . Obviously, this is an unwanted pattern for the Azerbaijani economy, so invigorating ranchers to re-sow wheat on the ripe soil of Karabakh and Eastern Zangezur can make a huge commitment to forestalling the effect of outer emergencies on the

country's homegrown buyer market and valuing strategy. As per accessible information, for the period until 1988, the previous Nagorno-Karabakh Autonomous Region gave up to 15% of the all out wheat gather in Azerbaijan. The occupiers kept on utilizing a portion of the wheat fields for the beyond 30 years. As per the data gave to me, wheat was planted on huge number of hectares, specifically, in Agdam, Fizuli, Jabrayil, Zangilan areas. As I was educated, Armenia gathered 90,000 tons of wheat a year from the involved terrains. The absolute volume of wheat creation by Armenia, along with that developed on these involved terrains, added up to 190,000 tons. They gathered portion of this harvest on our properties. This is unlawful double-dealing of our territories. They will deal with serious consequences regarding this and make up for the harm caused, President Ilham Aliyev noted in one of his talks. Natural product plantations - before the occupation, pretty much every Karabakhi had them, and really focusing on them didn't need a lot of work because of the vicinity of water bodies. Allow us to recollect how President of Azerbaijan Ilham Aliyev and First Vice-President Mehriban Aliyeva tasted persimmon developed there during their outing to the freed Zangilan and Gubadli areas. On the off chance that a fairly eccentric natural product could make due after the brutal obliteration of everything and everything by the occupiers, then one can envision how well this plant industry, which is very popular for trade, can be created via doing the essential agrotechnical measures. Additionally, even in Soviet times, the extent of viticulture items here was very high - up to 32%. The Azerbaijani specialists center around its advancement even in the wake of acquiring freedom. Specifically, the State Program for the Development of Viticulture, intended for a significant stretch, is being carried out, nurseries and manors are extending every year. To foster the business, state endowments are utilized.

<https://www.report.az/analitika/14-rayon-vahid-azerbaycan-artiq-olkenin-iqtisadi-inkisafinda-torpaginin-her-qarisi-istirak-edir/> (2022)

Thus, the mixture of estates in Karabakh and Eastern Zangezur into the general equilibrium of viticulture will be an excellent impetus for the general improvement of the business and related region of the handling business. Valid, we rehash: a large

portion of the manors should be separated once more. There were enormous grape plantations. En route to Aghdam, Fizuli, Jabrail districts, I saw that a significant number of our grape plantations were obliterated, old lattices stayed there. However, in many spots, grape plantations have been saved, President Ilham Aliyev noted in one of his discourses. Most authorities on the matter would agree, notwithstanding the districts recorded by the head of state, viticulture can be created in Agdara and Zangilan. Likewise in the Karabakh and East Zangezur monetary districts, sericulture, cotton developing and tobacco developing customarily and effectively grew, however during the occupation nothing remained of the previous homesteads. Restoring these manors won't be simple because of the more perplexing agrotechnical approach. In any case, it ought to be noticed that every one of these areas is additionally under the nearby consideration of the state today, there are deeply grounded plans for making ranches without any preparation involving current accomplishments in horticultural science and innovation. The central thing is to set up the dirt and lay out irrigation. It ought to likewise be noticed that for the overwhelming majority years the occupiers held the Artsakh wine celebration here. Normally, this is straightforwardly connected with viticulture. The Artsakh Wine Festival has been held in Togh consistently starting around 2014. The celebration is hung on the third Friday of each and every September. The celebration was started by the Department of Tourism and Historical Places Protection of the Ministry of Tourism, Tourism and Youth Affairs of the Republic of Culture and expects to foster the travel industry in Nagorno-Karabakh. It is to reestablish the customs of Karabakh winemaking. Celebration, offer of results of wine makers of Nagorno-Karabakh and Armenia, data trade, advancement of wines, and so forth. It offers an open door. Grape stepping in the yearly celebration program, to taste the conventional Nagorno-Karabakh food, a show of masterpieces, a presentation of old works having a place with the Melik Yegan Palace, as well as items from 5 distinct locales of Nagorno-Karabakh and Armenia. Along these lines, they attempted to expand the monetary action of the locale by drawing in vacationers. As I would like to think, by arranging such celebrations, we will help both the travel industry area of the locale and the

outright acknowledgment of the district as Azerbaijani land. In this manner, we can totally delete the hints of the occupiers.

The way that in Karabakh and Eastern Zangezur there are brilliant climatic and normal circumstances for the advancement of creature cultivation is notable. Before the occupation, the ranches in these areas created up to 15% of all meat items in Azerbaijan, over 17% of milk, 4% of eggs and practically 20% of fleece. Over 15% of cows in those days represented this district and 19% - little dairy cattle. Lachin, Aghdam, Fizuli, Jabrayil and Kalbajar - domesticated animals here assumed a prevailing part in horticulture and shaped a critical piece of the nearby financial plan. Be that as it may, in different districts - Khojavend, Shusha, Zangilan, Gubadli, Khojaly - in a word, there were domesticated animals cultivates all over the place. There are as of now unambiguous objectives for the restoration of these homesteads and carrying the animals to 18% of the all out in the country. As indicated by different evaluations, the capability of these homesteads can depend on 40-45 thousand tons of meat and 200 thousand tons of milk. Taking into account that the degree of independence in meat today in Azerbaijan is roughly 83%, and milk 86%, the rest is imported chiefly from adjoining nations, the accomplishment of the objectives set for Karabakh and Eastern Zangezur will permit arriving at a 100 percent level in the two portions, and in preferably even make a decent product article.



## RESULTS AND SUGGESTIONS

Lately, little endeavors have become one of the primary gas pedals of the world economy. Lately, components for supporting private company and advancement have been generally used to assume a part in the improvement of a cutthroat economy, the positive effect of pay conveyance, neediness decrease and fast reaction to changing economic situations. Starting here of view, there are a few monetary and non-monetary motivation systems in the nations reviewed. Broad examination shows that the improvement of little undertakings in Azerbaijan isn't the slightest bit levels, and their portion in monetary development and work is not exactly in other created and emerging nations. In created nations, like the European Union, the United States and Asian nations, 98-the vast majority of the all out number of little and medium-sized endeavors. In emerging nations, for example, Turkey and Russia, this marker stays little, however it actually possesses a critical spot in the public economy. In Azerbaijan, 83.30% of all undertakings in the nation are little ventures, however little endeavors make a critical commitment to the neighborhood economy. Accordingly, when we consider the portion of little and medium-sized undertakings in the total national output, we can comprehend that Azerbaijan is as yet an immature and creating economy. The following results were obtained during the research of the topic: It can be concluded that our state has been supporting small business for many years. Small businesses are provided with both social and financial support where possible. Support for small business is no longer voluntary, but mandatory. The importance of small business is very important for the economy. For this reason, further steps are being taken. Laws are adopted to support small entrepreneurs, new regulations are implemented. In addition, special institutions and agencies are established. As a result of the analysis, the criteria for determining small business became clear. Of course, these criteria emerged as a result of certain research. However, these criteria may need to be reconsidered in the coming years.

As a result, we can say that we have enough opportunities and resources to achieve this goal as a state, even if we face a difficult goal. Of course, it is unrealistic to rehabilitate the territories that have been occupied for more than 30 years in a

short period of time, to transform one of the economically active regions. But this does not mean that we cannot achieve this. In order to achieve the goals, we must first thoroughly study foreign experience, choose the appropriate models and especially apply innovative innovations. All this together, in my opinion, is important for educating the population. As a proposal, for example, "rural institutions" were once studied in the Republic of Turkey, and it is possible to start applying them in our country, especially in Karabakh. By teaching agricultural areas in these institutes, we will be able to gain qualified entrepreneurs and employees. There are also a number of suggestions:

1) State-owned enterprises may be established with an individual entrepreneur. The state must provide financial support to the entrepreneur and receive its share of profits for a certain period of time

2) 5-year targets should be selected, especially in the regions and steps should be taken towards these targets.

3) There are many foreign experiences in small business. We have to choose the most suitable one for us or create and apply a synthesis between several models. My personal opinion is that the model of European countries may be more suitable for us. Especially Northern European countries

4) Specialization can be given to the regions. Each region has its own characteristics and they should be explained to entrepreneurs and etc.

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