

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**IMPROVING THE METHODOLOGY OF INSTITUTIONAL  
REGULATION OF PROPERTY RELATIONS**

Specialty: 5307.01 – “Economic Theory”

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Applicant: **Ross Tim Rasimovich**

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The dissertation was completed at the Department of Economics and management” of Azerbaijan University.

Scientific  
supervisor:

Doctor of Economic Sciences, Professor  
**Rovshan Rasim oghlu Guliyev**

Official  
opponents:

Doctor of Economic Sciences, professor  
**Arif Shakarali oghlu Shakaraliyev**

Doctor of Economic Sciences, ass.professor  
**Gulnisa Alisafa gizi Mustafayeva**

Doctor of Economic Sciences, ass.professor  
**Habil Huseyn oghlu Aslanov**

Dissertation Council ED 2.10 of Supreme Attestation Commission under the President of the Republic of Azerbaijan, operating on the basis of the Azerbaijan State University of Economics

Chairman of the  
Dissertation council



Doctor of economic sciences, professor  
**Yashar Atakishi oghlu Kalbiyev**

Scientific secretary of the  
Dissertation council.

Doctor of philosophy in economics  
**Sugra Ingilab qizi Humbatova**

Chairman of the  
scientific seminar.

Doctor of economic sciences, professor  
**Gabil Nadir oghlu Manafov**

## GENERAL DESCRIPTION OF WORK

**The relevance of research.** The cornerstone of economic development is the regulation of property relations. The problems that exist here are the cause of both significant reserves for the growth of economic efficiency and various kinds of socio-economic externalities. Scientists have always tried to find an effective solution to these problems.

In the modern world, property relations cover a wide variety of levels. The subjects of these relations are individuals, firms, non-profit organizations, government bodies, and states. Despite numerous interstate, bilateral and multilateral agreements, and international conventions, various intra- and inter-country conflicts regarding property issues persist in various regions of the world. Over time the form of ownership itself transforms. Along with its physical form, its intangible forms are increasingly developing. The latter includes the entire variety of intellectual forms of property.

This entire spectrum of subjects and objects poses a challenge to modern societies, an adequate response to which seems too difficult, because when trying to develop universal institutional mechanisms for resolving such conflicts, many problems arise, covering various spheres of human essence and activity: moral, religious, environmental, cultural, provision of justice, provision of freedom, economic development and human development, provision of personal security, and state security, etc. All these factors emphasize the dynamic nature of property relations and its interpretation. Consequently, its study from various angles, improvement and adaptation to modern realities is a permanent process. It requires the appropriate development of formal and informal property relations. Considering this, studying this issue in the context of the economic problems of the Republic of Azerbaijan, which has a relatively young transition economy, is of undoubted scientific interest.

The study of this issue is also substantiated by the following three circumstances:

- the development of society requires a combination of private and public forms of ownership;

- the underdevelopment and vagueness of private property relations, in which certain corporate circles of society are interested, is a serious obstacle to increasing its efficiency, as well as the efficiency of the national economy as a whole;

- the dynamic development of the national economy, the restoration of the liberated territories of the republic on the basis of the latest technologies requires huge investments. Existing problems in the methodology for regulating property relations are a serious obstacle to achieving this goal.

**The degree of scientific development of the problem.** As noted above, as an important stimulator of economic development, issues of property law were the focus of attention of the classical scholars of economic science. Particular attention was paid to this topic by such outstanding minds of the 17th–19th centuries as J. Locke, A. Smith, K. Marx, T. Veblen, L. von Mises.

Among Azerbaijani economists, the works of R. Guliyev, G. Bayramov, R. Jabiev, S. Najafov, F. Mustafayev, N. Imanov, Z. Samedzade, E. Emir-Ilyasova, N. Khalilov, A. Shakaraliev and others should be noted.

Among scientists of the 20th–21st centuries studying the institutional aspects of property rights, the works of the following scholars should be especially emphasized: Bell D., Galbraith J., W. Mitchell W., Rostow W., Toffler A., North D., Coase R., Commons J., Demsetz H., Dimmelmeier A., Freyfogle E., Hayek F., Rodrik D., Samuels W. Additionally, the works of many other Western researchers have also been used.

**The purpose and objectives of the dissertation work.** The purpose of the dissertation research is to develop proposals for improving the methodology of institutional regulation of property relations, in order to create the prerequisites for ensuring sustainable economic growth of the Republic of Azerbaijan based on the principles of a competitive market economy.

To achieve the goals of the dissertation work, the following targets were determined:

- studying theories of institutional regulation of property relations;

- identifying the methodological foundations of institutional regulation of property relations;
- study of foreign experience in institutional regulation of property relations;
- analysis of the evolution of property rights in Azerbaijan;
- identifying problems of formalized institutional structures regulating property relations in the Republic;
- assessing the impact of property rights on economic growth;
- identifying modern challenges to the development of property relations;
- conducting a comparative analysis of models for regulating property relations in countries with developed market economies;
- determination of the main directions of the methodology of institutional regulation of property relations in Azerbaijan.

**The object of the research** is the activities of institutional structures of Azerbaijan involved in the regulation of property relations.

**The subject of the research** is the issues of improving the methodology of institutional regulation of property relations in the republic.

**The theoretical and methodological basis** of the dissertation are the works of researchers of institutional mechanisms for the protection of property rights, as well as methodological guidelines developed by international organizations for assessing the level of protection of property rights in individual countries and the state of the institutions responsible for such protection.

**The information base for the study** was data from the State Statistical Committee of the Republic of Azerbaijan, research from international organizations such as Property Rights Alliance, the World Bank, the World Economic Forum, the Heritage Foundation, the Friedrich Naumann Foundation, as well as monographs and Internet resources, including the website [https://www.theglobaleconomy.com/rankings/wb\\_voice\\_accountability/](https://www.theglobaleconomy.com/rankings/wb_voice_accountability/).

**Main provisions submitted for defense:**

- study of economic processes in the prism of institutional theories of regulation of property relations;
- justification of property as one of the fundamental social institu-

tions of a market economy, which is in dynamic development, determination of its essential content;

- identifying shortcomings in the methodology of institutional regulation of property relations in countries with developing market economies and its socio-economic consequences;

- determination of long-term trends in the development of the institution of private property in countries with developed market economies and its impact on the methodology of institutional regulation of property relations, the architecture of markets, expanding opportunities for the development of small and medium-sized businesses;

- analysis and identification of methodological problems in the institutional regulation of property relations in the Republic;

- assessment of the effectiveness of institutions that regulate property relations in the Republic and identification of tools for increasing their effectiveness.

**The scientific novelty** of the dissertation lies in the development of scientifically based recommendations on the theory and practice of the methodology of institutional regulation of property relations.

The most significant scientific results obtained personally by the author and presented for defense are as follows:

- the basic theoretical concepts of institutional regulation of property relations are generalized and the author's definition of property as one of social institutions of a dual nature is given. It is proposed to consider it in continuous movement and transformation;

- methodological features of regulating property relations in a developing market economy are identified;

- it has been established that the development of the industrial revolution "Industry 4.0" gives rise to new forms of ownership, a "socialized economy", which increase the efficiency of their ownership and require profound changes in the methodology of institutional regulation of property relations, in the very architecture of markets, expanding the capabilities of small and micro enterprises for production and the sale of goods and services that in previous periods only large enterprises could afford;

- the incompleteness of the formation of a market economy in the Republic, the immaturity of its institutional design, the preservation of

vague forms of ownership are substantiated, which prevents a further increase in the level of transparency of economic processes and the development of positive, variously directed externalities;

- as a result of the panel analysis, a correlation was revealed between the level of protection of property rights, the quality of institutions and GDP growth per capita;

- the category “property” is proposed to be considered through the prism of such basic concepts as assets; a person as an owner of assets; as a person-society;

- the main trends in the development of institutional regulation of property relations in the Republic over the years of independence have been identified;

- three main directions for improving the methodology of institutional regulation of property relations in the conditions of the developing market economy of the Republic have been identified.

#### **Theoretical and practical significance of the research results.**

The main conclusions and proposals developed in the work for improving institutions and institutional mechanisms for regulating property relations in Azerbaijan can be used in the activities of government bodies, in scientific research, as well as in the future research activities of higher educational institutions.

**Approbation of research results.** The main provisions of the dissertation were published in domestic and foreign periodicals.

**The name of the organization where the dissertation work was completed.** The dissertation work was completed at the Azerbaijan University.

**Publications.** The main provisions of the dissertation work are reflected in 10 publications of the author with a volume of 65 pages, which were published in scientific journals included in the list of the Supreme Attestation Commission under the President of the Republic of Azerbaijan.

**Scope and structure of the dissertation work.** The thesis includes the title page and contents (1770 characters), introduction (11903 characters), chapter I (90744 characters), chapter II (90432 characters), chapter III (63311 characters), conclusions and proposals (13568 characters ) and a list of used literature.

The work is presented on 180 pages of typewritten text, illustrated with 4 figures and 35 tables, and also includes a list of used sources of 167 titles.

## **Contents of the dissertation work**

### **Introduction**

#### **Chapter I. Theoretical and methodological foundations of institutional regulation of property relations**

- 1.1. Genesis of theories of institutional regulation of property relations
- 1.2. Methodological foundations of institutional regulation of property relations
- 1.3. Western experience of institutional regulation of property relations

#### **Chapter II. Comparative analysis and assessment of institutional regulation of property relations in developing countries**

- 2.1. Modern challenges to the development of property relations
- 2.2. Methodological problems of formalized institutional structures regulating property relations
- 2.3. Assessing the impact of property rights on economic growth: the example of post-Soviet countries (panel analysis)

#### **Chapter III. Main areas of improvement of the methodology of institutional regulation of property relations in Azerbaijan**

- 3.1. Evolution of property rights in Azerbaijan during the post-Soviet period
- 3.2. The main directions for improving the institutional regulation of property relations in Azerbaijan

### **Conclusion**

### **Reference List**



## **Scientific provisions presented at defense of the dissertation**

### **1. Study of economic processes in the prism of institutional theories of regulation of property relations.**

The cornerstone of economic development is the regulation of property relations. The problems that exist here are both the cause of significant reserves for increasing the economic efficiency of the placement and use of resources, as well as various kinds of socio-economic externalities of this process.

The process of forming property relations historically went in the direction from the results obtained to the sources generating these results. In fact, in our opinion, this gives grounds to consider property relations as a long historical process whose starting point is simple production, and the end point is an endless search for its most effective form. The development of economic science can be considered as a continuous search for socially just principles, methodologies for regulating property relations, and creating equal rights of participation for everyone in this process. This problem is relevant, first, for countries with developing market economies, due to the need for further evolution of the methodological approach in addressing the following issues:

A. unresolved forms of ownership, their vagueness in countries with developing market economies;

B. organic combination of relationships between private and state forms of ownership;

C. solving the problem of economic externalities (i.e. eliminating the social consequences of economic processes);

D. improving distribution relations in the context of the emergence and development of new forms of ownership (sharing economy, intangible forms of property - intellectual forms of property, cryptocurrency, etc.);

E. the dynamic development of the national economy, the restoration of the liberated territories of the Republic on the basis of the latest technologies requires huge foreign investments. Existing problems in regulating property relations are a serious obstacle to achieving this goal.

**2. Justification of property as one of the fundamental social institutions of a market economy, which is in dynamic development, determination of its essential content.**

Among the many available economic theories that explain the essence and development of property relations and the economic structure of society, the institutional theory stands out. It examines the development of economic processes and relationships based on an analysis of real events in the conditions in which these processes occur. Representatives of institutional theories are characterized by an expression of deep optimism in the historical prospects for the development of property relations, a deep belief in the convergence of the historical development of countries with different levels of productivity, and in overcoming class confrontation. The main provisions of the old and new institutional economic schools are shown in Table 1.

**Table 1. General characteristics of traditional and new institutionalism**

Traditional institutionalism	New institutionalism
<ul style="list-style-type: none"> <li>- recognition of the basic provisions of neoclassical school on the role of economics in the life of society; limited resources; theories of marginalism; theory of factors of production; theory of value</li> <li>- criticism of only the most absolute positions, such as the concept of rational behavior of “economic man”; self-regulation of a market economy; perfection of market competition; sufficient awareness of market agents</li> </ul>	<ul style="list-style-type: none"> <li>-denial of the possibility of an equilibrium market economy;</li> <li>- criticism of the thesis about the constancy of human preferences;</li> <li>- refutation of the principle of the constant division of society into classes;</li> <li>- criticism of the principle of the inevitability of social polarization of society</li> </ul>
<p>Main directions:</p> <ul style="list-style-type: none"> <li>- theory of transaction costs;</li> <li>- theory of property rights;</li> <li>- theory of institutions;</li> <li>- concept of social protection of workers;</li> <li>-theory of collective social control of economic processes;</li> </ul>	<p>Main directions:</p> <ul style="list-style-type: none"> <li>- theory of convergence of the capitalist system;</li> <li>-theory of post-industrial economy;</li> <li>-theory of socio-economic factors of the origin of property;</li> <li>-theory of “post-industrial society”;</li> <li>- theory of dependence of the economic development of a given country on its historically formed institutional system</li> </ul>

*Source: Compiled by the author based on History of Economic Thought. M., 2012, p. 124; Toffler E. The Third Wave. M.: 2004, p.53-65; Nureyev R.M. Ronald Coase - Man and Theorem. Historical and economic research. 2021. T. 22, No. 4, pp. 17-19*

Summarizing the positions of foreign and domestic academic economists regarding the essence of the category “property”, we have proposed the following definition: we believe that property is one of the most important institutions that arose at the dawn of the formation of social production and has a dual nature. The essence of its first nature is identical to the neoclassical theory; it is a production factor, in the process of which the factors of nature adapt to human needs, bringing profit, the source of material well-being of society. Its second nature, identical to institutionalism, is a set of economic and social relations in society, a social institution that determines the behavior of people in both economic and non-economic processes. This social institution is in continuous development, its scope has long gone beyond the limits of material factors, its virtual scale is continuously growing. The development of her second nature turns her into common property.

Institutional theories, unlike neoclassical theories, provide a broader interpretation of property rights that goes beyond the legal field. They view it as a set of norms that regulate the use of limited resources. These norms are formed and protected by formal and informal institutions represented by the state and various social institutions, such as customs, traditions, religion and others. By their structure, their property rights consist of physical and non-physical bodies, for example, intellectual property. Property rights in institutional theories, from a macroeconomic point of view, represent uniform “rules of the game” for all participants in this process, and from a microeconomic point of view, a set of rights, or as they say “bundles of powers”, which each participant chooses himself, based on a specific situation.

Table 2 lists the basic property rights that are considered generally accepted norms in the modern world. They have a pronounced behavioral orientation. They suppress some actions, while they encourage others, thereby motivating agents to choose certain actions. The most widely used rights listed in the table are the following:

- A. the right to exclusive possession of this property and, accordingly, to deprive others of this right;
- B. the right to personal use of the benefits of this resource;
- C. the right to receive all types of income from this resource;

D. the right to transfer to a third party all the above powers<sup>1</sup>.

Effective operation of the market requires clear delineation of property rights and their strict protection. This specification is necessary to establish a direct connection between the actions of market participants and their welfare. In fact, this creates objective conditions for making the most economically optimal decisions. Thus, institutional economics, for the first time in the history of economic thought, provided an economic justification for the direct relationship between the specification of property rights and economic activity.

**Table 2. Property rights according to A. Honore**

Ownership	Explanation
1. Ownership	The right to exclusive physical control over goods
2. Right of use	The right to use the beneficial properties of the good for oneself
3. Right of management	The right to decide who will have access to the use of a good and under what conditions
4. Right to income	The right to possess the results from the use of a good
5. Right of the sovereign	The right to alienate, consume, change or destroy a good
6. Right to safety	The right to protection from expropriation of goods and from harm from the external environment
7. Right of inheritance	The right to transfer wealth by inheritance or by will
8. Right to perpetuity	The right to unlimited time possession of a good
9. Prohibition of harmful use	The obligation to use the benefit in a way that does not harm the property and personal rights of others
10. Right to liability in the form of recovery	Possibility of collecting benefits in payment of debt
11. Right to residual character	The right to a “natural return” of powers transferred to someone upon expiration of the transfer period, the right to use institutions and mechanisms for the protection of violated rights

*Source: Compiled by the author based on data: Vinogradova A.V. Institutional economics: theory and practice. N. Novgorod, 2012, p.17-23*

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<sup>1</sup> History of Economic Thought. M., 2012, p. 196.

### **3. Identification of shortcomings in the methodology of institutional regulation of property relations in countries with developing market economies and its socio-economic consequences.**

A feature of economic activity is the generation of social internal and external effects (externalities). The study of this problem is one of the most general in institutional theory.

R. Coase, in his famous article “The Problem of Social Costs” (1960),<sup>2</sup> gave a scientific economic justification for the need for a clear specification of property rights. The research results presented in this article made it possible to formulate the Coase Theorem, the main conclusions of which boil down to the following:

**A.** the economic meaning of property rights is substantiated.

**B.** it is proved that the presence of external externalities is a consequence of underdevelopment and insufficiency of existing legal norms of property.

**C.** transaction costs are an important indicator of the effectiveness of the existing mechanism of existing property rights and the entire mechanism of a market economy. The lower these costs, the lower the costs for concluding contractual relations and implementing private property rights.

**D.** State intervention in the economy should be minimal. The problems of a market economy must be solved, first, through its further improvement, especially the legal foundations of private property.

**E.** The fifth conclusion that follows from the Coase theorem, in our opinion, is the extremely low efficiency of the state form of ownership and the political doom of socio-political systems based on the dominance of this form of ownership.

The introduction of strict legal specifications regarding property makes it possible to transform external externalities into internal ones. In this situation, the owner will be forced to take measures to use more efficient technological processes aimed at minimizing or completely eliminating its externalities.

### **4. Determination of long-term trends in the development of the institution of private property in countries with developed**

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<sup>2</sup> Coase R. Firm, market and law . Sat. articles / translation from English B. \_ Pinsker; M .: New publishing house , 2007, p . 159

**market economies and its impact on the methodology of institutional regulation of property relations, the architecture of markets, expanding opportunities for the development of small and medium-sized businesses.**

Humanity is living in the era of the fourth industrial revolution, which opens up previously unprecedented opportunities for economic growth, the development of new forms of ownership, learning and the adoption of values.

The introduction of modern technologies allows us to radically change the content of work activity, the relationships between people in the production process, to further increase the role of the human factor, and to make the relationships between participants in production activities more harmonious and effective.

Due to this revolution, we are on the verge of creating a new type of economy, one that is coordinated more by people than by states and companies. Participatory economy services and platforms are transforming the traditional methodology for regulating property relations by replacing individual ownership of means of production, real estate, and goods with their joint ownership and use.

A new methodology for the institutional distribution (regulation) of property between all participants in the economic process is becoming more and more widely developed. This process of distribution of property rights between direct owners, managers, and teams of workers requires taking into account the interests of all parties involved in it. The latter becomes an important condition for the effective functioning of this property. This leads to two important conclusions:

A. the need to develop the institution of participation in property management, i.e. enterprises;

B. the need to create an institution of participation in the distribution of profits.

A comparative analysis of the features of forms of economic activity, given in Table 3, shows that network structures have superiority not only in their technical and technological basis, the content of transaction processes, but also in the characteristics of the deployment of resources, ensuring their distribution taking into account the socio-economic interests of their region location.

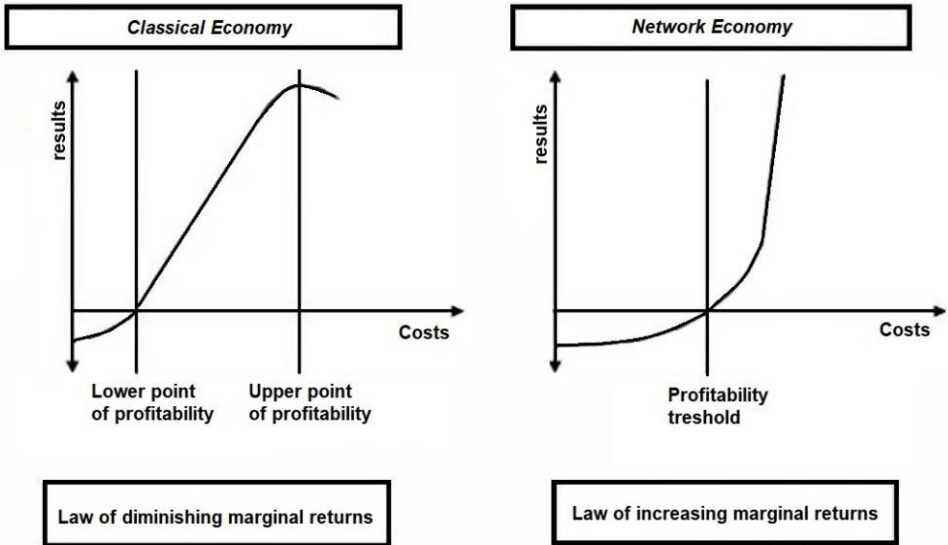
**Table 3. Methodological features of forms of regulation of economic activity**

Category	Organizational forms of economic activity		
	Command and administrative	Market	Network
Type of ownership	centralized	private	sharing form of ownership
Features of the systematic approach	dominance of political goals	equality of all economic entities	subordination to the interests of the network structure
Dislocation of productive forces	centralized command	taking into account private economic interests	taking into account socio-economic interests
Circulation of goods and capital	based on decisions of administrative structures	as a consequence of competitive decisions	focus on solving socio-economic needs
Reaction to changes in the external environment	passivity, limited reaction	active adaptation to the external environment through price response	high degree of adaptation and coordination of system participants
Dynamism in economic expansion	unidirectional growth of organizational structure	market-oriented transformation of the organizational structure	high maneuverability and flexibility due to modular design and network structure

*Source: Compiled by the author on basis (Drath, R. Industry 4.0 – hit or hype? / R. Drath, A. Horch // IEEE Industrial Electronics Magazine. – 2014. – 8(2). – P. 56–58)*

In this regard, improving the methodology and accelerating the processes of property distribution, removing it from the monopoly of officials, its legislative registration, and the development of the stock exchange in the Republic are of utmost importance.

Figure 1 shows how in an industrial economy the marginal profitability decreases as the volume of production increases, and in a network economy as the volume of production grows, the marginal profitability increases.



**Fig.1. The dominant principle of influence in classical and network economies**

*Source: Weiber, R. Empirical laws of network economics, 2020*

Thus, it should be noted that in the conditions of the network economy, a long-term trend has developed towards an increase in fixed costs and a decrease in marginal costs, which motivates the manufacturer to quickly sell the maximum possible volume of products. Another identified trend in the network economy is increasing profitability with a positive correlation. The above trends in the development of the world economy are beacons for the development of the national economy and clear signals of the need to bring the methodology of institutional regulation of property relations in line with modern trends in the development of the world economy.

### **5. Analysis and identification of methodological problems in the institutional regulation of property relations in the Republic.**

Of great scientific and practical interest are the issues of assessing the effectiveness of formalized institutional structures regulating property relations. *A widely used aggregate indicator for assessing the level of protection of property rights in world practice is the International*



*Property Rights Index (International property rights index – IPRI), developed by the Property Rights Alliance<sup>3</sup>. This index is calculated based on three sub-indices:*

**A. first subindex** is “Legal and Political Environment” (LPE). It reflects the legal aspects of securing property rights in the country;

**B. second subindex** Physical Property Right (PPR) assesses the situation with the protection of real and movable physical property located on the territory of the country and owned by subjects, regardless of their nationality;

**V. third subindex** - Intellectual Property Rights (IPR) measures the current situation in the country with the level of protection of intellectual property rights. In addition to other aspects, special attention is also paid to assessing the situation in the protection of intellectual property rights, i.e. copyrights and patents, both from the point of view of the legal framework and from the point of view of compliance with legal requirements.

So, as can be seen from Table 4, according to the 2019 report for this indicator, Azerbaijan with 5.1 points ranks 80th among 128 countries and takes third place after Türkiye and Georgia among the countries of the region, which covers Azerbaijan’s closest neighbors.

**Table 4. International Property Rights Index**

A country	2019		2018		score growth, %	rank improvement	gap from the leader by score, %
	Point	Rank	Point	Rank			
<b>Finland</b>	8.7	1	8.7	1			
Azerbaijan	5.1	80	5	78	2.0	-2	41.4
Georgia	5.3	70	5.2	74	1.9	4	39.1
Iran	4.6	103	4.8	91	-4.2	-12	47.1
Kazakhstan	4.5	89	4.8	88	-6.3	-1	48.3
Russia	5	86	4.9	84	2.0	-2	42.5
Türkiye	5.3	69	5.3	66	0.0	-3	39.1

*Source: Calculated and compiled by the author based on data (Property Rights Alliance . International Property Rights Index 2018-2020. <http://internationalpropertyrightsindex.org/>)*

The analysis carried out on the protection of property rights in the

<sup>3</sup> Montanari L. International property rights index. Property Rights Alliance, 2020. p.76

Republic showed that out of 13 internationally recognized indicators used by international organizations to assess the level of protection of property rights, only 5 (about 40%) are at a level above 50.

The most important component of the market index is the Global Competitiveness sub-index, published annually by the World Economic Forum.

**Table 5. Global Competitiveness Index**

Country	2020		2019		score growth, %	rank improvement	gap from the leader, %
	Point	Rank	point	rank			
Singapore	84.8	1	83.5	2	1.56	1	0.0
Azerbaijan	62.7	58	60	69	4.50	11	-26.1
Georgia	60.6	74	60.9	66	-0.49	-8	-28.5
Iran	53.0	99	54.9	89	-3.46	-10	-37.5
Kazakhstan	62.9	55	61.8	59	1.78	4	-25.8
Russia	66.7	43	65.6	43	1.68	0	-21.3
Türkiye	62.1	61	61.6	61	0.81	0	-26.8

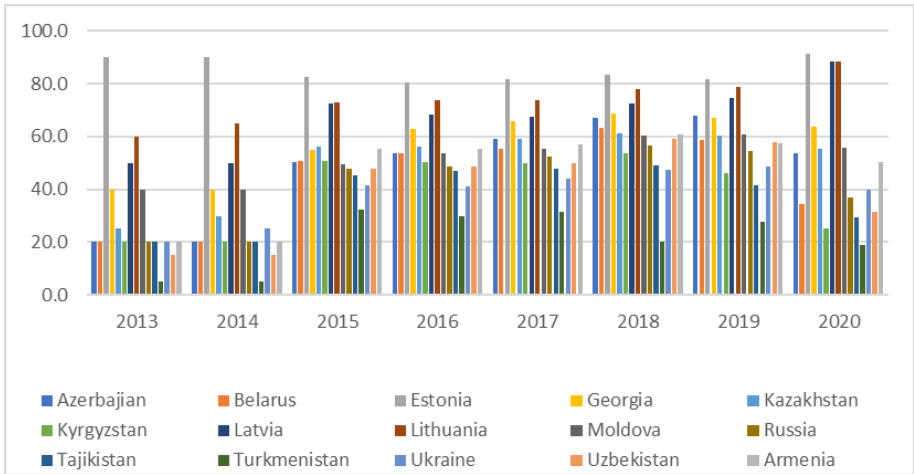
*Source: Calculated and compiled by the author based on data; Schwab K. \_ The Global Competitiveness Report 2019 - World Economic Forum, 2019. – 346 p.*

As can be seen from Table 5, for this indicator, Azerbaijan demonstrated the highest increase in score in the region for this indicator (4.5%) and the most rapid jump in the world ranking (11 steps).

### **6. Assessing the effectiveness of institutions that regulate property relations in the republic and identifying tools for increasing their effectiveness.**

Various methodologies are used in studies of the impact of the quality of institutions, including property rights, on economic growth. In our study, we used the property rights indicator developed by the Heritage Foundation. We used panel analysis to study the impact of this indicator on economic growth and other macroeconomic indicators in the former Soviet republics.

We compared property rights in the former Soviet republics because these countries gained independence at approximately the same time and transitioned from state to market economies.



**Fig. 2. And institutional changes between post-Soviet republics**

*Source: Compiled by the author.*

The results of the panel analysis shown in Fig. 2 show that the level of protection of property rights in post-Soviet republics has a positive impact on GDP per capita. That is why it is important to take measures to further improve the methodology for regulating property relations, protect property rights and increase the international rating of Azerbaijan in this area. Increasing the country's rating in the field of protection of property rights will allow increasing the volume of domestic and foreign direct investment in the country, creating new jobs, and accelerating the process of industrialization of the republic.

The category “property”, in our opinion, must be considered through the prism of the following basic concepts:

- A. assets, which are expressed in the form of tangible (capital, money, property, securities) and intangible consumer products (services, patents, intellectual products);
- B. a person as the owner of assets, which covers the entire bundle of human rights to own his property;
- C. person-society, which covers the entire bundle of relationships between people, individuals and society as a whole regarding the use of property and the receipt of income from them.

The development of property rights in Azerbaijan over the past 30 years has been parallel to the process of privatization of state property

and a change in the methodological approach to it.

**Table 6. Added value created in the state and non-state sectors of the economy in 2020 at base prices, as a percentage**

Branch of the economy	Total	Including	
		In the public sector	In the non-public sector
Agriculture, forestry and fishing	100	0.1	99.9
Mining industry	100	4.99	95.1
Manufacturing industry	100	41.8	58.2
Electricity, gas and steam production, distribution	100	96.7	3.3
Water supply, waste treatment and treatment	100	70.5	29.5
Construction	100	15.4	84.6
Trade; vehicles, repairs	100	0.18	99.8
Transport and warehousing	100	20.0	80.0
Computer Science and Communications	100	19.2	80.8
Other services	100	46.7	53.3
Total	100	19.2	80.8

*Source: Compiled by the author based on data from "Azərbaycanın Milli Hesabları» Statistik məcmuə / 2021, s.1 5*

The need to strengthen the protection of private property is due to its growing role and effectiveness in the development of the national economy of the Republic.

The most complete description of the role of the private sector of the economy in the development of the national economy is provided by information about its role in the production of added value.

The newly created added value is a source of income for all participants in the production process, as well as the formation of various social and public funds. As can be seen from Table 6, in 2020, 80.8% of the total added value of the Republic was produced in the private sector of the economy.

Statistical data and scientific research indicate the decisive role of private property in the development of the national economy. Therefore, in our opinion, especially at the present stage of development of the national economy, it is necessary to legally consolidate this actual

state. This would give impetus to the acceleration and completion of the process of large-scale privatization.

Thus, the main methodological approach to the institutional regulation of property relations should involve solving the following three tasks:

1. proceed from the strategy of creating the most favorable conditions for the development of a private, market form of ownership. For this purpose, it is necessary to:

A. provide a legal basis for the decisive role of private property. This justification should be reflected in the Supreme Law of the country, the Constitution, and the Civil Code;

B. complete the process of large-scale privatization of state property, with the sale of most state-owned enterprises and other real estate;

C. legal consolidation of the provision on non-participation and non-interference of government bodies in economic activities, with the exception of areas that are beyond the capabilities of a market economy;

2. support for those state-owned enterprises that are of significant interest in meeting public interests and protecting them;

3. develop effective mechanisms for interaction between state and private forms of ownership in order to solve socio-economic problems of social and national importance.

## **Main findings and conclusions of the dissertation work:**

1. Improving the methodology of institutional regulation of property relations, bringing it in line with the requirements of the time, taking into account the experience of foreign countries, is critically important for the development of a competitive market economy in Azerbaijan.

2. We believe that property is one of the most important social institutions and has a dual nature. The essence of its first nature is identical to neoclassical theory; it is a production factor that generates profit, a source of material well-being for society. This production factor has a material and non-material form. Its second nature has an institutional component, it is a set of economic and social relations in society, a social institution that determines the behavior of people in both economic and non-economic processes.

3. The category “property” is proposed to be considered through the prism of the following basic concepts:

A. assets that are expressed in the form of tangible (capital, money, property, securities) and intangible consumer products (services, patents, intellectual products);

B. a person as an owner of assets, which covers the entire bundle of human rights to own his property;

C. person-society, which covers the entire bundle of relationships between people, individuals and society as a whole regarding the use of property and the receipt of income from them.

Effective operation of the market requires clear delineation of property rights and their strict protection. This specification is necessary to establish a direct connection between the actions of market participants and their welfare.

4. Existing shortcomings in the methodology of institutional regulation of property relations (incomplete privatization of large enterprises, existing flaws in the legal regulation of property relations, low efficiency of the stock market, passive participation of the private sector in the implementation of projects at the regional and national level) in Azerbaijan determine the slow pace of the process squeezing out

public and communal property from private property, especially in areas with high profitability.

5. The process of distribution of property rights between direct owners, managers, and teams of workers requires taking into account the interests of all parties involved in it. The latter becomes an important condition for the effective functioning of this property. From here, in our opinion, two important conclusions follow:

A. the need to develop the institution of participation in property management, i.e. enterprises;

B. the need to create an institution of participation in the distribution of profits.

The development of a network economy, liberalization of forms of ownership, and the formation of appropriate institutions can be considered the most important challenges of the second decade of the 21st century.

6. The analysis of the state of protection of property rights in Azerbaijan showed that out of 13 internationally recognized indicators used by international organizations to assess the level of protection of property rights, only 5 (about 40%) are below 50. All this indicates that the long way that the Republic must go to protect property rights and form appropriate institutions.

7. The results of a panel analysis of the impact of the quality of institutions on economic growth led to the conclusion that increasing the level of protection of property rights in Azerbaijan, as in most post-Soviet republics, has a positive impact on GDP growth per capita. Econometric research allows us to conclude that it is necessary to strengthen the activities of institutional structures to protect property rights, which will improve the international rating of the republic in this matter and create more attractive conditions for both domestic and foreign investors, creating new jobs.

8. The main methodological approach to regulating property relations should involve solving the following three tasks:

A. To proceed from the strategy of creating the most favorable conditions for the development of private, market forms of ownership. For this purpose, it is necessary to:

- provide a legal basis for the decisive role of private property.

This justification should be reflected in the Basic Law of the country, the Constitution, and the Civil Code;

- complete the process of large-scale privatization of state property, with the sale of most state-owned enterprises and other real estate;
- legal consolidation of the provision on non-participation and non-interference of government bodies in economic activity;

B. To provide support to those state-owned enterprises that are of significant interest for the satisfaction of public interests and their protection;

C. To develop effective mechanisms for interaction between state and private forms of ownership in order to solve socio-economic problems of social and national importance.

9. In order to effectively regulate property relations at the national level between state and private forms of ownership, the creation of the Institute of Public-Private Partnership has been proposed. Its components should be:

- Project portfolio, outlining specific actions in proposed projects. This portfolio should reflect the rights and obligations of the parties, indicate ways to develop compromise proposals, and take into account the interests of all project participants;

- A fund for financing the preparation of projects, which should operate on a parity basis for all forms of ownership or their share participation is indicated;

- National Bank for financial support of proposed projects.

The functioning of this institute will allow, based on the pooling of resources, efforts, knowledge and experience of state and private entities, to begin implementing large-scale projects in the Republic and increase the scale of investments from private funds.

10. To regulate property relations at the microeconomic level, it has been proposed to create an institution of social partnership between private owners and employees. This institution should provide , on the basis of social justice, access for representatives of hired workers to all production and economic information of the company, participation in the management and distribution of profits.



**The main content of the dissertation is reflected in the following publications:**

1. "Implementation of "E-services" in the Republic of Azerbaijan." Collection of scientific papers and reports of the II International Forum (Conference) "Corporation-paradigm for the formation of the national economy"; Moscow: NOU VPO "MIGKU".2014.
2. "Current problems of the theory and practice of institutional regulation." Azərbaycan Universitetinin "İpək yolu" jurnalı; Bakı. 2015, N 4
3. "Theoretical approaches to the problems of development of relations between property and institutions. Azərbaycan Universitetinin "İpək yolu" jurnalı; Bakı, 2017, N 3. Philadelphia USA
4. "Methodological analysis of the world experience of institutional reforms." The Methodological Analysis Of World Experience in Institutional Reforms. International Scientific Journal "Theoretical and Applied Science", 2017, N 06 (50)
5. "Problems of development of the institution of property." Azərbaycan Turizm və Menecment Universiteti; "Turizm və qonaqpərvərlik tədqiqatları" jurnalı, "Merkuri-ZS" MMC; Bakı, 2018, N1
6. Evolution and the current state of institutionalism. Azərbaycan Dövlət İqtisad Universiteti (UNEC), 2020, İl 8, Cild 8
7. Theoretical Concepts of Property Relations. Azərbaycan Universitetinin "İpək yolu" jurnalı; Bakı. 2020, N 4
8. The state of the institutional environment regarding the protection of physical property rights in Azerbaijan, Konfrans materialları., 2021.
9. The state of the legal environment for the Protection of Property Rights in Azerbaijan. Konfrans materialları. Knowledge-intensive research as the basis for innovative development of society: a collection of articles of the International Scientific and Practical Conference (June 10, 2021, Omsk). - Ufa: Aeterna, 2021. – 326 p.

10. Global and regional position of Azerbaijan on the protection of intellectual rights. Konfrans materialları. Innovative technologies as a tool for development and modernization of the economy: collection of articles of the International Scientific and Practical Conference (Saratov, July 1, 2021). – Ufa: Aeterna, 2021. – 35 p.

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[capevi@internet.ru](mailto:capevi@internet.ru) Tel.: (+99455) 2012809