

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**INNOVATIVE PROBLEMS OF ENTREPRENEURSHIP  
DEVELOPMENT IN THE NAKHCHIVAN AUTONOMOUS  
REPUBLIC**

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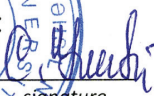
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## GENERAL CHARACTERISTICS OF THE WORK

### **Relevance and degree of development of the topic:**

Theoretical and methodological foundations of economic and social development, as well as its organization at the national and regional levels, hold scientific and practical significance.

In contemporary conditions, the alignment of secularism with local needs, their interrelation, and integral effect highlight the relevance of research dedicated to the innovative problems of entrepreneurship development in the regions. Raising the population's welfare to global standards requires the creation and utilization of broad opportunities in this field, the development and application of innovative scientific measures, and the necessary technologies.

The economic and social development of every country, and its economic potential, depend on the intensity of its integration into economic circulation and the capacity for effective governance. From this perspective, an innovative approach determines the directions for structural changes and the formation of a regulated policy. Entrepreneurship, as a mechanism of the modern economic system and a driver of socio-economic development, is a subject of theoretical and methodological research. The comprehensive and systematic study of this subject and the justification of its strategic development require scientific knowledge, flexible and adequate economic policies, and an understanding of social protection approaches.

The concepts of innovation and entrepreneurship are closely related. In the current market economy and globalization context, entrepreneurs must be innovative to remain competitive. At the macro level, countries seeking economic growth and development must not only support innovation in entrepreneurship but also cultivate a culture of entrepreneurship and innovation.

Entrepreneurship, which is considered a key source of employment, technological progress, sustainable economic growth, and innovation, significantly varies across countries and even within the regions of the same country in terms of level and type.

The national leader Heydar Aliyev once said during a meeting with entrepreneurs: *"We directly associate Azerbaijan's socio-economic development with entrepreneurship and its advancement, and we will continue to implement the necessary measures to support the development of entrepreneurship"*.<sup>1</sup> In addition to being a national-level issue, exploring the priority directions of entrepreneurial activity on a regional scale carries its own importance. All these factors underscore the relevance of this research.

There is existing work in economic literature and practice concerning the study and management of entrepreneurship. The macro and micro-level problems of entrepreneurship have been investigated in the context of Azerbaijan. In contemporary national economic literature, the nature of entrepreneurship is analyzed in the works of scholars such as A.G.Alirzayev, A.Sh.Shakharaliyev, Sh.A.Samadzada, R.A.Guliyev, V.M.Niftullayev, Q.N.Manafov, R.A.Abbasova, C.I.Mahmudov, P.A.Hasanova, N.H.Ahmadov, T.A.Abbasov, A.A.Rustamov, M.A.Cabbarzada, C.Y.Qasimov, A.X.Cabbarov, M.T.İmanova, A.Sh.Imanov, A.B.Abbasov, A.H.Taghiyev, S.A.Farzaliyev, V.R.Musayev, I.F.Seyfullayev, F.H.Abbasov and others. In the studies of the economists we mentioned, the distinctive features of entrepreneurial activity are identified as: independence (in terms of property and economic activity), systematization, profit generation (as the primary objective), risk, legality (registration according to established procedures), independent property liability, and the innovative nature of activity. *"The innovative nature of entrepreneurial activity is one of its most debated and discussed core characteristics."*<sup>2</sup>

In existing research and practical experience, the economic and social regulation methods and mechanisms of entrepreneurship have

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<sup>1</sup> Əliyev, H. Azərbaycanda iqtisadiyyatın və sosial sahənin yüksəlişi özəl sektorun inkişafından asılıdır // H.Əliyev. – Bakı: Nurlar, – 2002. – s. 29.

<sup>2</sup> Musayev, A.E. Sahibkarlıq fenomeninə iqtisadi və sosial aspektdən yanaşma // – Naxçıvan: "Naxçıvan" Universitetinin Elmi əsərləri, – 2023. №2(30), – s. 32

been studied separately. However, the regional aspects and innovative approach mechanisms of entrepreneurship have not been investigated from a comprehensive and systematic perspective. Therefore, considering entrepreneurship as a mechanism, factor, and policy of socio-economic development represents a new approach.

**Object and subject of the research.** The object of the research is the role of entrepreneurial activity and its strategic development directions within the system of socio-economic relations, as well as the impact of entrepreneurship on the development of the region. The main subject of the research is the innovative challenges of entrepreneurship and the significance of innovative entrepreneurship in the Nakhchivan Autonomous Republic.

**Research goals and objectives:** The main goal of the dissertation is to investigate the problems of innovation-driven development in entrepreneurship under modern conditions and to identify its main directions in the Nakhchivan Autonomous Republic. The aim is to regulate balanced trends and impacts between the development strategy of the Nakhchivan Autonomous Republic and the entrepreneurship development strategy.

In accordance with the purpose of the dissertation, the following theoretical and practical tasks are considered appropriate:

- To study the socio-economic role of entrepreneurship with complex, systematic criteria and indicators;
- To assess the impact and role of entrepreneurship in the development of the Nakhchivan Autonomous Republic in the context of regional development, its effective organization;
- To substantiate the main directions of regional development of entrepreneurship in a competitive environment;
- To clarify the characteristics, material, financial, organizational structure of innovative entrepreneurship on the example of the region;
- To predict the dynamics of innovative factors of entrepreneurship and the structure of economic and social development of the Nakhchivan Autonomous Republic, as well as new forms;
- To clarify the ways of efficient use of transit and border

resources, taking into account the effects of the economic and social development of Nakhchivan;

- To provide the main outline of entrepreneurial activity and methods of its complex organization in accordance with the concept of diversification of the resource potential of the Nakhchivan Autonomous Republic;

- To substantiate the forecast, targets and organizational structure of the domestic consumer market and export potential of Nakhchivan by territory and sectors;

- To provide recommendations by analyzing the theoretical and methodological aspects of organizational mechanisms for the social and economic development strategy of Nakhchivan, including subsidies, concessions and support programs;

- To propose an efficient option for entrepreneurial activities, its priority directions and methods of regulation in the socio-economic development strategy of Nakhchivan Autonomous Republic.

**Research methods:** In the research, a systematic approach is applied within the context of regional criteria, foreign economic relations, international transit infrastructure, and social development. Methods such as logical generalization, statistical analysis, induction, deduction, observation, comparison, and analysis have been used.

**Main provisions submitted for defense:**

- Complex and systematic description of entrepreneurial activity, as well as taking into account the relevance of the mechanisms necessary for its implementation;

- Consideration of entrepreneurship as a factor of socio-economic development and the main strategy for social protection;

- Study of entrepreneurial activity as a guarantee of macroeconomic development in the Nakhchivan Autonomous Republic, as well as a sustainable resource and organizational mechanism;

- Organization of innovative approaches to entrepreneurial activity in the Nakhchivan Autonomous Republic;

- Identification of the main directions of development of labor-intensive sectors for the welfare and social protection of the

population and replenishment of the consumer basket with modern food and service products;

- Planning and forecasting to increase the territorial efficiency of settlement and employment in the Autonomous Republic, as well as providing schemes for the location of productive forces.

**Scientific novelty of the research:** The scientific novelty of the dissertation is determined by the following aspects:

- Since entrepreneurship is studied in the context of regional development, balanced and balanced trends, the problems solved are completely new and modern;

- Entrepreneurship is viewed as a system of relations, this field of activity of the economy is studied as a priority factor that has the power to influence the production, distribution and welfare system;

- The efficiency indicators of entrepreneurship as a mechanism of economic development and a method of social protection are studied in terms of the development and regulation aspects of skills and consumer products and services in this activity model in accordance with market demand;

- The development of entrepreneurship is justified precisely on the basis of resource potential, the effective impact of the perspective resource market on reproduction and distribution is clarified and its results are evaluated;

- A transformation model is given in accordance with the areas of activity of entrepreneurship in Nakhchivan, current and prospective development directions. Agriculture, processing industry and infrastructure are brought to the agenda as priority areas;

- The ways of stimulating the special forms of entrepreneurship, such as household economy, self-employment, family and community economy, collective and patronage methods, in Nakhchivan are specified;

- The territorial and sectoral structure of the directions of settlement, welfare and social development as a priority direction of entrepreneurship in Nakhchivan is substantiated;

- An analysis and forecasting model are presented that proves the development of the transport and service sectors in Nakhchivan

creates favorable conditions for the business environment. For this purpose, ways to utilize the region's transit potential are identified.

**Theoretical and practical significance of the research:** The theoretical and practical significance of the dissertation is to assess a number of categories and economic processes in modern conditions from the point of view of the requirements of economic and social sciences and to use its results in practice. The theoretical significance of the work is that, approaching entrepreneurship from the point of view of social and economic growth targets, its targets and results have been assessed, and on this basis, the science of economics has been enriched with new provisions.

The practical significance of the dissertation is determined by the fact that it forms the rules for compiling and using the organizational and methodological aspects of entrepreneurship in the socio-economic development strategy of the Nakhchivan Autonomous Republic in the conditions of innovative economic development. It is appropriate to use the dissertation when implementing the transformation model of the Nakhchivan economy and determining its role and prospects in the new system of economic and cultural relations.

**Approval and application of the research:** The topic of the dissertation was approved by the Scientific Council of Nakhchivan State University on November 30, 2021 (protocol No. 05), and registered with the Problem Council for Social Sciences of the Council for Coordination of Scientific Research of the Republic of Azerbaijan (protocol No. 1) on February 28, 2022. 12 scientific works (8 articles, 4 conference proceedings) on the results of the dissertation work were published. Reports were made at the international scientific conference on "The role of entrepreneurship in ensuring regional development" (Lviv, Ukraine, 2023), at the international scientific conference on "Current issues and prospects for the development of scientific research" (Orleans, France, 2023), at the 5th International Scientific Conference of Researchers in the Field of Economics and Management on "Factors affecting the development of entrepreneurial activity and innovation-oriented development in the Nakhchivan Autonomous Republic" (Baku,

2023), and at the 2nd International Scientific Conference on “Sustainable development strategy: global trends, national experiences and new targets” (Mingachevir, 2023).

**Name of the institution where the dissertation work was performed:** The dissertation was completed at the Department of "Economics and marketing" of Nakhchivan State University.

**Volume of the dissertation and structure of its sections:** The dissertation consists of an introduction 9 pages – 10684 characters, chapter I 36 pages – 59614 characters, chapter II 43 pages – 57924 characters, chapter III 40 pages – 60067 characters, conclusion and suggestions 6 pages – 11455 characters, list of used literature. The dissertation includes 26 tables and 13 figures.

### **Table of contents of the dissertation**

#### **Introduction**

#### **Chapter I: Theoretical and Methodological Foundations of Entrepreneurship Development**

1.1. The Socio-Economic Essence and Main Objectives of Entrepreneurship

1.2. The Socio-Economic Role of Entrepreneurship and Its Assessment

1.3. Characteristics of Regional Entrepreneurship

#### **Chapter II: Analysis and Evaluation of Entrepreneurship in the Nakhchivan Autonomous Republic**

2.1. Analysis and Trends of Entrepreneurship in the Nakhchivan Autonomous Republic

2.2. The Impact of Entrepreneurship on Employment and Social Development and Its Evaluation

2.3. The Influence of Entrepreneurship on Market Products and Services

#### **Chapter III: Innovative Development Directions of Entrepreneurship in Nakhchivan**

3.1. Innovative Methods and Mechanisms in Small Entrepreneurship

3.2. Prospective Directions of Entrepreneurship in the Nakhchivan Autonomous Republic and Organizational-Economic Measures

### 3.3. Improvement of Organizational Mechanisms in Entrepreneurship Development

#### **Conclusion and Recommendations**

#### **List of References**

### **THE MAIN CONTENT OF THE RESEARCH**

In the "**Introduction**" section of the dissertation, relevance and degree of development of the topic, the object and subject of the research, research goals and objectives, research methods, main provisions submitted for defense, scientific novelty of the research, its theoretical and practical significance, approbation and application, the name of the institution where the research was conducted, and the volume of structural sections separately are reflected.

The first chapter of the dissertation is titled "**The Theoretical and Methodological Foundations of Entrepreneurship Development**". In this chapter, the socio-economic essence of entrepreneurship and its main tasks are identified. As an organizational and economic structure, entrepreneurial activity is a factor in the efficient organization of macro-level growth and territorial development of Azerbaijan's economy in the modern context.

This chapter covers the economic and social essence of entrepreneurship, its tasks, assessment of its role, and the characteristics of regional entrepreneurship. The chapter theoretically analyzes the regional development model of entrepreneurship, along with its main criteria and indicators.

The economic and social meaning of entrepreneurship shapes its sphere of activity, the consumption characteristics of the produced goods and services, and its sectoral and territorial structure. Competition, profitability, and social priorities in the production and service sectors form the area of activity, development motivation, and corresponding structural elements of that sector and region. "*As a key*

*critera for social development, the role of entrepreneurship is multifaceted and pragmatic”<sup>3</sup>. Entrepreneurship, being necessary and a goal, creates the basis for the development of the region. In this regard, specialization occurs. Entrepreneurship is a mechanism of action. Its results are formed by the influence of internal and external factors. Therefore, each entrepreneur manifests itself with the characteristics of legal and organizational decision-making. “The fields of employment and the volume of capital investments among entrepreneurs can vary based on personal qualities, skills, and levels of professionalism.”<sup>4</sup>.*

While entrepreneurship is a form of liberal economic activity, its forms of connection and obligations are established based on certain conditions and principles. These principles are evaluated according to the following criteria:

- Profitability;
- Practicality;
- Social orientation;
- Labor intensity;
- Market-oriented flexible policy;
- Dominance.

The entrepreneurial environment in the region is regulated by the infrastructure conditions created and the financial-credit, mortgage, and grant mechanisms provided by state support.

The evaluation of entrepreneurial activity in the Nakhchivan Autonomous Republic can be researched and analyzed based on the current situation and prospective targets for new projects. In terms of resources, the following types of entrepreneurship are characteristic of the Nakhchivan Autonomous Republic:

- Development of health and rural tourism in the tourism sector;

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<sup>3</sup> Əlirzəyev, Ə.Q. İslahatlar və sürətlənmə strategiyası şəraitində Azərbaycanın sosial-iqtisadi inkişaf problemləri: təcrübə, meyllər və perspektiv istiqamətlər. / Ə.Q.Əlirzəyev – Bakı: Adiloğlu, – 2005. – s. 219

<sup>4</sup> Qafarov, Ş.S. Müasir iqtisadi sistem və qloballaşma. Monoqrafiya. / Ş.S.Qafarov – Bakı: CBS polygraphic production, – 2005. – s. 129

- Production of consumer goods, food, and processed industrial products, including meat and dairy processing enterprises;
- Forms of entrepreneurship in agriculture, including agricultural products, fruits, vegetables, and livestock to meet the internal market demand;
- Self-employment in Nakhchivan, providing clothing, household handicrafts, and tools for the population;
- Construction sector, including bricks, cement, tiles, and ceramic products produced from natural resources;
- Enterprises offering essential services for the arts, as well as healthcare, consulting, and repair and restoration services;
- Production and export of green energy.

The market for each of the aforementioned sectors encompasses its organization and the complexity of related fields.

The second chapter of the dissertation is titled “**Analysis and Evaluation of Entrepreneurship in the Nakhchivan Autonomous Republic.**” This chapter examines the main directions and trends of entrepreneurship in the Nakhchivan AR, focusing on the assessment of its impact on economic growth and employment.

The growth of GDP is explained by progressive changes in its sectoral structure, the application of innovative technologies, and the effective development of international economic relations. In some sectors of entrepreneurship in Nakhchivan, the share of GDP accounts for 85-100%. In 2022, the per capita GDP in Nakhchivan AR increased from 236.2 manats in 2000 to 6440.1 manats. This growth is attributed to privatization and the increase in the private sector's share in the production of goods and services. In 2022, the share of the non-state sector in GDP was 88%. Several sectors are entirely linked to the development of the non-state sector. Approximately 50% of Nakhchivan AR's GDP is generated from industry, construction, and agriculture. The nature of these sectors is favorable for small and medium-sized enterprises.

**Table 1. Sectoral structure of GDP, in percent**

Years	2006	2010	2015	2016	2017	2018	2019	2020	2021	2022
Industry	10,8	18,3	28,7	27,8	27,6	27,4	27,6	27,6	27,1	25,7
Construction	12,0	19,0	21,7	20,7	19,9	19,6	19,3	19,3	19,1	18,0
Agriculture	18,2	14,3	11,4	11,2	11,2	11,6	12,0	12,4	12,9	13,4
Transport	5,1	2,5	1,7	1,8	1,7	1,7	1,7	1,5	1,6	1,7
Information and communication	2,0	2,5	1,5	1,5	1,5	1,5	1,5	1,5	1,6	1,6
Whole and retail trade, automobile repair	23,9	24,4	23,4	25,8	27,0	26,9	26,7	26,3	25,9	26,6
Social and other services.	23,0	15,3	9,3	9,1	9,0	9,0	8,8	9,0	8,8	9,0
Net taxes on product and export	4,5	2,9	1,7	1,5	1,5	1,7	1,8	2,2	2,9	3,9
Organization of Living and Public Catering	0,5	0,8	0,6	0,6	0,6	0,6	0,6	0,2	0,1	0,1

Source: Table prepared by the author based on data from the Nakhchivan Autonomous Republic State Statistical Committee.

<https://nstat.gov.az/storage/macros/March2025/SrAwhIbP0Kvdam9uC6Ry.xls>

The sectoral structure of entrepreneurship is determined by the nature of resources and its accessibility for family and collective farms, and the market.

Due to its share, the construction sector is considered a priority area. This figure increased from 12.0% in 2006 to 19.3% in 2020. Individual entrepreneurship is more characteristic of this sector. Residential construction maintains its priority in rural areas.

In the Nakhchivan Autonomous Republic, the income of the population is expressed through individual farming, self-employment, and the remuneration for labor provided as both legal and physical work.

**Table 2. Income dynamic in Nakhchivan Autonomous Republic**

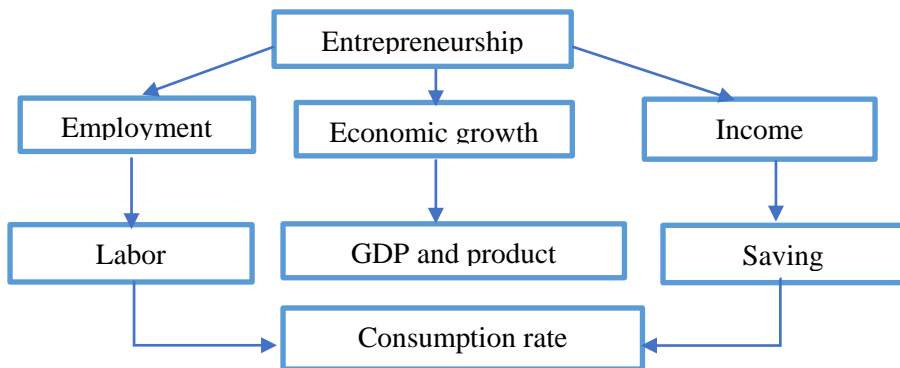
Years	Income		Salary		Entrepreneurship		Social defense	
	Per capita, in manats	In peccent	Per capita, in manats	In peccent	Per capita, in manats	In peccent	Per capita, in manats	In peccent
2015	262,9	100	111,3	42,3	53,9	20,5	2,0	0,8
2016	279,3	100	126,1	45,2	50,0	17,9	2,2	0,8
2017	292,8	100	132,8	45,3	50,9	17,4	2,5	0,9
2018	303,5	100	140,9	46,4	53,6	17,7	2,8	0,9
2019	322,0	100	155,1	48,2	113,0	35,1	2,9	0,9
2020	310,7	100	148,9	47,9	103,9	33,4	2,2	0,7
2021	322,7	100	159,7	49,5	97,0	30,0	2,3	0,7
2022	342,2	100	168,8	49,3	100,7	29,4	3,8	1,1

Source: Prepared by the author based on the data from the State Statistical Committee of the Republic of Azerbaijan (SSCRA).

The dynamics of household income are observed to have a growth rate. In 2022, compared to 2015, household incomes increased by up to 30%. The share of entrepreneurial income within this income composition accounts for 29-35%. Due to migration, social protection income has increased only slightly.

The dynamics of household income show that, alongside growth, there are changes in its structure. The main areas of entrepreneurial income include household activities, self-employment, and trade. Social development trends are implemented in Nakhchivan as a unique model, primarily relying on internal capabilities and attracting external resources to meet social objectives and demands.

The social values of entrepreneurship are expressed through their impact on economic growth, the increase in job opportunities, and the rise in wages for each worker, resulting in a sequence of improvements in consumption levels and structural changes, which manifest as a multiplication effect. Specific production plays a leading role in the formation of household incomes.



**Figure 1. Modeling the Impact of Entrepreneurship on Social and Employment Levels.**

Source: Prepared by the author.

The dynamics of wages in the Nakhchivan Autonomous Republic encompass various factors and prospective goals. Its differentiation is shaped by productivity and the supply of labor resources. The inactive labor reserves in Nakhchivan are relatively high, which also strengthens migration. The differentiation of wages is related to inter-sectoral and intra-sectoral factors, as well as the costs and revenues of commodity and service production according to market demand.

$$dif^s = \frac{\partial H^s}{\partial H^R} \quad (1)$$

$$dif^{s.d} = \frac{\partial H_i}{\partial H_{orta}} \quad (2)$$

Here,

$dif^s$  – sectoral differentiation,

$\partial H^s$  – Average rate of salary,

$\partial H^R$  – The average salary level across the republic,

$dif^{s.d}$  – intra-field differentiation,

$\partial H_i$  – Wage level,

$\partial H_{orta}$  – the average salary level within a sector.

A key area of entrepreneurship in Nakhchivan is the services and infrastructure sectors. The growth in self-employment, individual

entrepreneurship, and infrastructure projects creates favorable conditions for business development. The following sectors play a priority role in this regard in Nakhchivan:

- Transportation and logistics services and appropriate organizational structure;

- Self-employment and individual service sphere, including the increase of household and personal services in rural and urban areas;

- Tourism services and agritourism, ethnic tourism, and the favorable conditions of the natural-geographical environment;

- Expansion of the sphere of entrepreneurship as a paid service and individual to meet the personal and family consumption level, material and spiritual needs of the population in Nakhchivan;

- Forecasting an increase in international investments and joint ventures due to the use of Nakhchivan's territory as a world-significant transit area based on prospective projects;

- The establishment of free economic zones, cross-border trade, and logistics centers as a special form of entrepreneurship in Nakhchivan, leading to the creation of new jobs;

- The positive impact of the increase in Nakhchivan state administration structures on the increase in employment levels in the region.

In the third chapter of the dissertation, titled “**Innovative Development Directions of Entrepreneurship in Nakhchivan**,” the innovative methods of entrepreneurship are examined. This chapter pragmatically substantiates the innovative approaches in organizational economic management and the innovative regulation mechanisms of the service sector in Nakhchivan.

Entrepreneurship occupies a special place in economic relations by incorporating unconventional innovative approaches and solutions. Moreover, small and medium-sized enterprises contribute to ensuring employment for a significant portion of the population, stimulating and expanding the sphere of labor utilization, and

facilitating the full realization of employees' creative potential. According to statistical indicators, small and medium-sized businesses play a key role in the Azerbaijani economy.<sup>5</sup>

In small entrepreneurship, tasks and impacts can be grouped according to the following classification:

- Macro support and tasks;
- Macro-level tasks and mechanisms;
- Individual entrepreneurial activities;
- State support programs.

Small entrepreneurship has several advantages and requirements. These requirements are realized through creating conditions and regulatory policies. Initially, small entrepreneurship should be organized in accordance with the criteria of internal demand and employment.

In small entrepreneurship, innovative methods specialize according to sectoral and functional classifications. These directions can be expressed as follows:

- Specialization of product types and their alignment with demand, as well as their significance in districts and residential areas as leading activities;
- Distribution of entrepreneurs based on the type of products and services and trends in their changes;
- Grouping and utilization of certain products and services based on rural and urban activities in spatial planning;
- Evaluation based on economic indicators as a priority direction.

In the Nakhchivan Autonomous Republic, there exists an entrepreneurial environment characterized by inertia and export orientation. Inertia refers to the population's need for its own products and services. This type of entrepreneurship faces significant challenges in terms of innovative intervention, professionalism, and

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<sup>5</sup> Tahirzadə N.Z., Allahverdiyeva M.A. Azərbaycan Respublikasında kiçik və orta biznesin inkişaf xüsusiyyətləri // – Bakı: Kooperasiya Universitetinin “Kooperasiya” elmi-praktiki jurnalı, – 2023. №4(71), – s. 146-152

financial involvement. These problems exhibit both general characteristics and those specific to Nakhchivan:

- Providing assurance for the product and service market to stimulate entrepreneurship among the rural population;
- Establishing state enterprises suitable for the rural population and small entrepreneurship in each region and area;
- Offering long-term guarantees for insurance, tax, and financial opportunities in rural entrepreneurship;
- Implementing programs aligned with the interests of entrepreneurs for technical, technological, and organizational purposes;
- Deepening Nakhchivan's international relations to create new economic and cultural ties within the north-south and east-west economic relationships;
- Considering the region's internal capabilities and applying planning and management methods in accordance with the social development norms, in line with the prospective trends and qualitative changes occurring in the Republic.
- To realize innovative trends and changes in regional entrepreneurship, it is essential to create suitable conditions and an environment by applying global experiences alongside the realities of the Republic.

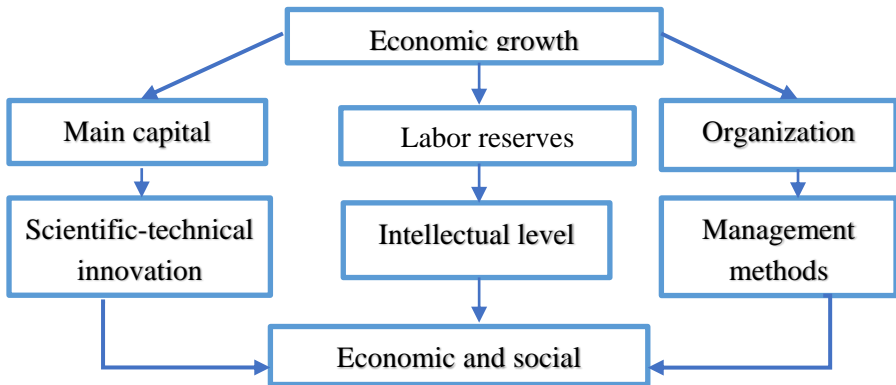
The main directions of entrepreneurship in Nakhchivan can be projected through reform programs aligned with goals and objectives. Based on this, the real economic situation can be assessed, and the prospective development within the synthesis of active reforms can be substantiated as follows:

- Firstly, to develop Nakhchivan's dynamics in line with republic-level indicators and ensure priorities in its activities based on certain metrics;
- Secondly, to prioritize labor and service activities that are resource-based and increase the level of employment among the population by evaluating the economy and socio-economic role of resources in the Nakhchivan Autonomous Republic;
- Thirdly, to ensure maximum development by expanding Nakhchivan's geoeconomics transit capabilities, which are part of its resource potential;

- Fourthly, to develop tourism in special service zones in Nakhchivan.

Entrepreneurship, according to innovative projects, is a sphere of competitive activity. Naturally, the accessibility of the existing conditions for everyone is regulated by legal frameworks. Each entrepreneur bears responsibility in light of various requirements. There is a regularity of specialization and distribution in entrepreneurship based on types in Nakhchivan. For instance, the sale and processing of livestock products involve agricultural risks that yield more efficient projects. Entrepreneurship in mountainous and lowland areas depends on local resources. The innovative foundations of entrepreneurship are built upon market demand, sustainable development, and welfare goals. For these purposes, financial, technical measures and smart decision projects play a crucial role. Each project must have economic foundations and accessible support opportunities. In our opinion, the following measures play a key role in the Nakhchivan Autonomous Republic:

- Subsidy system;
- Insurance system;
- Trade and procurement system;
- Stimulus and paid wage system;
- Security system.



**Picture 2. Innovative system and Entrepreneurship activeness**

*Source: Compiled by the author*

As seen in Figure 2, fixed capital, labor resources, and organizational structure are the foundation for the development of entrepreneurship. In an entrepreneurial context, the effectiveness of entrepreneurial labor is evaluated by integrating scientific, technical, and organizational factors. Each entrepreneur's labor is assessed based on its economic outcomes and reproductive results. As indicated in the diagram, the outcome of entrepreneurship is accepted as the regional, republic, and spatial development index, serving as the main operational mechanism through a complex and system analysis method.

The territorial structure of the Nakhchivan Autonomous Republic and its status as a transit country make it significant for international relations, freight transportation, logistics, and social infrastructure projects. Its strategic position facilitates meeting social demands, especially with a focus on Iran and Turkey for east-west transportation and logistics services. The forms of international relations present a wide spectrum in the context of Nakhchivan, with a particular emphasis on production, transportation, logistics, and joint ventures being vital for entrepreneurship.

The import and export operations in Nakhchivan are specialized due to the diverse supply of goods and services. Investment sources in the region, particularly from Iranian, Turkish, and Azerbaijani entrepreneurs, are crucial for prospective economic efforts. Economic zones, trade centers, and joint venture forms have proven effective across a broad spectrum.

Nakhchivan's fruit and vegetable market and the import of agricultural resources are important areas of focus. The proximity of labor, resources, and population between Iran and Azerbaijan creates priorities in several sectors. For small entrepreneurship, the import of equipment, chemicals, feed, and fertilizers holds significant importance.

To ensure the efficient organization of investment projects, issues related to intergovernmental relations and activities must be addressed, as well as the enhancement of Nakhchivan's export potential and the stimulation of import with a production-oriented character.

The export of agricultural products from Nakhchivan to the Republic of Turkey and the employment of labor resources in the territory of Turkey can be expanded. By producing energy resources, Nakhchivan can increase the export of alternative energy resources to Turkey and Iran. As a type of entrepreneurship in Nakhchivan, the production of agricultural products, processing industry, and infrastructure projects related to alternative water and energy sources are promising directions.

In addition to producing mineral water, Nakhchivan's infrastructure, including the production of gas and glass containers, supports efficient operations in logistics and transportation services due to their economic and social capacities.

The service sector holds a priority position in Nakhchivan. The development of the following areas within the types of services is essential:

- Transportation and logistics services;
- Tourism services and support for tourism infrastructure;
- Expansion of the service and food industry;
- Forms of entrepreneurship serving households as legal entities;
- Educational, healthcare, and cultural services provided as state enterprises;
- Financial, insurance, and social protection services;
- Legal and physical entities created for the organization and utilization of construction, repair, and utility services;
- Services related to technologies owned by the population, including the renewal and application of technical capabilities.

The service consumption market can intensify in the prospective period, focusing on improving services for foreign citizens and enhancing the consumption market. To achieve this, infrastructure sectors such as railways, highways, public catering services, and hotel management must be widely developed. In Nakhchivan, individual households and housing provision are more widespread relative to population growth. Each household typically has several residential units, which can serve as a new source of income.

There is a favorable environment for internal tourism and ethnic tourism, particularly in tourism services. The mineral water reserves, salt mines, and natural-geographical conditions in Nakhchivan create opportunities for the development of health and ecological tourism.

Alternative energy sources in Nakhchivan represent significant entrepreneurial opportunities that are economically viable and can enhance domestic demand and exports. To promote this sector, state credits and financing can be allocated, and long-term mortgage loans can be organized to boost the national economy. It is essential to increase the capacity of mineral water plants in Nakhchivan. Expanding the agricultural processing industry and deepening its integration into the household system ensures both employment and the connection of potential with innovative processes.

As innovative approaches, favorable options for entrepreneurship are defined by global, local, and social demands. When global entrepreneurial interests balance with local interests and individual successes, synergistic effectiveness is achieved.

$$\int_{min}^{max} f(lx) \rightarrow max \quad (3)$$

As a synergistic effect, the national efficiency of alternative decision-making involving all resources and organizational forms is evaluated in terms of a multiplication effect. Ultimately, the effectiveness achieved in social development and the well-being of the population is calculated based on this outcome.

The Nakhchivan Autonomous Republic has a unique environment, geographical characteristics, and ecological conditions that encompass the real economic situation for entrepreneurial activities. In the region, priorities are accepted as a mechanism for organizational-methodological approaches and specific reforms. Some of these priorities can be interpreted based on their variable outcomes, and they are evaluated according to their descriptive models. In this regard, in the initial phase, priorities are considered as normative-legal conditions. In our opinion, the following priorities should be established:

- Improvement of the population's welfare and reduction of poverty;

- Enhancement of Nakhchivan's economic potential and increase in employment;
- Efficient economic forms in the utilization of resources;
- Increase in agricultural production and comprehensive development of related sectors, with regulation of balanced and dynamic trends;
- Organization of innovative and competitive development conditions for the population's employment and economic forms;
- Implementation of state-supported subsidies and preferential financial-credit mechanisms to direct more regional potential toward export-oriented sectors;
- Creation of conditions for innovative and modern-level services in the region's social infrastructure facilities.

Of course, for the realization of these measures, a legislative framework, authority delegations, implementation mechanisms, and methodological foundations and principles for evaluating outcomes must be developed. Several macro-level measures apply organizational factors to all regions and the population. However, the welfare, employment, settlement, and social progress factors that ensure Nakhchivan's status as part of Azerbaijan must be managed to elevate it to the republican level.

The use of the Zangezur corridor could lead to new opportunities and the utilization of strengths in Nakhchivan's economic and social life. The engagement of foreign states and entrepreneurs in the economic and social potential of the Nakhchivan Autonomous Republic will generate additional income, reduce import costs, and impact the price mechanism. Nakhchivan's socio-economic development strategy is formed based on the republican strategy, influencing the republic in terms of its role and impact. As a long-term strategic objective, enhancing Nakhchivan's economic potential is planned to normatively impact overall republican development.

As a complex functional dependency, the strengths of Nakhchivan's social effectiveness can be further stimulated. These factors include:

- Alignment of economic growth with demand;

- Stimulating settlement and population growth;
- Improving the wage and social protection system;
- Ensuring social justice and transparency;
- Expanding the sectors of entrepreneurship unique to the region;
- Enhancing export potential by exporting new technological and consumer products;
- Establishing state protectionist policies based on new principles;
- Creating conditions and incentives for entrepreneurship.

These and other aspects shape the implementation of state policy and form its new mechanism. State policy is formulated as functional tasks aimed at overall economic growth and social development from both global and regional perspectives. The legislative framework, resource allocation, and usage are balanced in accordance with general and specific interests. Sustainable development must be achieved through the realization of balanced trends and structural reforms at every functional level.

The assessment of the impact of factors influencing the socio-economic development of regions occurs by evaluating and regulating their influence. The evaluation of expression through linear and layered functional effects is assessed based on the impact power of each factor.

$$Y = A^{\alpha} B^{\beta} C^{\xi} \quad (4)$$

Here:

Y – Expected result,

A – Material factors,

B – Human factor,

C – Organization factor,

$\alpha, \beta, \xi$  – Elasticity coefficient.

As an organizational factor, the prospective elements of regional development and structural changes are evaluated. The manifestations and foundations of macro-levels are forecasted. As an organizational factor, the mechanisms for utilizing the quality and effectiveness of human capital and skills in Nakhchivan are included.

## RESULTS AND RECOMMENDATIONS

Research suggests that the dynamics of entrepreneurship development in Nakhchivan, in accordance with the historical and geographical conditions of the region, is characterized by its own unique features, taking into account modernization criteria.

The socio-economic role of entrepreneurship can be analyzed through various indicators and outcomes. Primarily, it can be viewed in terms of its economic role, production volume, and the mechanisms for organizing it in accordance with market demand. Entrepreneurship should be approached as a factor that influences and controls the market and consumption sphere. The welfare aspect of entrepreneurship is assessed as a factor of employment, income and consumption of the population. It is an undeniable fact that this area is a key factor in the socio-economic development of the Nakhchivan Autonomous Republic.

The development of small and medium-sized enterprises plays an important role in the complex restructuring of the economy in the regions and creates conditions for the improvement of the social environment in the regions. Small entrepreneurship is more profitable for the regional environment. For this purpose, the development of the household economy and self-employment sphere for the Nakhchivan environment should be constantly kept in mind.

The development of entrepreneurship in Nakhchivan in accordance with the criteria of the global world economy is impossible without taking into account the principles of the republic's economy and the capabilities of the East-West logistics center. It is believed that the opening of the Zangezur corridor will play a leading role in the integration system of the Nakhchivan Autonomous Republic.

Nakhchivan's location on the Silk Road, East-West, North-South communication, the availability of wide opportunities for transit relations, the diversification of international relations in horizontal and vertical directions, and the implementation of economic programs have a positive impact on increasing income.

Entrepreneurship support programs specialize according to

production and sector structure. Therefore, entrepreneurship priorities should be assessed using various criteria and indicators.

The mechanisms in support programs for entrepreneurship are as follows:

- a) Financial support;
- b) Tax incentives;
- c) Loan schemes;
- d) Targeted support programs through funds;
- e) Improvement of planning and management based on production and service priorities.

To support entrepreneurship, state assistance should be broader and provided through the necessary means to access global markets. The main directions of this support should include the following:

- assistance in the procurement of the product and its placement on the market;
- efficient organization of production and services using imported resources and products;
- financial support, preferential taxes, loans, as well as subsidies and their application in effective areas;
- planning, methodological, and advisory assistance based on scientific principles.

Social protection of the population in Nakhchivan is an important condition for the development of entrepreneurship. This process is expanded primarily through the introduction of self-employment and self-financing methods and the opportunities created for households.

Improving state principles and obligations related to entrepreneurship in the region, facilitating subsidy, tax, and preferential credit mechanisms allow for the application of differential principles for territory and services. Grain growing, horticulture, and livestock breeding in Nakhchivan are quite profitable due to their productivity and efficiency. In this regard, the subsidy system shows its effectiveness in economic growth and meeting the needs of the population.

Viewing entrepreneurship as a dynamic process, its forms and content must include strategic management mechanisms and

organizational structure modifications, such as:

- A targeted program approach, including program, target, and resource provision systems;
- Improvement of the normative-legal framework and mechanisms for the distribution and utilization of each resource's recycling potential;
- Enhancing the future development of human resources and expanding incentives for their use;
- Improving protectionist policies to prevent the settlement and migration of the rural population.

As the regulatory object of entrepreneurship development, the conditions, regulatory mechanisms, and their regional description are continuously improved as a model. For this purpose, the following proposals can be made:

- Free competition, anti-monopoly and incentive system should be applied in entrepreneurship;
- Funds should be created at the expense of internal and external resources in order to support entrepreneurship. The forms of ownership and organizational structure of these funds as legal entities should be constantly kept in mind with balanced and efficient options;
- The perspective development strategy of the Nakhchivan Autonomous Republic should be organized in accordance with the economic policy of the Republic of Azerbaijan, and at this point, measures for the social development and settlement of the population of Nakhchivan should be constantly improved;
- The priorities of organizing Nakhchivan on the basis of secular principles, while preserving its cultural and national characteristics, and developing the service sphere and the sphere of life should be maintained;
- The tradition of public service in accordance with the principle of collective economy and solidarity applied in Nakhchivan should be maintained, and its historical traditions should be developed.

**The main provisions of the dissertation are reflected in the following scientific articles:**

1. Musayev A.E. Regional inkişaf problemlərinin həllində innovativ yanaşmanın əsas xüsusiyyətləri // – Bakı: Azərbaycan Milli Elmlər Akademiyasının “İqtisadi artım və ictimai rifah jurnalı”, – 2022. №4, – s. 89-96

2. Musayev A.E. The role of entrepreneurship in ensuring regional development // Реформування міжнародних економічних відносин і світового господарства в сучасних умовах, – Львів-Торунь: Liha-Pres, – 2023, – p. 57-60

3. Musayev A.E. The effect of innovation on entrepreneurial activities: the case of Azerbaijan // Current issues and prospects for the development of scientific research, – Orleans. France: InterConf, - April, – 2023, – p.10-18.

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