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THE IMPACT OF THE DEVELOPMENT OF SMALL AND MEDIUM BUSINESS IN AZERBAIJAN ON THE INCOME LEVEL OF THE POPULATION AND THE DEMAND

Business primarily refers to activities conducted for the purpose of producing, selling, or exchanging goods or services. Establishing, managing, and expanding a business involves various activities and strategies. Essentially, a business is an organization that endeavors to meet a need by offering required products or services. This encompasses various fields ranging from product manufacturing to sales, marketing strategies to financial management. Businesses can vary in size, ranging from individual ventures to global corporations, covering a wide spectrum. Generally, businesses can be grouped into two main categories: production and service.

There are various types of businesses, including Financial, Manufacturing, Commercial, and Consulting businesses. When we refer to Financial business, it typically involves activities in financial markets, including trading in securities, borrowing, stock purchases, and financial-banking processes. It's a business form commonly utilized for generating long-term returns on investments. Commercial business involves the sale of goods and services with the addition of profit margins. The sale of newly created or existing products through intermediaries to end consumers is envisaged. In the Consulting business type, individuals engaged in the service sector direct their expertise and skills towards writing new projects and receive appropriate remuneration under this activity contract. It's the least risky type of business activity among the various types. The Manufacturing business aims to produce new products or enhance existing ones through manufacturing processes. It is the most revenue-generating and risk-intensive type of business among business

types. Enterprises engaged in manufacturing activities can bring their products to market in two forms. The first form is order-based production: Products are manufactured according to orders received. The second form is competitive product manufacturing: here, products are manufactured and brought to the market, and various campaigns and advertising activities are carried out to ensure continuous competitiveness in the market. The market is segmented, and the product is tailored to target audiences. Both production forms have their advantages and disadvantages. In order-based production, the risk is lower since the product is delivered to a single consumer. However, if there is no inventory of products, the company may not be able to meet the demand when large orders come in, resulting in decreased customer satisfaction and profitability. In the second form, product manufacturing is considered a risky area, because both the product brought to market and the inventory must be fully ensured. The advantage, however, is that during mass purchases, profits increase significantly since there are no delays. Entrepreneurs engaged in business activities choose the form that suits them best.

Small and medium-sized businesses generally refer to companies that are less responsible, less efficient, or carry less liability. Typically, small and medium-sized businesses have fewer employees and turnover than large corporate firms. Businesses in this category offer products and services that address issues and meet customer demands. Small and medium-sized businesses operate more in the local market, but they can also operate regionally or internationally. These organizations are more agile and can adapt more quickly to changing economic conditions. Entrepreneurs engaged in small business activities produce niche products that large corporations are not interested in producing. At the same time, small businesses play the role of suppliers to large corporations. The development of small and medium-sized businesses directly contributes to the creation of social and economic prosperity in the region. Therefore, several state programs and decrees have been developed and implemented by the President of the Republic of Azerbaijan, Ilham Aliyev, for the development of

small and medium-sized businesses. In 2015, Azerbaijan celebrated "Agriculture Year", followed by the adoption of the Strategic Roadmap for the national economy of Azerbaijan in 2016. Additionally, State Programs for the social and economic development of the regions of Azerbaijan were implemented for the years 2004-2008, 2009-2013, 2014-2018, and 2019-2023. Furthermore, on February 2, 2021, the decree "Azerbaijan 2030: National Priorities for Socio-Economic Development" was adopted. These decisions are making their mark. We can refer to the following statistical table to see the results.

The number of business entities providing catering activities 1995-2022

| Indicator | 1995 | 2000 | 2005 | 2010 | 2015 | 2020 | 2021 | 2022 |
|--|-------|-------|-------|-------|--------|--------|--------|--------|
| The number of business entities providing catering activities (unit) | 5,900 | 3,810 | 4,925 | 8,697 | 15,645 | 21,483 | 22,783 | 23,822 |
| State ownership (unit) | 0 | 0 | 0 | 37 | 12 | 19 | 12 | 14 |
| Non-state ownership (unit) | 0 | 0 | 0 | 8,660 | 15,633 | 21,464 | 22,771 | 23,808 |

<https://www.azstat.gov.az/portal/search/search.do>

In 1995, there were a total of 5,900 catering facilities in operation, whereas in 2022, this figure increased to 23,822 units. The opening of new businesses implies the creation of new job opportunities. Providing employment for newly established enterprises contributes to reducing the number of unemployed individuals.

In the table below we can see the growth of the employed population for the years 2000-2022

| Indicator | 2000 | 2005 | 2010 | 2015 | 2020 | 2021 | 2022 |
|---|---------|---------|---------|---------|---------|---------|---------|
| Number of workforce (thousands of people) | 4,370.2 | 4,380.1 | 4,587.4 | 4,915.3 | 5,089.9 | 5,141.6 | 5,194.4 |
| Number of employed (thousands of people) | 3,855.5 | 4,062.3 | 4,329.1 | 4,671.6 | 4,721.2 | 4,831.1 | 4,901.1 |
| Number of unemployed population (thousands of people) | 514.7 | 317.8 | 258.3 | 243.7 | 368.7 | 310.5 | 293.3 |

<https://www.azstat.gov.az/portal/search/search.do>

In the year 2000, the unemployment rate, compared to the labor force, was 11.77%, whereas this ratio decreased to 5.64% in 2022. The increase in the labor force contributes to the growth of household incomes.

Population income and expenses in million manats 2000-2022

| Indicator | 2000 | 2005 | 2010 | 2015 | 2020 | 2021 | 2022 |
|--|---------|---------|----------|----------|----------|----------|----------|
| Incomes-total (million manats) | 4,047.3 | 8,063.6 | 25,607.0 | 41,744.8 | 55,754.1 | 57,206.8 | 69,163.0 |
| Labor payments to employees (million manats) | 1,021.1 | 2,954.8 | 7,027.3 | 11,037.3 | 21,438.7 | 22,740.9 | 27,062.6 |
| Incomes from entrepreneurial activities (million manats) | 2,114.4 | 3,432.6 | 14,725.0 | 25,317.1 | 22,984.1 | 23,542.9 | 27,404.0 |
| Costs-total (million manats) | 3,272.2 | 6,508.7 | 19,251.5 | 34,963.4 | 49,826.4 | 55,379.1 | 66,465.7 |
| Per capita income of the population (manats) | 508.9 | 962.2 | 2,866.1 | 4,380.7 | 5,575.4 | 5,695.2 | 6,851.1 |

<https://www.azstat.gov.az/portal/search/search.do>

In the year 2000, total household income was 4,047.3 million manats, whereas in 2022, this figure reached 69,163.0 million manats. The increase in household income has led to changes in consumer spending habits and the formation of new demands. The increase in demand has led to price increases. Price increases, in turn, have led to an increase in supply. As a result, the increase in supply leads to an increase in production volume, which in turn leads to the opening of new businesses. If these periods can be continued consecutively, the country's economy and the welfare of the population can be improved.

Sources

1. Decree of the President of the Republic of Azerbaijan on declaring "Industry Year" in the Republic of Azerbaijan for the year 2014.
2. Decree of the President of the Republic of Azerbaijan on declaring "Agriculture Year" in the Republic of Azerbaijan for the year 2015.
3. Decree No. 1897 of the President of the Republic of Azerbaijan dated March 16, 2016, on the approval of the "Main Directions of the Strategic Roadmap for National Economy and Key Sectors of Economy" and related matters.
4. Presidential Decree of the Republic of Azerbaijan on the approval of the "State Program for the Social and Economic Development of the Regions of the Republic of Azerbaijan for 2019-2023".
5. <https://www.stat.gov.az/source/industry/>
6. <https://president.az/>