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MANAGEMENT MECHANISMS OF SMALL AND MEDIUM ENTERPRISES

Abstract

As a result of the agrarian reforms carried out in Azerbaijan, new owners were created and small and medium enterprises (SMEs) were formed. The development and efficient operation of SMEs is highly dependent on their proper management. The main goal of the research is to investigate the development trends of SMEs and increase the efficiency of their management. The creation of the legal base of SMEs, the main indicators of its development are analyzed, the factors affecting entrepreneurial activity are classified. The article defines the directions of SMEs management, consideration of the economic, social and legal issues of their management, improvement of the existing management mechanisms.

Key words: small and medium-sized enterprises, management mechanisms.

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Introduction

It is known that numerous market entities engaged in SME activities have started to form due to the reforms carried out in the agrarian field and 99.7% of the produced agricultural products fall under the share of this division. Despite this, the socio-economic problems of market entities engaged in entrepreneurial activity in many economic regions remain unresolved. Thus, SMEs face many problems during the implementation of the production and sales activities, they are not fully provided with material and technical resources for the organization of the production and service process, the resource potential is used at different levels, cooperation - integration relations have not yet been formed, there is a shortage of credit, management of the owners' activities with economic methods does not meet the demand. Without solving this problem, it is impossible to ensure the dynamic development of these entities engaged in entrepreneurial activity in economic regions. Still, many issues remain unsolved in order to overcome the challenges faced by SMEs.

The main content of the research

"Strategic Roadmap for the national economy perspective of the Republic of Azerbaijan", provides for targeted economic reforms to create a stable business environment and appropriate management structures, supporting the development of entrepreneurial entities and their improvement. [1. p. 100-101]. We believe that the characteristics of economic regions, financial and credit, tax, price, insurance and other economic mechanisms affecting the formation of production and services should be taken into account in entrepreneurial activity in the agricultural field, resources should be used more efficiently to increase agricultural production and improve food supply. In this regard, many systematic and consistent measures are implemented. "Azerbaijan 2030: National Priorities for socio-economic development" shows that the business environment should be significantly improved and unfair competition should be prevented in order for the private sector, especially small and medium enterprises, to become a source of economic growth and employment. A new and transparent privatization strategy should be implemented. The effectiveness of the

business promotion mechanism should be increased. [2. p. 4] "Socio-economic development strategy of the Republic of Azerbaijan in 2022-2026" is shown to be prepared based on National Priorities, it is envisaged to achieve new goals through effective integration of the country's economy into the global value chain. It is noted that the modern economic infrastructure created at the expense of state investments has supported the development of small and medium enterprises. It is shown that new financial mechanisms will be created for SMEs that want to start entrepreneurship and expand their activities. One of the main goals will be "Acceleration of the development of the private sector, including micro, small and medium-sized enterprises, due to new and more efficient incentives and development environment." [3].

The decree of the President of the Republic on December 28, 2017 "On the further improvement of management in the field of small and medium enterprises" acts as one of the important

conditions for the further development and efficient operation of SMEs activity. [5]. It should be noted that the socio-economic development of the regions has been adopted since 2004 until now (2023). In the State Program, huge tasks have been set for the development of SMEs in the non-oil sector, especially in the agricultural field and they are being successfully implemented.

Currently, the following entities are included in the SMEs in the agricultural field:

1) Family farms, 2) Households, 3) Individual entrepreneurs, 4) State enterprises, 5) Collective (joint) farms, 6) Limited liability companies, 7) Production and service cooperatives. Research shows that the growth trend of business entities is observed in statistics. Thus, as can be seen from Table 1, although there is an increase in existing economic entities in the country, the specific weight of agriculture in 2015 was 9.4%, in 2022 – 7.1%.

Table 1

Number of registered business entities (unit) (6, p. 624-637)

	2015	2020	2022
The total number of registered business entities	94563	146233	167144
Including agriculture	9252	11192	11936
Smaller than it	8869	10316	11012
Specific weight %	95.8	92.2	92.3
Distribution of total entities in agriculture according to types of ownership			
state	534	552	546
municipality	11	61	71
private	8610	10314	10986
mixed	56	109	121
Individual entrepreneurial farms in agriculture	84237	239252	396672

In 2018, 95.8% and in 2022, 92.3% of registered agricultural business entities were small farms. In 2022, 4.6% of the total business entities in agriculture were owned by the state, 0.6% by municipalities, 92.0% by private, 1.8% by foreign and 1.0% by mixed ownership. The number of individual entrepreneurs increased 4.7 times in 2022 compared to 2015.

Our research shows that the indicators for the types of activities of business entities have also differed significantly. This can be seen from the data of table 2.

As it can be seen, micro business entities increased by 38.5 thousand, and small business entities by 813 units. While the wage earners did not increase in one enterprise in micro-entrepreneurship, they increased in small enterprises and decreased by one unit per enterprise on average. There was an increase in the volume of production in micro and small enterprises. All this shows that in recent years the composition of economic entities has changed for objective and subjective reasons. This shows that for the development and efficient operation of SMEs ,

their management mechanisms should be further improved according to the goals and tasks of the society.

Table 2

Indicators of business entities by type of activity (6, p. 115-120)

Indicators	Business entities			
	Micro		Small	
	2020	2021	2020	2021
Operating business entities (unit)	301717	346195	5943	6856
Number of wage earners (person)	40864	40921	92125	102250
Average number of employees listed in one enterprise (person)	2	2	16	15
Volume of the product (service, works), million manats	7261,3	11554,3	4703,4	6686,8
Including; agriculture, forestry, fisheries	2849,0	3096,0	277,0	293,0

Research shows that many factors influence the formation and development of entrepreneurial activity in the agricultural sector. These factors directly and indirectly find their expression in the management of SMEs activity in its structure, scope, direction, etc. It can be grouped as follows:

1. Natural factors - soil, climate, raw material base, etc.
2. Demographic factors - population size, composition, natural growth, etc.
3. Technological factors - level of development of science and technology, development of industry, etc.
4. Economic factors - finance, credit, tax, insurance, investment, management, competition, etc.
5. Socio-cultural factors - education, healthcare, sports, religious views, spiritual and moral situation, etc.
6. Institutional factors - development of the financial and banking system, , etc.
7. Legal factors - provision of entrepreneurship in legislation, legal-normative documents, etc.

We believe that these factors should be taken into account in the process of formation, development and management of SMEs. The management of SMEs is considered to be more efficient use of the assets, land, money (capital) at their disposal to achieve the goals they have set for

themselves. Management of these opportunities, planning of production and service processes, making appropriate decisions to implement these processes, leading the activity-collective, as well as monitoring are important conditions. Meanwhile, high responsibility and risk of the entrepreneur is required. Experience shows that management of SMEs is carried out in the following directions:

- 1) to analyze the activity of SMEs;
- 2) to ensure the organization and planning of SMEs;
- 3) Identifying and implementing modern technologies for the development of crop production and animal husbandry;
- 4) to determine and implement integration relations and services for the efficiency of SMEs activity;
- 5) Provide activity and control in production and service provision, efficient organization of activities;
- 6) To ensure the responsibility for the efficient use of land, labor and capital in accordance with the tasks in the activity of SMEs ;
- 7) Ensuring responsibility for the correct fulfillment of goals and tasks for each field of activity, etc.

As it can be seen, the goal, task, organization and planning of the activities of SMEs should be properly organized and controlled. Here, of course, the main goal is ultimately to make a

profit. However, goals in entrepreneurial activity can be different. An entrepreneur sets the goal of expanding the range of production or services, and some of them increase capital. All this depends on the working day and seasonality of production, internal and external environmental factors. This involves determining the ways and directions of the implementation of the action plan according to the goal. Management of SMEs requires consideration of many economic, social and legal issues in accordance with its goals and objectives. These include the following:

- To organize and control the activity of SMEs entities;
- keep records and reports of activities to manage;
- to control the optimality of costs in production and service activities;
- market study, analysis and determine the competition;
- to implement the proper use of available resources to perform effective activities;
- control of timely performance of technological processes through management of activities, etc.

Professor N.C. Gafarov shows that "One of the most important and necessary conditions for the implementation of the production process in the sphere of small and medium entrepreneurship is the formation of the management system, which is realized with the increased responsibility of the head of the enterprise, the possibility of fully involving this property in the production process by connecting it with the right to dispose of the property. The absence of large management structures in small enterprises ensures the multifunctionality of those performing management duties by bringing compactness to it, increases the efficiency of analyzing current data and provides objectivity in making management decisions as a whole. In this regard, management costs in small and medium business spheres are significantly lower than in other areas of the economy." (9. p. 11-12) We believe that it is very important to take into account the features mentioned by the professor in management. For this, in order to implement the specified processes correctly and on time, there should be accurate information about the management, and a

proper analysis should be carried out. These can ultimately ensure profitable operation of the SMEs. It should be noted that the organization and control of each of these tasks is aimed at preventing inefficient spending. After analyzing and evaluating the management of the entrepreneurial activity, the fulfillment of tasks according to the purpose is ensured. When an entrepreneur wants to acquire new resources (land, assets, capital), he comprehensively examines the demand and supply of the market and makes clarifications in the plans.

Every entrepreneur has the right to participate in the management process as the owner of production and service. Therefore, management is carried out taking into account the characteristics of the collective, group and each individual. From this point of view: 1) In order to ensure the efficient activity of the entrepreneur in the field of production and service in the management process, the correct establishment of economic relations between fields and individuals (groups, collectives) is considered one of the important conditions. 2) Those engaged in SME activities have property, land, capital and labor force. Their provision, production and technical conditions are different. Therefore, the results of entrepreneurial activity are also different in this diversity. From this point of view, in order to effectively use the opportunities in the management process, various forms of management are applied in SMEs. 3) Various labor processes are performed depending on their conditions, production and service characteristics, performance time, provision in crop and animal husbandry as well as in service areas. Therefore, the management process should be organized taking into account these factors. 4) It should be taken into account that production and service management constitute a system of management and control that are interconnected and dependent on each other.

Experience shows that collegiality, accountability, thriftiness, compliance with the law, scientific nature of management, responsibility, control and other principles in solving socio-economic and organizational issues in the management of SMEs are necessary conditions for the efficient structure of production and the per-

formance of functions. Research shows that currently the principles of collegiality, economy, and scientific management are not followed in the activities of SMEs, therefore, the efficiency of the final results of the activity is not ensured.

The management principles mentioned above are not followed in Ganja-Dashkasan, Lankaran-Astara, Guba-Khachmaz, Sheki-Zagatala, Shirvan-Salyan economic regions. We believe that it is appropriate to use the experience of the countries of the world and Azerbaijan for the formation and management of SMEs in the territories liberated from occupation, especially in the economic regions of Karabakh and East Zangezur. The organizational structure of SMEs in the agricultural field is formed in relation to the scale of production and service units. The size of the territory and the management of the entrepreneurial farm with many production units (departments, ancillary and auxiliary areas) is relatively large. The composition of the production and service units performed according to the goals and tasks of the management structure also differs. This management structure expresses the organizational structure of SMEs in relation to subordination, division of duties, and employee functions. When carrying out entrepreneurial activity, this management structure is constantly improved in relation to the scope of fields, technical support of specialization, qualification level of personnel. In the management of SMEs, the factors affecting the organizational structure are analyzed and the optimal scope of management is specified.

Conclusion

Thus, the solution of economic relations in the formation and management of SMEs in the agricultural sector is spontaneous, difficulties arise during product production, sale, purchase of raw materials, and provision of services. We consider it important to increase the economic literacy of those participating in the activities of SMEs, to control costs by using resources efficiently, and to increase organizational and economic knowledge.

Ensuring the efficiency of SMEs management is conditioned by many mechanisms:

- the natural-geographical conditions of SMEs in economic regions and the characteristics of formation of Business entities on organizational-legal grounds should be taken into account;
- related to the formation of agrarian production and services, the activities of SMEs should be determined for each region;
- access to financial resources and possibilities of SMEs development should be evaluated;
- SMEs access to markets, directions of integration and cooperation relations should be determined;
- the improvement of the state support mechanisms of SMEs, especially the improvement of crediting opportunities, increasing the efficiency of the organization of the credit market should be considered as necessary conditions;
- the preparation of accounting and statistical data in the formation of SMEs and the development of activity cannot be considered satisfactory. Therefore, it becomes difficult for entrepreneurs to obtain many quality indicators, realize financial opportunities, and perform organizational management tasks in the management process, and it is impossible to assess reality. In this regard, improving the information provision of entrepreneurship should be one of the priority tasks.

Taking into account the mentioned proposals, the management of SMEs can be improved, which can increase the efficiency of SMEs activities and make fuller use of available resources.

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МЕХАНИЗМЫ УПРАВЛЕНИЯ МАЛЫМИ И СРЕДНИМИ ПРЕДПРИЯТИЯМИ

Аннотация

В результате проведенных в Азербайджане аграрных реформ были созданы новые собственники и сформированы малые и средние предприятия (МСП). Развитие и эффективная деятельность МСП во многом зависят от правильного управления ими. Основная цель исследования – изучить тенденции развития МСП и повысить эффективность их управления. Проанализировано было создание правовой базы МСП, основные показатели его развития, классифицированы факторы, влияющие на предпринимательскую деятельность. В статье определены направления управления МСП, рассмотрены экономические, социальные и правовые вопросы их управления, совершенствование существующих механизмов управления.

Ключевые слова: малые и средние предприятия, механизмов управления.

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KIÇIK VƏ ORTA MÜƏSSİSƏLƏRİN İDARƏ ETMƏ MEXANİZMLƏRİ

Xülasə

Azərbaycanda aparılan aqrar islahatlar nəticəsində yeni mülkiyyətçilər yaranıb, kiçik və orta sahibkarlıq (KOS) formalaşib. KOM-ların inkişafı və səmərəli fəaliyyəti onların düzgün idarə olunmasından çox asılıdır. Tədqiqatın əsas məqsədi KOM-ların inkişaf tendensiyalarını araşdırmaq və onların idarə olunmasının səmərəliliyini artırmaqdır. KOM-ların hüquqi bazasının yaradılması, onun inkişafının əsas göstəriciləri təhlil edilir, sahibkarlıq fəaliyyətinə təsir edən amillər təsnif edilir. Məqalədə KOS-ların idarə edilməsinin istiqamətləri, onların idarə olunmasının iqtisadi, sosial və hüquqi məsələlərinin nəzərdən keçirilməsi, sahibkarlıq fəaliyyətinin təkmilləşdirilməsi müəyyən edilir. mövcud idarəetmə mexanizmləri.

Açar sözlər: kiçik və orta müəssisələr, idarəetmə mexanizmləri.

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