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THE ROLE OF INDUSTRY IN ECONOMIC DEVELOPMENT

Abstract

Industry plays an important role in the progress and improvement of the economy. The article talks about this importance of the industry. In the article, the appropriate classification of the industry in general was made. Besides, in the article, a comparative analysis of the article's progress trends in Azerbaijan was carried out. During the comparative analysis, a number of statistical data characterizing the progress indicators of the industry in our country were examined. In general, graphic description, tabular description, analysis, synthesis, comparative and statistical analysis methods were used in this research. In the end, the conclusion regarding the future prospects of the industries was mentioned.

Keywords: *industry; role of industry; industry of Azerbaijan; tendency of industry; classification of industry*

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İqsitadi inkişafda sənayenin rolu

Xülasə

Sənaye sahəsi iqtisadiyyatın tərəqqisi və təkmilləşdirilməsində əhəmiyyətli rol oynamaqdadır. Məqalə sənayenin bu əhəmiyyətindən bəhs edir. Məqalədə ümumilikdə sənayenin müvafiq klassifikasiyası aparılmışdır. Bununla yanaşı, məqalədə Azərbaycanda məqalənin tərəqqisi tendensiyalarının müqayisəli analizi həyata keçirilmişdir. Müqayisəli analiz zamanı ölkəmizdə sənayenin tərəqqisi göstəricilərini səciyyələndirən bir sıra statistik məlumatlar araşdırılmışdır. Ümumilikdə bu tədqiqatda qrafik təsvir, cədvəl təsviri, analiz, sintez, müqayisəli və statistik təhlil metodlarından istifadə edilmişdir. Sonda sənaye sahələrinin gələcək perspektivləri ilə bağlı nəticə qeyd edilmişdir.

Açar sözlər: *sənaye; sənayenin rolu; Azərbaycan sənayesi; sənayenin tendensiyası; sənayenin təsnifatı*

Introduction

Companies and organizations engaged in the extraction of natural fundamental materials of mineral, plant, and animal origin, as well as the refining of agricultural products, constitute the primary industry in materials production. This results in the production of labor instruments, the vast majority of labor objects, and consumer goods. Industry is a division of material production, distinguishing it from non-productive divisions of the world (Markusen, 2008: 28).

Industry is essential to economic development because it generates employment and income and contributes to an economy's overall growth. Several ways in which industry contributes to economic development are outlined below (Rajput, 2019: 102).

1) Employment generation. Industries generate employment opportunities for individuals with diverse skill sets, ranging from those with extensive training to those with less experience. This

increases individual and family incomes, which in turn stimulates economic expansion (Oakley, 2006: 261).

2) Increased earnings. Industrial development contributes to the increase in a nation's income because it generates more revenue, which correlates to higher wages, salaries, and profits.

3) Investment. Industry expansion attracts both domestic and foreign investment, which contributes to the economic growth of a nation.

4) Transferring technology. The introduction of new technology and expertise by industries improves the overall knowledge and skill level of the labor force.

5) Increased efficiency. As businesses become more competitive and productive, industrial development increases the efficacy and productivity of the economy.

6) Export marketing. Numerous industries produce exportable goods and services, which contribute to the nation's foreign currency earnings and overall balance of payments.

GDP contribution is one of the industry's most substantial contributions to the economy. The industry includes manufacturing, mining, construction, and utilities, among others. These industries produce products and services that are sold domestically or exported, thereby contributing to the nation's GDP. In many developed nations, the industry contributes significantly to the gross domestic product.

The genuine situation of industrial enterprises in Azerbaijan was analyzed statistically. The key macroeconomic indicators of Azerbaijan's industrial sector are presented in the table below.

Table 1: Main macro-economic indicators by industrial sector.

	2021	**2020**	**2019**	**2018**	**2017**
Investments in fixed capital, billion AZN	7,5	9,1	9,2	8,5	10,6
Net profit, at current prices, billion AZN	32	18	29	32	24
Added value, at current prices, billion AZN	40	25	34	36	28
Total profit, at current prices, billion AZN	36	21	31	31	25

Source: (4).

The industrial sector in Azerbaijan has developed swiftly over the past five years, as is evident. Especially in 2021, industrial sector indicators increased significantly. While the industrial sector's added value was 28 billion manats in 2017, it increased by 43% between 2017 and 2021 to reach 40 billion manats. While the net profit in 2017 was 24 billion manats, it increased by 33.3% to 32 billion manats in 2021, and the total profit rose by 44% to 36 billion manats in 2021 from 25 billion manats in 2017 (4).

The "investments in fixed capital" indicator decreased by 29%, from 10.6 billion manats to 7.5 billion manats (4).

Table 2: "Distribution of the number of operating industrial enterprises by types of ownership"

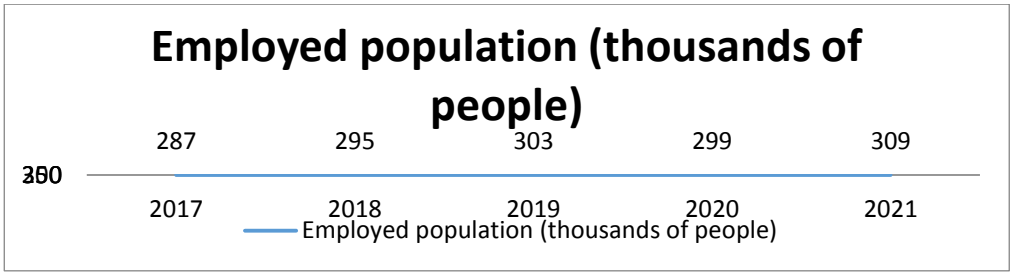
	2021	2020	2019	2018	2017
For all property types	3689	3389	3169	2837	2582
foreign ownership	307	283	276	233	195
Non-state ownership	3125	2833	2607	2300	2052
State property	564	556	562	537	530
private property	2689	2435	2234	1975	1779
joint (mixed) ownership	129	115	97	92	78

Source: (5).

Clearly, the number of industrial enterprises has increased over the past five years. In 2017, there were 2,582 industrial enterprises, while in 2021 there will be 3,680. State industrial enterprises constituted only 15.3 percent of all industrial enterprises in 2021. In 2021, non-state ownership increased by 52.3% compared to 2017's total of 2052 units, totaling 3125 units (5).

Indicators of the annual number of persons employed in industrial enterprises in Azerbaijan have been analyzed based on the graph below.

Graph 1: "Annual number of employed population in industrial enterprises (at the end of the year)".

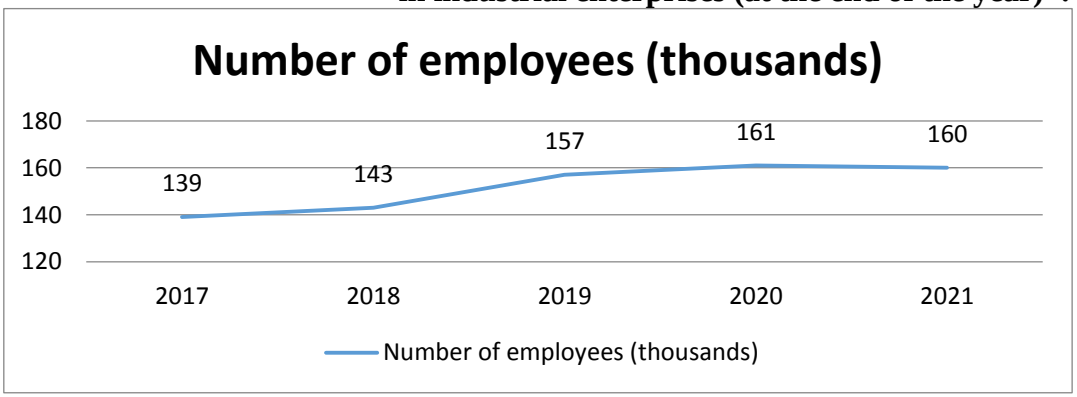


Source: the graph has been compiled according to the data from "(6)".

Evidently, the number of individuals working in industrial enterprises has increased over the past five years. In 2017, there were 287 thousand persons employed in industrial enterprises; by 2021, this number will have grown by 7.7% to 309 thousand (6).

Indicators of the annual number of salaried employees in Azerbaijan's industrial enterprises have been analyzed based on the graph below.

Graph 2: "Annual number of employees in industrial enterprises (at the end of the year)".



Source: the graph has been compiled according to the data from "(7)".

Clearly, the number of wage employees has increased over the past five years. In 2017, there were 139,000 salaried employees in industrial enterprises; by 2021, that number will have increased by 15.1% to 160,000 (7).

Industries are essential to modern man's economic activities. Industrial development is the primary determinant of a nation's economic development. Industries, the primary characteristics of modern civilization, provide us with the resources and employment opportunities we require (Lasi, 2014: 240).

There are numerous ways to classify industries, but the following are the most prevalent (Phillips, 2016: 16).

Primary Industry. Agriculture, fishing, mining, and forestry are industries that extract or produce fundamental materials from the natural environment.

Secondary Industry. Manufacturing, construction, and utilities are examples of secondary industries that convert raw materials into manufactured goods or products.

The Tertiary Sector. Retail, finance, healthcare, transportation, and hospitality are examples of industries that provide services to consumers or other organizations.

Quaternary Industry. Examples of industries involved in the production and dissemination of knowledge include education, research and development, and information technology.

Quinary Industry. Government, scientific research, and executive business management are examples of such industries.

Heavy Industry. These are industries, such as steel production, shipbuilding, and mining, that produce goods on a large scale and with substantial capital expenditures.

Light Industry. This refers to industries such as textiles, food processing, and consumer electronics that produce modest quantities of commodities or goods.

Sunrise Industry. Biotechnology, nanotechnology, and renewable energy have a high growth potential and are included in Sunrise Industries.

Sunset industry. Coal mining, printing, and wireline communications are examples of industries that are becoming obsolete.

These classification schemes are not mutually exclusive; industries may be classified in multiple categories.

In conclusion, the industry is an essential economic contributor. Its contributions to the gross domestic product, employment, and export revenues are essential for economic development and growth. In addition, the industry's influence on infrastructure, innovation, and technological advancement is essential for a nation's economic competitiveness as a whole.

Conclusion

The future development of the economy will be influenced by a number of factors that will impact the administration efficacy of industrial businesses.

In the absence of a distinct management structure for differentiating and administering the structural components of industrial enterprises, the allocation of material resources is made more difficult. The essentially similar operation of structural divisions within industrial firms makes it possible for these businesses to replicate division-level internal control procedures. Several conditions, including lucidity, sufficiency, and sources, are necessary for achieving effective and dependable control. It is essential to remember that the advent of international manufacturing companies into the local market and the growth of the economy both result in enhancements to management accounting and decision-making processes. The entry of domestic industry into the international market demonstrates a serious commitment to the openness and reliability of the information provided by the company as an additional resource for the purpose of enhancing both the short-term and long-term control of an industrial enterprise.

Second, industrial companies have experienced accelerated growth in recent years, which is a positive trend. As a direct result, there is an increasing demand for external and internal additional resources. In this context, manufacturing companies utilize a variety of control measures, one of

which is the exploration of prospective avenues for covering up non-production cost losses. Transparency, dependability, and the judicious use of available funds are the pillars of a productive industrial partnership with the environment.

Thirdly, the industrial corporations as commercial entities are typically complex. This complexity is based not only on a detailed organizational structure, such as the organization of budgeting and management accounting, but also on the industrial firm's own strategy. In light of these conditions, effective decision making requires a solid foundation, which can be provided by effective internal control and budgeting. In this respect, control effectiveness should be accomplished through stringent and targeted means.

And lastly, the internal control and budgeting, like all other control functions, require implementation resources. This demonstrates the relevance and practical utility of scientific and methodological advancements in the process of enhancing the efficiency of internal control and budgeting within the management system of industrial businesses.

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