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THE ROLE OF THE FINANCIAL SYSTEM IN SOCIO-ECONOMIC DEVELOPMENT OF THE REGIONS

Abstract

In order to develop a country, its individual regions must be developed. Developing the regions can be possible by eliminating the inequalities between them. In accordance with world experience, fundamental state programs in this direction have been adopted and are being implemented in our country. The programs envisage the development of the non-oil sector and entrepreneurship in our country, and the further improvement of the financial condition of the population. Adopted programs are continuously improved and more priority issues are brought to the fore in the coming years. The full provision of economic independence is closely related to the correct and efficient use of available financial resources. Because, without these resources, it will not be possible to implement any state program or project. The links that make up the state financial system are closely connected and almost complement each other. The sub-systems included in it are the main regulatory tools in the effective implementation of economic and social policy and the protection of healthy economic competition. The article provides brief information about the financial system. The important goals of the state's socio-economic policy, sources of funding for measures to be implemented within the framework of the State Programs for socio-economic development in the regions in different years, what works are carried out within the framework of the state programs planned in the regions at the expense of financial resources are discussed in detail.

Keywords: *regional economy, financial system, budget, state programs, fund*

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Regionların sosial-iqtisadi inkişafında maliyyə sisteminin rolu

Xülasə

Bir ölkənin inkişaf etməsi üçün onun ayrı-ayrı regionları inkişaf etməlidir. Regionları inkişaf etdirmək isə onlar arasında olan bərabərsizlikləri ortadan qaldırmaqla mümkündür. Dünya təcrübəsinə uyğun olaraq, ölkəmizdə də bu istiqamətdə əsaslı dövlət proqramları qəbul edilmiş və icra olunmaqdadır. Proqramlarda ölkəmizdə qeyri-neft sektorunun və sahibkarlığın inkişafı,

əhalinin maddi vəziyyətinin daha da yaxşılaşması nəzərdə tutulmuşdur. Qəbul edilmiş proqramlar davamlı olaraq təkmilləşdirilir və növbəti illərdə daha prioritet məsələlər ön plana çıxarılır.

İqtisadi müstəqilliyin tam təmin olunması mövcud maliyyə imkanlarından düzgün və səmərəli istifadə olunması ilə sıx bağlıdır. Çünki bu resurslar olmadan hansısa dövlət proqramının və ya layihənin həyata keçirilməsi mümkün olmaz. Dövlət maliyyə sistemini təşkil edən həlqələr bir-biri ilə bağlıdır və demək olar ki, bir-birini tamamlayırlar. Ona daxil olan altsistemlər iqtisadi və sosial siyasətin səmərəli icra olunmasında və sağlam iqtisadi rəqabətin qorunmasında başlıca tənzimləyici vasitələrdir. Məqalədə maliyyə sistemi haqqında qısa məlumat verilir, dövlətin sosial-iqtisadi siyasətinin vacib məqsədləri, fərqli illərdə regionlarda sosial-iqtisadi inkişafa dair Dövlət Proqramları çərçivəsində həyata keçiriləcək tədbirlərin maliyyələşdirilməsi mənbələri, maliyyə resursları hesabına regionlarda nəzərdə tutulmuş dövlət proqramları çərçivəsində hansı işlərin görülməsindən bəhs olunur.

Açar sözlər: *regional iqtisadiyyat, maliyyə sistemi, büdcə, dövlət proqramları, fond*

Introduction

When analyzing issues related to the regional economy, it should be emphasized that total development is not possible without the development of regions in the country separately. Economic development is the main determining factor of the potential power of the state. From the economic point of view, it is known from experience what kind of situation the economically underdeveloped and non-independent countries are in. Therefore, the continuous strengthening of the economy of our country has been set as the main priority issue today and for the near future.

The state somehow regulates all relations mutually. If problems can be solved in time with an effective social policy, then the stability of the economic system will be protected. It can be explained that sustainable economic development directly affects the country's empowerment and the improvement of the population's standard of living. From the economic and social point of view, quality human society, strong labor and business potential are the ultimate goals of the government. As a result, state-citizen relations emerge on the basis of mutual trust, which in world practice can be seen mainly in developed states. In economically strong countries, the standard of living is much better, which is the main condition for the organization of comprehensive defense of the state in the future. It is known that society is made up of large and small groups that differ from each other due to some characteristics. In social policy, the main goal is to maintain the balance in the mutual relations between these classes. If this balance is not ensured, relations will not continue in an efficient direction, and ultimately it will lead to unpleasant situations. We can group the most important goals of the state's socio-economic policy as follows:

1. By making the correct foreign policy possible, a balanced policy line is kept in the foreground both politically and economically, and a tendency towards regulated relations is shown in international relations.

2. Through the implemented economic policy, opportunities for export diversification are expanded, the balance of payments is maintained in a positive direction, effective price policy is implemented in the country.

3. The provision of services for the disabled and socially vulnerable people is being improved.

4. Social protection of low-income population, families of martyrs is strengthened, improvement of the housing and economic conditions of young families, refugees and internally displaced persons, quality organization of the mechanism for social insurance, pensions, allowances is taking place.

5. Economic growth takes place and full employment of the population is ensured.

6. There is a transition to free market relations. By using the world experience, the laws of economic regulation of the new era are studied, plans and programs are effectively implemented at the regional level, free economic zones are created in accordance with the rules of privatization, etc.

The financial banking sector, being an important source of initial capital in the economy of Azerbaijan, began to develop at a significant level, especially since the beginning of the 2000s

(Bayramov, 2018). The creation of financial resources necessary for the state to carry out its functions and the monetary relations that arise during the distribution and use of these resources reveal the essence of state finance. That is, the main factor here is the existence of monetary relations. These relations, as mentioned, arise during relations between the state and citizens, the state and enterprises, insurance bodies and population and organizations, enterprises and people, and non-budgetary funds.

Government Finance and Its Role

All branches of public finance contribute to the regulation of socio-economic issues, and one of their main goals here is to create incentives for development in economic regions. Because the implementation of obligations in this direction is impossible without financial opportunities. The money allocated to the development of all sectors of the economy from the state budget, other special purpose funds and other financial sources determines the effectiveness of state finance (Bagirov, Hasanli, 2011). The government directs a certain amount of funds to the development of regions from the state budget, extra-budgetary funds, banks and credit organizations by implementing the measures in the programs prepared jointly with local authorities.

The budget is considered one of the most important links of the state financial system. One of the most important factors for the complete improvement and development of the economic system in the country is the organizational function of the state in this direction. The state, on the other hand, uses the budget as the main centralized cash fund to present its position in an advanced form. The budget plays a very important role in the comprehensive development of the country and its regions, revitalization of the productive forces there, assistance to local self-government bodies, and financial assistance to small and medium enterprises (Bulut, Suleymanov, 2011).

Comprehensive regulation of the economy, effective implementation of social policy, extra-budgetary funds play a special role in the development of regions, and are one of the main links of state finance, and their main goals are to weaken the burden on the budget, implement financial support for projects, and positively change people's living conditions. Their main financial sources are insurance payments, transfers from payroll funds (3 %), voluntary deductions and payments from the net profits of enterprises (Shekaraliyev, 2009).

According to the analysis, such funds mainly manifest themselves in more important processes and are characterized by considerable advantages. Extra-budgetary funds help the state budget in difficult economic conditions, help to finance important events, pay pensions and social assistance and other issues. The law on the budget system states that extra-budgetary funds are state-owned institutions that do not belong to the budget system (5). In our country, such funds have recently been established and are experiencing their revival periods. In developed countries, a large part of possible expenses is provided through extra-budgetary funds. The State Social Protection Fund, the Entrepreneurship Development Fund, the State Oil Fund, the President's Reserve Fund, the Social Protection Fund for the Disabled and other institutions are presented as the main non-budgetary funds in our country. Their main goal is to revive the entrepreneurial environment in the country, improve the standard of living of the population, ensure people's health, allocate assistance to the unemployed population and provide other services.

The main goal of establishing the Entrepreneurship Development Fund, which is one of the important non-budgetary funds, is to continuously provide them with financial resources under favorable conditions for the development of entrepreneurship in the regions. Transfer of monetary resources by the Fund can be carried out only with the participation of authorized banks. The amount of interest on loans is set in the range of 6-7 %. Funds are provided in national currency through authorized organizations and a grace period is provided for repayment. After the measures implemented in this direction, significant improvements in the economic and social fields have been registered in our country. The Entrepreneurship Development Fund of the Republic of Azerbaijan defines economic projects in the direction of revitalizing entrepreneurship, implements investment programs, attracts financial resources for the creation of jobs in the territories and uses them purposefully (6). It should also be emphasized that extra-budgetary funds cannot operate for other

purposes and perform the duties of other funds. Also, the funds cannot be used outside of the intended purposes.

In the regulation of the economic and social situation in the regions, insurance is manifested in its economic functions and serves to develop financial relations, protect the health of citizens, their property, and business interests. A market economy cannot be imagined without insurance relations. The development of the insurance system further accelerates economic development, eliminates difficulties and existing problems in the regions. Especially in the development of entrepreneurship, the role of insurance in increasing the activity of entrepreneurs in the economic field is great. From this point of view, the organization of insurance system according to modern conditions and market relations is considered one of the most important issues facing the economic policy of the state.

The financial services industry is inarguably the most important sector of the economy, leading the world in terms of earnings and stock market capitalization. The sector is dominated by large conglomerates, but it also includes a variety of smaller companies. The financial services industry is also important for its role in the health of a country's economy. Examples of financial service providers include banks, investment companies, insurance, leasing, brokerage, and many other companies. Financial services are services that enable consumers and businesses to obtain financial products (Ibrahimov, 2021).

Local self-government bodies in the regions use the resources of banks and credit organizations. Banks and credit organizations have an indispensable role in this direction in terms of providing financial resources, consulting services and other opportunities. Entrepreneurs can benefit from consulting services in their activities, taking profit from the activities they have established due to loans. This will lead to the creation of new jobs and prevent people from leaving the regions and moving to the central cities. For this, the state forms a legislative base in this direction, and also prepares measures and programs. State programs aim to take advantage of the natural conditions and labor force potential in the regions of our country as much as possible, revive the non-oil industry, ensure employment, reduce the level of unemployment and poverty, and implement agrarian reforms. For this purpose, programs covering the years 2004-2008, 2009-2013, 2014-2018 and 2019-2023 have been adopted regarding the socio-economic development of the regions. The program (2006-2007) was prepared and (8) decrees on special economic zones were issued.

Financing of State Programs

Funding of the measures to be implemented within the framework of the State Programs on the socio-economic development of the regions of the Republic of Azerbaijan in different years is planned at the expense of the following sources:

- state budget of the Republic of Azerbaijan;
- extra-budgetary state funds;
- entrepreneurship development fund funds;
- funds of "Azerbaijan Investment Company" ojsc;
- funds of administrations, enterprises and organizations, regardless of the form of ownership;
- funds of local and foreign entrepreneurs;
- funds of foreign states and international organizations;
- other sources not prohibited by legislation.

It is appropriate to look at some results of the regional development policy implemented in this direction. During the implementation of state programs, systematic and consistent measures were taken in the field of entrepreneurship development, the legislative base was improved, administrative procedures were simplified, the tax burden was reduced, and systematic state support measures for entrepreneurship were implemented. At the same time, the state's financial support for the development of entrepreneurship, the volume of concessional loans has increased significantly. In order to support entrepreneurship and increase state care in this area, concessional loans of 3 billion manats have been granted to more than 35,600 entrepreneurs across the country at the expense of the funds of the Entrepreneurship Development Fund of the Republic of Azerbaijan.

About 200,000 new jobs were opened as a result of the implementation of investment projects using these loans. 75 percent of the granted loans go to regions, and 25 percent to Baku settlements (9).

Due to the carried out reforms and financial resources, it is planned to fulfill important tasks within the framework of the state programs planned in the regions (10):

- reduction of inequality between the capital and the regions in the level of socio-economic development;
- supporting the development of various types of tourism;
- increasing employment opportunities in the regions;
- increasing production of environmentally friendly products;
- forming a positive attitude to the way of living in rural areas;
- reduction of poverty, strengthening of social protection of vulnerable population groups;
- supporting the development of agro-industrial integration;
- facilitation of access to financial resources of entrepreneurs and farmers;
- acceleration of reconstruction, rehabilitation and privatization of non-working production enterprises in the regions;
- developing a green economy;
- further development of electronic commerce;
- developing of road and transport infrastructure, etc.

The development of e-commerce in the country will be very beneficial for business sectors. In this way, by expanding the customer base, the share of companies in the markets increases significantly, the exchange of information becomes easier, barriers for products are removed, transactions are executed faster and safer, the exchange of buyers and sellers with each other takes place without interruption, and the costs are further reduced (Ibrahimov, 2021).

Financial institutes have important responsibilities for revitalizing green economy in the regions. Chien-Chiang Lee and Ting Song show that related government bureaus should promote the development of agricultural factors. Through green finance policies, financial flows are encouraged to be geared toward sustainable agricultural investments, including improved cultivation techniques, efficient irrigation systems, and organic farming practices. This will help to increase agricultural productivity, reduce resource wastage, and lower environmental burdens. Green finance policies hold significant potential in fostering the advancement of agricultural elements that contribute to increased FP. This necessitates a collaborative effort among governments, financial institutions, and farmers to guarantee efficient resource allocation, thereby enhancing the sustainability of agricultural practices with an emphasis on environmental stewardship (Chien-Chiang Lee, Ting Song, 2024).

Conclusion

In connection with the work related to the development of the green economy, it can be said that Azerbaijan is actively developing the renewable energy sector and reducing its dependence on oil revenues, which is seen as a step towards a green economy as a whole. In addition, Azerbaijan has committed to reducing greenhouse gas emissions by joining the Paris Agreement on climate change in 2016 (Mustafayev, Qurbanov, Babayev, 2024)

However, it should be noted that there is not much revival in the development of financial services in the country. Transactions related to derivative financial agreements, services related to the management of investment funds, the number of participants in transactions related to the circulation of securities and the volume of markets are not so large. Especially in the regions of the country, knowledge and ideas about securities have not yet been perfectly formed. We believe that in order to achieve good results in this direction, first of all, its perspectives should be explained to people, events and trainings should be held, and the correct mechanism should be organized.

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