



*Bachelor Thesis:*

Programme: *IBEB*

*Major: Urban, Port, and Transport Economics*

**Determining factors influencing entrepreneurship activity in developing countries. A comparative case study of entrepreneurship development in Azerbaijan.**

*Ulviyya Babayeva*

Student number: 409255

Supervisor: *Jan-Jelle Witte*

*1<sup>st</sup> Reader: Giuliano Mingardo*

Date: 15/08/2017

### *Abstract*

This bachelor thesis strives to find factors, which contribute to the development of entrepreneurial activity in developing countries. Using the example of Azerbaijan, this research will try to figure out how to improve the situation with business activities in the country. In order to answer the first question, the literature review is conducted. The answer to the second question is determined in case study, by statistical analysis of factors affecting entrepreneurship in Azerbaijan. Next, the SWOT analysis is done on purpose of understanding the current situation with entrepreneurship in Azerbaijan. Further, the confrontational matrix is constructed to find out which conditions mentioned in SWOT analysis should be core targets in programs that strive to improve entrepreneurship in Azerbaijan. Based on the matrix, the list of strategic options is proposed to program makers. From analysis of scholar literature and reports it was figured out that individual level factors (demographics and education), environmental factors (availability of raw materials, communication facilities and access to finance), and organization level factors (diversification of industries and availability of partnership links) affect entrepreneurial activity in developing countries. During the case study analysis, it was found out that to improve the entrepreneurship development in Azerbaijan, policy makers should focus on exercising factors, which have favorable conditions for supporting opportunities and reducing risks, and strive to alter the weak sides of factors in programs on entrepreneurship development. According to analyzed situation in the country, state authorities should pay special attention in policies to favorable conditions with demographical situation, infrastructure, and availability of state's fund for entrepreneurship development. Furthermore, in order to improve the situation with entrepreneurial activity in Azerbaijan, in policymaking, the state should consider and try to eliminate the existing gender biases in entrepreneurial activities, develop partnership links with business, manage cooperation between entrepreneurs, and provide the loans for businesses in a more efficient way.

## Table of Contents

<b>1. Introduction.....</b>	<b>3</b>
<b>1.1 Introduction to the Case Study .....</b>	<b>5</b>
<b>1.2 Research Question.....</b>	<b>5</b>
<b>1.3 Structure of the paper .....</b>	<b>6</b>
<b>2 Data and Methodology.....</b>	<b>6</b>
<b>2.1 Data.....</b>	<b>6</b>
<b>2.2 Literature review Data and Methodology.....</b>	<b>7</b>
<b>2.3 Case Study Data .....</b>	<b>7</b>
<b>2.4 Case Study Methodology .....</b>	<b>8</b>
<b>3 Literature Review .....</b>	<b>9</b>
<b>3.1 Theoretical Background of Entrepreneurship concept .....</b>	<b>9</b>
3.1.1 Entrepreneurship as defined in economic theory .....	10
3.1.2 Entrepreneurship as defined in management theory .....	10
3.1.3 Entrepreneurship as defined in politics .....	11
3.1.4 Measurement of the Entrepreneurship performance .....	11
<b>3.2 Analysis of Factors based on existing Literature .....</b>	<b>12</b>
3.2.1 General Factors affecting the Entrepreneurship activity .....	12
3.2.2 Sub-Factors affecting the Entrepreneurship activity in Developing countries .....	14
<b>4 Case Study.....</b>	<b>20</b>
<b>4.1 Country Background.....</b>	<b>20</b>
4.1.1 Economic Situation .....	20
4.1.2 Geographic and Administrative Situation .....	21
<b>4.2 Entrepreneurship in Azerbaijan .....</b>	<b>23</b>
4.2.1 Classification of Entrepreneurship activities.....	23
4.2.2 History of Entrepreneurship.....	23
<b>4.3 Analysis.....</b>	<b>25</b>
4.3.1 Descriptive Statistics of Factors Affecting Entrepreneurship Activity in Azerbaijan .....	25
4.3.2 SWOT Analysis.....	39
<b>4.4 Results and Discussion .....</b>	<b>43</b>
4.4.1 Confrontation Matrix .....	43
4.4.2 Suggestions for Policy Redevelopments.....	46
<b>7 Conclusion.....</b>	<b>49</b>
<b>6.1 Limitations and possible way forward.....</b>	<b>50</b>
<b>6 Appendices .....</b>	<b>51</b>
<b>7. Bibliography .....</b>	<b>53</b>

## 1. Introduction

*This section introduces the topic, case study, and research questions. In addition, it describes the structure of the paper.*

World experience shows that without the stable market economy and entrepreneurial activity no prosperity of society is possible. Promotion of the citizens' well-being is a prime aim of democratic government. According to Chicago school, free markets with perfect competition, where the government intervention is minimal, the resources are allocated and distributed in the most efficient and fair way (Freedman, 1962). Paradoxically, to achieve the efficiency, the local authorities should interfere the development of market relationships through launching programs on regional entrepreneurship development and legislations. Moreover, if there is a democratic regime in the country, the entrepreneurship will be necessary for the state to confirm the democratic foundations, ensure rights and freedom, and form stable market relations. It follows that entrepreneurship and stable market economy cannot exist separately from each other since entrepreneurship creates a new value in the marketplace and society. Entrepreneurs generate new workplaces and reduce unemployment. Moreover, historically, countries with higher levels of entrepreneurial activities show a stronger economic growth (Henderson, 2006). Entrepreneurship, especially in small and medium size, accounts around 55% and 67% of GDP and constitutes more than 65% of employment in high and middle-income countries, respectively (OECD, 2004). There is empirical evidence that it is particularly responsible for GDP increase in USA (Acs & Armington, 2006). Conditional on policy reforms, regional entrepreneurial activity demonstrates a strong relationship with subsequent economic growth in post-soviet Russia (Berkowitz, DeJong, 2005). Thus, improved entrepreneurship can obviously contribute to economic and social development and poverty reduction. In addition, creative and innovative ideas of entrepreneurs improve the world in different fields, such as; science, technology, and culture (Gerlach, 2014). Therefore, nowadays, governments place an important role for entrepreneurship in economic development agenda. To promote the economic growth, policy makers launch programs on entrepreneurship development. The increase of states' interest in economic growth through programs on entrepreneurship development results in the rapid growth of the business sector in several countries.

However, there is an evidence that results of the same policy vary between countries and within regions. Carlino and DeFina (1998) came to conclusion that the effectiveness of the same monetary policy differs between UK regions. The response of the region is sensitive to internal economic circumstances, such as; percentage of operating firms or percentage of loans accounted for by local banks. About the entrepreneurship, the impact of the same policy on re-emergence of Small and Medium Enterprises differs between North America and Europe (Audretsch, 1995). Furthermore, the effect of the entrepreneurship development policy is sensitive to the demographical situation in the implemented region (OECD, 2004). Thus, one would expect some differences between regions and between countries in the types and magnitude of used policy intervention, based on considerable variation in the degree of entrepreneurship development between and within countries.

The progress and outcomes of implemented policies are tracked in both developed and developing countries. There are plenty of enterprises in developing countries, but the activities are usually different by its nature and context. For many reasons, a lot of time getting a job is simply not an option in developing countries; people need some money source to satisfy their needs, and that's why start being self-employed. Later, the self-employment can evolve into a start-up, and it is the main catalyst for entrepreneurial activity in low-income countries. Besides the specificity of entrepreneurship activities, developing countries require more policies on general development; it is worth focusing attention, in this research, on countries with relatively less developed industrial base and a low Human Development Index (HDI). For example, developing countries in Asian region, with the weak private sector, small internal market, narrow industrial scope, and limited access to external markets constitute around half of the world's population and rich with natural endowments. Moreover, the countries of the third world are commonly subjects to experiments and allow for rapid changes in implemented policies (Rondinelli, 1993), thus, they are easily adaptive and responsive to redevelopments of policymaking. India, where massive developing policies were implemented, can be given as an example of altering the citizens' view and approach to entrepreneurship. Another example is Azerbaijan, which was declared the most reformer country in the field of improving the business environment in the "Doing Business 2009" report prepared by the World Bank and the International Finance Corporation (IFC).

## 1.1 Introduction to the Case Study

Azerbaijan is an agrarian-industrial country with a developing economy. The change of the political regime, caused by collapse of Soviet Union, led to the emergence of private ownership of production, which necessitated the denationalization of enterprises, and accordingly, caused a change in the economic relationship and the transition to market methods for their regulation. Therefore, the transition to market relations in Azerbaijan puts a multitude of complex tasks in front of the policy makers, among them an important place is occupied by the development of private businesses. For example, in Azerbaijan, the diversification of economy and strengthening the development of non-oil sectors is prominent for the government. This policy involves implementation of projects and programs that create beneficial circumstances for development of individual entrepreneurship, bringing more investments in non-oil sector, generating new jobs, evaluation of potential industries and markets, and improvement of infrastructure in the regions. The task of diversification of activities is especially acute nowadays, after the fall in oil prices and the subsequent oil industry crisis in 2014. Thus, by promoting startups in non-oil industries, the government can achieve more stable economic situation and secure market trade from certain industry crisis threat. The determination of the factors affecting entrepreneurship activity can play a crucial role since the wrong selection and assessment of the factors is not only inefficient, but can lead to inefficient policy formations and consequently undesirable results. The right assessment of strong sides of influential factors can be used as a tool to reduce weaknesses and avoid threats in economy.

## 1.2 Research Question

Considering the importance of enterprise development, the purpose of this bachelor thesis is to find the factors affecting entrepreneurship activity in developing countries, to analyze which of the factors affecting entrepreneurship activity are present and important for Azerbaijan, to determine which of them are most influential in the country, and to understand how to use and apply knowledge in policy making.

The literature review aims to answer the following research question:

*“What are the factors affecting the entrepreneurship activity in developing countries?”*

Comparative case study strives to find the answer to the question:

*“How can policy makers enhance entrepreneurship activity in Azerbaijan?”*

### **1.3 Structure of the paper**

This bachelor thesis consists of the next sections; Data and Methodology section consists of data part, which describes research approach, the used data, and transformations of the data. In the following methodology part, the methodological set-up of the research is presented together with the type and estimation technique used in the case study of this research. The Literature Review section deals with theoretical background and evolution of entrepreneurship concept among the fields and the review of the literature on the factors and sub-factors affecting entrepreneurial activity. Next, the Case Study section is presented. It is divided into subsections; first one sequentially provides information about Azerbaijan and discusses history of entrepreneurship in Azerbaijan. Then, analysis subsection gives statistical description of state of affairs with factor influential for entrepreneurship development in Azerbaijan, followed by SWOT analysis of situation with entrepreneurship in the country. Results and discussion subsection presents confrontational matrix and describes available strategic options. Further, subsection about policy recommendations for entrepreneurship development in Azerbaijan explains how to implement existing strategic options in order to develop entrepreneurship in the country. Conclusion section briefly summarizes the answers for both research questions and provides suggestions for future researches based on the limitations of current bachelor thesis. The additional information, tables, and figures that were used in the study can be found in Appendices section.

## **2 Data and Methodology**

*This section describes type of the conducted research. Further, all transformations of used data are described. Next, the methodology of case study is set up.*

### **2.1 Data**

A structured approach was used to determine the source of materials for review. The research design for this study was a sequence of desktop and empirical research. First, online research of reliable published studies, reports, articles, academic literature and journals was conducted, and then the statistical analysis of data on entrepreneurship activities in Azerbaijan was performed. Explanatory and descriptive approaches were used in analysis and topic explanation.

## 2.2 Literature review Data and Methodology

First the peer-reviewed literature was used as the source of data, information, and empirical evidence about the factors affecting entrepreneurship activity, thus, possibly leading to different results of policy on entrepreneurship development within and between developing countries. Only articles published in high quality journals were selected. The number of citations of the papers and impact factor of the publication or scientific journal were used to estimate the quality of scholarly literature. The literature that was not available in English was excluded from the study. Google Scholar and Web of Knowledge were used as the main search engines. After the abstract of the paper was considered as constituting of information relevant to thesis, the whole article was assessed. For policy-making relevance of the research, studies concerning all types of entrepreneurship activities and sizes of enterprises were considered.

## 2.3 Case Study Data

Second, the case study was conducted. The research done for case study was descriptive and analyzed longitudinal secondary data. The sources of the data were the State Statistics Committee, the Ministry of Economy of the Republic of Azerbaijan.

The data is highly reliable since it was published and provided by local authorities and frequently used in internal researches and policy-making. Moreover, SSC work under the law of on Official Statistics of the Republic of Azerbaijan, which ensures the objective and honest data collection by the statistical bodies. Moreover, national statistics committee recognizes all UN Fundamental Principles of Official Statistics and the appropriate parts of the European Statistics Code of Practice, which control the data reliability and representativeness. According to IMF assessment, report Azerbaijan national statistics were also concluded to be reliable, objective, and accurate (IMF, 2003). According to The Global Assessment of the National System of Official Statistics of the Republic of Azerbaijan (jointly undertaken in 2010 by the European Commission (Eurostat), European Free Trade Association (EFTA), and United Nations Economic Commission for Europe (UNECE)) statistics provided by the national statistical commission were evaluated as compliant with European statistical standards and meet all of their requirements. According to users' satisfaction survey, conducted by above mentioned Global Assessment team in 2009, among public authorities, research institutions, mass media, marketing, consulting and advertising agencies, financial institutions, enterprises in different activities etc. data provided by SSC of



Azerbaijan was noted as reliable and qualifiedly representative (Adapted Global Assessment Report – Azerbaijan, 2010).

For this study, the period from annual results of 2003 to the annuals results of 2013 was selected. If the data of annuals results was not available, the data from the beginning of 2004 to the beginning of 2014 was selected. The chosen time interval was a period of political stability and economic development. By that time, necessary reforms had been made for the efficient transition to a market economy, and the foundation for the development of entrepreneurship was laid. Along with this, the period of 10 years was long enough to show both positive and negative sides of factors affecting entrepreneurship development and give recommendation for future entrepreneurship development.

Both absolute and relative statistical measures were used in this bachelor thesis. In order to avoid confusion between numbers, all shares of population were calculated per 1000 people. Taking into account that government has a monopoly over extraction and processing of oil and natural gas, they were not considered in this bachelor thesis. In order to define total entrepreneurship activity in the country all entrepreneurs, irrespective of the sphere and size of enterprise, were added up into the total number of entrepreneurs. Similarly, all enterprises, irrespective of their size and industry, were transformed into the total number of enterprises. Due to unavailability of data for the spheres of businesses entities registered per entrepreneur and variety of products portfolio produced by one enterprise, the number of presented industries was used in the assessment of innovativeness and diversity of the entrepreneurship activities in Azerbaijan. All monetary measures were used in local AZN currency. The table with exchanges rates of AZN to EURO is provided in Appendix 1. In confrontational matrix the strengths and weaknesses, which affect the largest number of opportunities and threats, were determined as most influential, hence, were used in policy recommendations. The relation between SWOT variables was indicated by “+” signs in the matrix. The color intensity of each strong and weak side was decreased with the number of related opportunities and threats.

## **2.4 Case Study Methodology**

The assessment of factors affecting entrepreneurship in Azerbaijan was based on descriptive statistics. For all mathematical computations and construction of figures, Excel was used. For describing the situation with factors affecting entrepreneurial

activity, comparative analysis of absolute and relative variables was applied. Variables were compared in dynamics over the years within the period under study, as well as, between the first (preceding) and the last (subsequent) years of this period. To assess the analysis of the impact of the factors under consideration on the development of entrepreneurship in the Republic of Azerbaijan, in addition to analysis of relevant strategic and planning documents, legislation and statistics, the qualitative method, namely SWOT analysis was implemented. The SWOT (Strengths, Weaknesses, Opportunities, and Threats) framework, a two-by-two matrix, is used as a managerial tool for various decision-makings. From 1980s, it has been applied by public administration across such areas as regional development and municipal planning (Bryson and Roaring, 1987). Some countries of European Union used SWOT analysis for selection of policy priorities and fortification of their strategies effectivity for sustainable development (European Commission, 2004). Strengths and Weaknesses revealed the current situation and could help to identify new resources, skills, and needed changes. Opportunities and Threats described factors, which are not yet affecting the analyzed variable, but potentially could (Start and Hovland 2004). Strategic advices for policy redevelopments were based on confrontational matrix. Confrontational Matrix was derived from SWOT analysis together with application of Dealtry's (1992) guidance:

- Establishing on strengths;
- Eliminating weaknesses;
- Exploiting of opportunities;
- Decreasing the effect of threats.

### **3 Literature Review**

*This section provides understanding of the core concept studied in this bachelor thesis and discusses findings of prior researches conducted on similar topic.*

#### **3.1 Theoretical Background of Entrepreneurship concept**

Explanations of key terms such as entrepreneurship and entrepreneur are often various and always a problem in the study of the concept itself (Brockhaus, 1980; Komives, 1969; Long, 1983).

### **3.1.1 Entrepreneurship as defined in economic theory**

There is no single explanation accepted by all economists.. Through history, various roles were assigned to entrepreneurs in economic literature (Hebert, 1982). The study of entrepreneurship activity recalled to first half of 18<sup>th</sup> century. Richard Cantillon (1881) defined entrepreneurship as self-employment of any sort. Adam Smith, Jean Baptiste Say, Alfred Marshall, and Frank Knight agreed with Cantillon's definition of entrepreneurs as risk takers in the sense of price uncertainty. Moreover, they elaborated the definition further by adding the leadership and naming entrepreneurship, through firm, as fourth factor of production. The most criticized and ambiguous definition belongs to Joseph Schumpeter (1982), who recalled to entrepreneurship as innovation, in business sense. Namely, entrepreneur finds market opportunities and exploits them by using innovative approaches. Kirzner (1973) proposed that entrepreneurs lead the economy to the situation of equilibrium, where no additional information can be derived, by discovering and exploiting new business opportunities In Shultz's (1980) vision, the entrepreneurship appears in and closely related to disequilibrium situation and entrepreneur should effectively allocate the resources and alter the situation. Shane and Venkataraman (2000) suggested that entrepreneurship activity consists of study of sources, discovery, evaluation, and exploitation of opportunities; number of individuals who implements mentioned actions. Tyson, Petrin, and Rogers (1994) summarized the definitions proposed by Cantillon, Schumpeter, and Kirzner, explaining the entrepreneurship as a risk involving innovative process of founding, owning, and operating the business. This process acts as equilibrating tool for the economy. The entrepreneur was explained as person who starts and owns a business for several years.

### **3.1.2 Entrepreneurship as defined in management theory**

During the recent decades, the entrepreneurship concept is being defined in management literature. Nevertheless, for such short period, there is already extensive number of contributions to the definition (Prokopenko & Pavlin, 1991). For example, Drucker (1985) argued that individuals who start new organization are entrepreneurs; even those that fail to make a profit. In the same year, Stevenson defined the concept as process of value creation by using the resources to exploit the existing opportunity (Stevenson et al., 1985). Pinchot (1985) described entrepreneur as innovator and thought about the difference in entrepreneurship roles played inside and outside the organization. Moreover, he evolved a special term "intrapreneur" to define the

difference in roles (Pinchot, 1985). Timmons suggested that entrepreneurship is an ability to produce something from nothing (Timmons, 1989).

### **3.1.3 Entrepreneurship as defined in politics**

Based on theoretical grounds, the Commission of the European Communities (2003) defines entrepreneurship as the state of mind and method to create and improve economic activity by compounding risk-taking, creativity and/or innovation with solid management, within a new or an existing business structure. The last change in law about entrepreneurship activity of Azerbaijan Republic (2002) states that entrepreneurship activity is an independent work, with purpose of using property, producing goods and/or selling goods, and/or offering services, which brings profit to the individual. The definition used in Azerbaijan cannot be related to any single explanation of entrepreneurship, proposed by above-mentioned authors, it rather combines definitions from late economic literature together with definitions from managerial literature and creates own broad and easily understandable concept.

The analysis of different theoretical definitions shows that understanding of the “entrepreneurship” differed between the researches and evolved over the time. It consists of various numbers of ideas about the contribution of entrepreneurship to economy and the role played by entrepreneur.

### **3.1.4 Measurement of the Entrepreneurship performance**

Various researchers agree upon the entrepreneurship contribution to economic growth, since it transforms innovative ideas and skills into new products, job places, and firms. According to Henderson (2006), increase in local competition is followed by higher growth of performance in that field. Taking into account its importance, it was always a concern of policy makers how to stimulate, measure, and control entrepreneurship activity. Entrepreneurship is a multi-faceted phenomenon that cannot be measured with single indicator, but rather with the basket of indicators. Some of performance indicators were summarized in the work of the OECD’s Entrepreneurship Indicators Project (Ahmad & Hoffmann, 2008). The full list of criteria can be found in Appendix 2. The factors affecting the entrepreneurship that can be used as tools for its stimulation and partial control are presented and discussed in the following section.

## **3.2 Analysis of Factors based on existing Literature**

As was mentioned above, plenty of studies have concluded about the connection between entrepreneurship and economic growth. Now, the aim is to investigate what are the forces and basic circumstances that contribute to entrepreneurship activity.

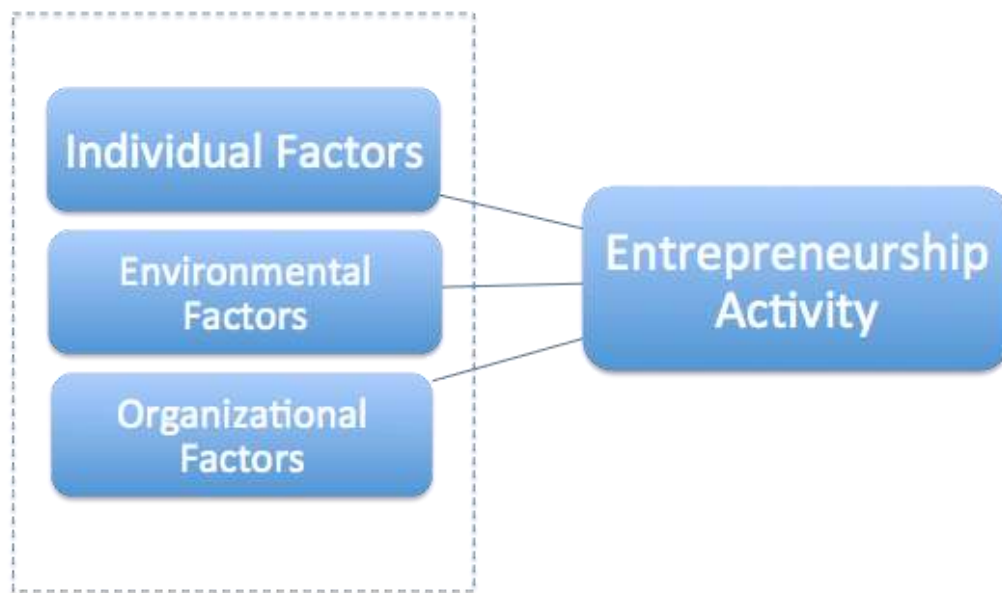
### **3.2.1 General Factors affecting the Entrepreneurship activity**

Researchers in their works mention factors, which might drive and affect development of entrepreneurship. Lucas (1978), for example, proposed that entrepreneur's personal attitude is core distinction element between worker and employer. Calvo and Wellisz (1980) elaborated more on the work of Lucas (1978) and extended the attitude to individual characteristics, such as; age, gender, knowledge, etc. Strategic choice variables over which the organization has more control are viewed as characteristics of the organization itself. These characteristics also influence entrepreneurship activity (Bruno and Tyebjee, 1982). For example, Stauss (1944) claimed that firm is an entrepreneur itself. Later on, Weick (1979) suggested that new venture creation is the organizing activity itself. Baumol (1990) agreed with his predecessors that entrepreneur is one who is creative enough to increase his own wealth. However, he also agreed with Shultz (1980) that, endogenous growth of company is not silent to external factors and mentioned the importance of environmental factors for entrepreneurship process. The environmental factors, in entrepreneurship literature, are external conditions factors to which the organization must and has to adapt (Aldrich, 1979; Aldrich & Pfeffer, 1976; Hannan & Freeman, 1977).

In accordance with mentioned above, the majority of entrepreneurship studies, based on massive literature review, revealed that several major dimensions, which influence the development of entrepreneurship activity, namely; individual, environment, and organization (Gartner, 1985; Jain, 2011). The right assessment and use of which can be implemented in policy making to derive entrepreneurship. The model proposed in this bachelor thesis is build based on simplification of model proposed by Gartner (1985). The simplifications mostly include the elimination of two-way relationship between above discussed dimensions and entrepreneurship activity. The mutual impacts between individual, environment, and organization levels were also removed from model. Such relations are not part of this study, thus, there is no need to mention and discuss them. The number of business owners is added to number of launched businesses in the dimension of entrepreneurship activity in order to make

the Gartner's model more applicable in policymaking. Figure 3 depicts one-way impact of three general factors on entrepreneurship. It consists of four dimensions a) individual level factors – the individual(s) involved in the new venture creation; b) organization level factors – the characteristics of the launched firm; c) environmental level factors – the external conditions, which influencing the enterprise; and d) entrepreneurship activity – the number of launched firms and number of business owners.

*Figure 1: General factors affecting entrepreneurship activity.*



The opinion and number of sub-factors differs among researchers with respect to country level of development, year, and research method. In addition, there is evidence that speed of entrepreneurship development is different in developed and developing countries (Lepojevic, Djukic, & Mladenovic, 2016). Moreover, in developing countries the impact of number of fast growing firm on entrepreneurship development is lower than in developed countries (Wong, Ho, & Autio, 2005). Nevertheless, all together economists agree that there are several unique features that affect entrepreneurship in developing countries.

Excluding some details, in general, it can be said that the factors of entrepreneurship are the parameters, which determine the possibilities to realize the properties of the entrepreneurial function.

## 3.2.2 Sub-Factors affecting the Entrepreneurship activity in Developing countries

### 3.2.2.1 Individual level sub-factors

The demographic factors might also affect the development of entrepreneurship. Taking into account high fertility in developing countries, they are usually rich in cheap labor, due to higher population growth. Insufficient wages might contribute to the self-employment in low-income countries. In addition, business owners have much to gain by selling products to larger population (Galor and Weil, 2000). Thus, the different population size might also stimulate different speed of entrepreneurship activity development. Evidence from Africa shows that the growing population of Kenya is no longer a threat, but a force for economic growth through the business development. The effective policy making in Kenya rightly tracked and used the fact that population growth comes together with innovations due to increase in probability that one of the residents will come up with a new beneficial idea, and promote economies of scale opportunities for the businesses which serve the low-income class population with cheap production (Devarajan and Fengler, 2013).

Various genders and age groups differently perceive entrepreneurship (Liñán and Chen, 2009). Moreover, men consistently exhibit more favorable intentions than women do since the social legitimation of entrepreneurship only serves to reinforce male entrepreneurship. This might make women feel that entrepreneurship is not an acceptable career option for them (Santos, Roomi, Liñán, 2014). Nevertheless, MasterCard's Index of Women Entrepreneurs Report (2017) has showed a significant number of female entrepreneurs. It was investigated that in Uganda and Bangladesh women face higher barriers to entry in the formal labor market, hence, they were driven by necessity to start their own enterprise, as the way out of unemployment and poverty (MasterCard, 2017). In addition, entrepreneurship activity can be considered as a tool for females in developing countries to gain financial independence from males and security of their rights. Nevertheless, in Ukraine and Uzbekistan, female entrepreneurship remains at low levels (Welter, Smallbone, Aculai, Isakova and Schakirova, 2003). Generally, post-soviet countries with transitional economies exhibit different results with respect to female entrepreneurship characteristics from other developing world (Roberts and Tholer, 1999). Countries with transitional economies differ from other developing countries and that puts additional obstacle for policy makers as it limits the experience of other countries, which they can use. Nevertheless,

evidence shows that policies favoring female entrepreneurship boost up the all entrepreneurship activities.

Age distribution of population may influence aggregate entrepreneurship and economic growth. Because of inflexibilities in the mobility of resources and the substitutability of employment across age groups, countries with populations unduly skewed toward old or young individuals may experience low levels of entrepreneurial activity (Lévesque, Minniti, 2011). Moreover, empirically an inverse U-shaped relationship was investigated between the regional age structure and start-up activity in a region (Bönte, Falck, Heblich, 2009). In addition, young people in developing countries face many barriers to open and lead a business. For example, the access to adequate finance is lower for the youth due to lack of positive credit history and experience. The efficient use of age structure of the country was noted in African countries, where policies targeted and supported the entrepreneurship by young people, which resulted in favorable business environment and positively contributed to entrepreneurship development (Devarajan and Fengler, 2013).

Education is crucial for personal growth and development. Moreover, according to Ewoh (2014) entrepreneurs with better education have a higher chance of better performance within a business field. Proper education is difficult to obtain in developing countries. People in such regions are usually poor, have many children, and work as a primitive labor force. While education is time consuming, the side responsibilities put heavy constraints on getting it. Thus, lack of proper education creates a barrier for entrepreneurship development policy. Uneducated labor force mostly lacks managerial skills and knowledge. Nevertheless, according to Blanchflower's (2000) findings the people at the both tails of education distribution are more often self-employed. According to Heyat (2002), women and men who got involved in this trading entrepreneurship were those on low incomes and without higher education. Le (1999) noted that educational choice affects entrepreneurship through signaling channel on labor market and concluded that people with lower level of education have higher probability of being self-employed. Thus, the relationship between education and entrepreneurship activity tends to be U-shaped (Grilo & Irigoyen, 2006). However, this uneducated self-employment is often based on primitive "hand-labor". Besides the ability to produce the product, the entrepreneur must also understand how to sell it effectively and how to manage the financial part of the business. The latter is impossible without sufficient education, managerial skills and



experience (Wanjohi, 2009). In turn, Acs et al (2005), who used country level data for analysis, empirically concluded that in countries with higher degree of educated, entrepreneurs are at higher steady state. The later findings show that advanced education gives more chances for launching innovative companies with fast-growth potential. Hence, university graduate entrepreneurship is desirable for the government. In addition, creation of innovative firms boosts up the economy and overall employment (Fritsch and Schroeter, 2008). Wennekers et al (2005) recommended promotion of education for development of entrepreneurship in low-income countries since there is a positive association between entrepreneurial ability and the level of formal education. The analysis of the survey conducted among entrepreneurs in India showed importance of education for entrepreneurship activity (Patankar&Mehta). The majority of policies on SME development in Kenya include the education to increase the managerial knowledge of entrepreneur to help effectively exploit favorable market opportunity (Kamunge, Njeru, Tirimba, 2014). Surviving entrepreneurs in Thailand also showed the significance of the link between the education of entrepreneur and his business success (Chittithaworn, Islam, Keawchana and Yusuf, 2011).

#### *3.2.2.2 Environmental level sub-factors*

The existence of raw materials is important for establishment of any industrial activity in developing countries. It is one of the fundamental elements required for production, and many of developing countries are rich in natural endowments. Thus, it influences the establishment of entrepreneurship, especially under the favorable opportunity conditions, while evidence from Kenya shows that lack of raw materials might be a constraint for start-up development (Mambula, 2002). There is a situation of unequal entrepreneurial growth between regions, when different raw recourse allocation is involved (Eckhardt & Shane, 2003). Moreover, raw material factor leads to different rules and regulations of the Government programs that facilitate women entrepreneurship development in rural Bangladesh (Nawaz, 2009). Thus, the availability of raw materials affects entrepreneurship activity in low-income world, where the technological progress is not so fast and productions are primitive in their nature.

Along with this raw material impact, the infrastructure provision is also important for entrepreneurship activity. The lack of physical infrastructure is a reason for low levels of investment and bad performance of small enterprises (Kamunge, Njeru

and Tirimba, 2014). Ombura (1997) figured out that infrastructure networks are crucial tools for communication developments within economy. As an evidence for it, the establishment of post and telegraph system and construction of roads and highways in India contributed significantly to higher growth rate of entrepreneurship in 1850 (Burnham, 2009). Infrastructure development can boost the trade and foreign direct investment in third world countries. Thus, it backs up the creation and sustainability of industrial clusters and as consequence, cuts costs and raises competitiveness.

Furthermore, inaccessibility to land puts a limit on the capacity of enterprise activities (Nteere, 2012). Accessibility of the market is important for entrepreneurship development and can be established through provision of road facilities (Mfaume & Leonard, 2004). A right spatial planning can guarantee the most efficient use of land by sustainable development (Roze, 2003). Moreover, the ease of communication is a key to establish partnership relations in trade and helps to solve business tasks more effectively (Mohr & Spekman, 1994). The ease of transportation is crucial for efficient supply chain, cost reduction, and access to labor pool (Forslund & Johansson, 1995). Thus, properly developed communication and transportation facilities can contribute to expansion of entrepreneurship. Surprisingly, the government provided infrastructure tends to be insignificant for entrepreneurship activity in post-soviet Eastern countries (Ovaska and Sobel, 2005). As was mentioned before, the technological development of low income countries is low, which puts an additional barrier on safety and ease of information flow in developing countries. The access to infrastructure can be regarded as competitive advantage by entrepreneurs in developing countries and a favorable opportunity to start a business. This makes promotion industrial development extremely urgent and crucial for economy (Kinyua, 2012).

Availability of monetary capital allows businesses to get access to raw materials, put creative ideas into practice, be competitive, survive during the poor economic conditions, and grow (Robertson et al, 2003; Wickham, 2001). Thus, the appropriate financing is important for entrepreneurship development (Tustin, 2003; Goodall, 2000; Czinkota & Ronkainen, 2003). Eakin, et al. (1994) and Quadrini (2000) have showed that the lack of finance can put a constraint on entrepreneurship activity. For example, in South Africa's disadvantaged societies, where the access to finance remains very limited, the enterprises tend to show a slow growth. Pennings (1982) empirically found that organization birth rates were high in areas where the financial capital is accessible. Ovaska and Sobel (2005), have supported Pennings by finding out

that credit availability and non-performing loans factors are the most significant in explaining new enterprise creation in post-soviet part of Europe. Credit availability showed significance in almost all of the regressions plotted by former researches and demonstrated higher importance in affecting the creation of small firms than large ones. Young people surveyed in Kenya responded that the limited access to finance discourages them from starting up entrepreneurship activities. Fortunately, the evidence shows that creation and launch of governmental credit funds improved the situation of start-up rates among young generation in Africa (Kaburi, Mobegi, Kombo, Omari and Sewe, 2012). The findings of the survey conducted among 60 entrepreneurs in Bangladesh in 2007 indicated that the financial support and assistance from governmental side are important for business development (Chowdhury, 2007).

### *3.2.2.3 Organization level sub-factors*

Nevertheless, under lack of natural endowments and inequalities in infrastructure provision, there is still evidence of entrepreneurship emergence. Innovativeness reflects entrepreneur's ability and desire to differentiate from already existing good and services and experiment with use of new methods and technologies in production process (Lumplik and Dess 1996; Baker and Sinkula 2009). Especially, when there is lack of resources in the region, innovation can be used as a tool for start-up or survival (Wolff and Pett, 2006). The lack of experience in international trade and low purchasing power of developing countries put barriers on effective imports of needed materials for production. Therefore, the diversification of production may secure entrepreneur from unpredicted inputs' deficit and losses in business. Thus, the region's low level of endowments can be compensated by innovations in entrepreneurship. Evidence of innovativeness may take several forms, some of which is diversification of industries, differentiation of products, and new methods of production (Garland et al. 1984). Moreover, having two different businesses at the same time allows entrepreneurs to successfully eliminate high levels of different market risks as they follow a diversified portfolio strategy (Pennisi, 2012), which is actual for low income countries where the economy is highly unstable. States which support various forms of startups in different fields, without choosing and focusing on promotion of one dominant industry, show higher rates of entrepreneurial activity (Storey, 1993), because availability of diverse industries and specializations leads to more innovations

(Feldman, and Audretsch, 1999). Thus, by innovative behavior of businesspersons the entrepreneurship and consequently GDP can be boosted in the developing region.

Not all entrepreneurs are able to organize their business independently. Not only financial opportunities, but also organizational abilities are important in starting a profitable business. It is crucial to calculate the volume and potential of the market make a marketing plan, organize advertising, etc. To support entrepreneurship development, the assistance of intermediaries in the provision of legal assistance, as well as, transport and other services to entrepreneurs is needed. The presence of partners, as suggested by Timmons, Smollen, and Dingee (1977), is a crucial factor in starting certain types of firm. Other research has mentioned partners as a characteristic of the firm's success (Cooper, 1970; DeCarlo & Lyons, 1979). The existence of partnership networks between enterprises in developing countries can be regarded as support tool. For example, recently Finland is engaged in promotion of partnership programs to supports start-ups in developing countries. The Finnpartnership, specifically the Business Partnership Support Facility, follows the aim to help developing countries with the objective to enhance economic growth, diversification the economy and exports, and reduction of poverty. Currently, similar projects are launched in France. Moreover, in developing countries, a public-private partnership (PPPs) is an appropriate instrument for the state to stimulate the efficient and qualified provision of the public services to the public and active participation of the private sector in idea generation and market development (Pessoa, 2010). Many studies show positive results of PPPs and government intervention in developing countries (IOB, 2012). Jamali (2004) found that after the implementation of the Lebanon telecom PPP the number of cellular subscribers and international coverage increased. Triple value (2009) reported that after the launch of the Sustainable Trade Agreement partnership, the quality of cacao production was increased and labor standards were improved in Ghana, which, in turn, can contribute to stimulation of entrepreneurship activity. De Pinho Campos et al. (2011) concluded the positive effect of PPPs on efficiency of drug and vaccine development and delivery in low and middle-income countries. Considering that in developing countries start-ups have restricted resources and frequently experience difficulty to access the additional assets when they need to realize their ideas on the market, bringing together start-ups and establishing mutually beneficial partnerships between businesses looks like an apparent panacea (Minshall,

2006). This massive evidence shows the importance of partnership relations for both entrepreneurs and the state in developing countries.

The list of sub-factors can be summarized in the Table 1.

*Table 1: Sub-factors influential for the entrepreneurship activity.*

Individual Level Factors	Environmental Level Factors	Organizational Factors
<ul style="list-style-type: none"> <li>• Population</li> <li>• Gender</li> <li>• Age</li> <li>• Number of people at different Education Levels</li> </ul>	<ul style="list-style-type: none"> <li>• Raw Materials</li> <li>• Telecommunication Facilities</li> <li>• Roads Facilities</li> <li>• Access to Finance</li> </ul>	<ul style="list-style-type: none"> <li>• Diversification of production per firm</li> <li>• Partnerships</li> </ul>

## 4 Case Study

*This section provides information regarding Azerbaijan and reveals information regarding situation with studied topic.*

### 4.1 Country Background

The Republic of Azerbaijan (Azerbaijan) gained independence, after the collapse of USSR, in 1991. Its area is 86 600 sq. m. km. and population in the beginning of 2016 was 9.705 million people (SSC,2017). In January 2001, Azerbaijan became a member of the Council of Europe (COE, 2017).

#### 4.1.1 Economic Situation

Azerbaijan, as a post-socialist country, since the 90s of the last century, has faced economic problems caused by the collapse of the Soviet Union and change in the political system. The change of the political regime led to the emergence of private ownership of production, which necessitated the denationalization of enterprises, and accordingly, caused a change in the economic relationship and the transition to market methods for their regulation. Simultaneously, with the change in the political regime, the former economic ties between the countries of the former Soviet Union were

destroyed, which led to the change in the structure of the economy as a whole in the country and in its regions. Nowadays, Azerbaijan is an agrarian-industrial country with a developing economy (Azerbaijan, 2010).

#### **4.1.2 Geographic and Administrative Situation**

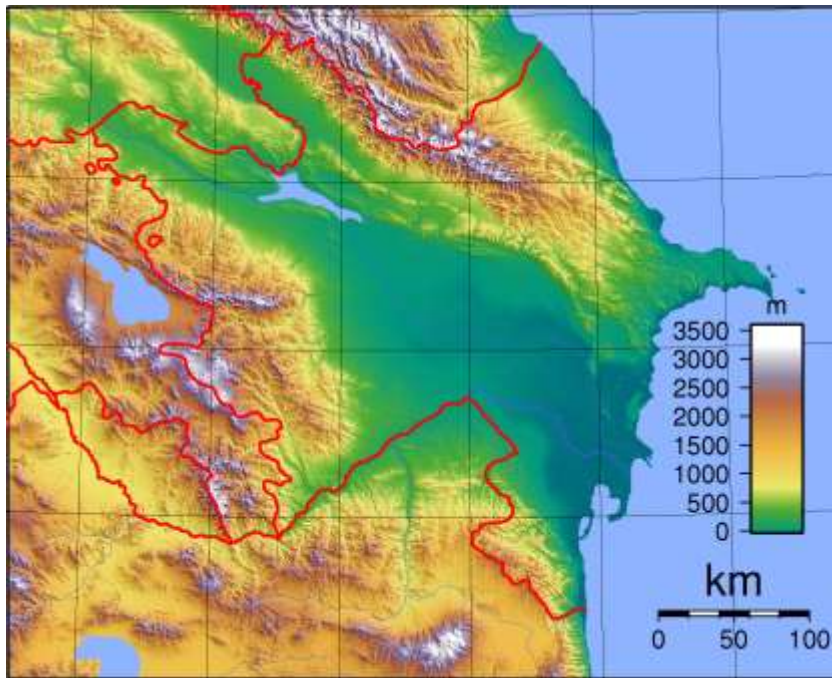
Azerbaijan is located in the southeastern part of the Transcaucasia region, western Asia. Azerbaijan has all kinds of terrain: the highlands, hills, lowlands, plains, and valleys. Roughly, half of the territory of Azerbaijan is occupied by mountains: in the north – the Greater Caucasus Mountain chain, to the south-west – the backbone of the Lesser Caucasus. In the central part, the Kura-Araz lowland and in the southeast part of the country, Lankaran lowland is located (Azerbaijan, 2010)

The subsurface resources contain oil, iron ore, and non-ferrous metals. Azerbaijan Mountains are covered with shady forests. Real decoration of Azerbaijani lands is its mountain lakes. In the republic, there are 9 out of 11 of the world's climate zones (Azerbaijan, 2010).

Azerbaijan is administratively divided into the following subdivisions: 59 districts, 11 cities, and 1 autonomous republic (which itself contains 7 districts and 1 city). The districts are further divided into municipalities. Additionally, Azerbaijan is subdivided into 10 economic regions. Each economics region contains several districts (SSC, 2017).

Physical and Administrative divisions are visually presented on pictures below, in next page:

Picture 1: Physical map.



Source: Maps of the World.

Picture 2: Administrative map.



Source: Azerbaijan Agriculture Finance Facility.

## 4.2 Entrepreneurship in Azerbaijan

### 4.2.1 Classification of Entrepreneurship activities

The main forms of entrepreneurial activity in Azerbaijan are legal entities and individuals. Former ones usually include firms, enterprises, companies, etc. They are registered in the Ministry of Justice and thereafter in tax service, pension fund, etc. The later ones immediately register with the tax service, without registering in any of state agencies, and then they check in the pension fund. Exception may be licensed activity, for which governmental permission is necessary. In rural areas, personal peasant family farms do not belong to the sphere of entrepreneurship and are regulated by special state authorities (SSC, 2016).

### 4.2.2 History of Entrepreneurship

Entrepreneurship began to develop in Azerbaijan in 1991 (in the same year the country gained independence), and major success was achieved by the beginning of the 2004.

First entrepreneurships in Azerbaijan were born in trade area of business (Heyat, 2002). More than 60 percent of all subjects of entrepreneurial activity were registered in that field. Important to remember that on post-Soviet area, so-called “self-employed” traders were mostly unwilling entrepreneurs, who started up the business due to unemployment and poverty. Moreover, the activity was considered illegal in Soviet Union, so it was morally hard for people to be engaged in trade (Ageev, Gratchev and Hisrich, 1995). However, for Azerbaijan this type of entrepreneurship activity has been historically common and culturally accepted. The country located on the Great Silk road and trade was a habitual activity for population, taking into account easy access to the broad market. Also, for the Azerbaijanis carpet weaving, handicrafts, and agriculture activities, such as; animal husbandry or growing vegetables, fruits, grapes, tea, rice, and other crops was a traditional *métier*, products of which could be profitably sold on the market. Hence, the first entrepreneurial initiatives began to establish primarily in trade field.

As the economy developed, entrepreneurship started to move forward and evolve in other areas. Both the number of entrepreneurs and delivered by them the volume of products (services) began to grow.

According to statistical yearbooks of SSC of Azerbaijan, in the beginning of 2004, there were registered 157986 individual entrepreneurs in the country. In other

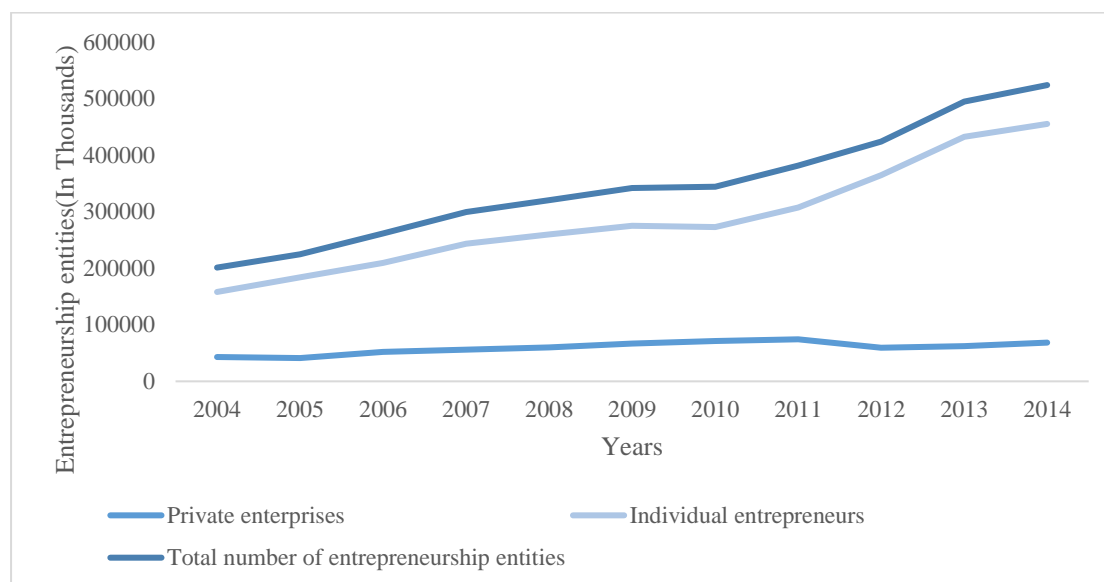


words, for 1000 people every 19<sup>th</sup> started own business. Over the 10 years of the investigated period, the number of entrepreneurs increased almost threefold. After 288 percent growth, in the beginning of 2014 the number of businesspersons amounted to 454997. The share of individual entrepreneurs grew 2.5 times and reached the number of 48 per 1000 of people.

According to statistical yearbook of SSC of Azerbaijan (2014), the number of private enterprises is also growing in the country. For the 10 years of the study period, the number of private enterprises has increased 1.6 times and by the beginning of 2014, amounted to 6864. The share of private enterprises to the total number of enterprises was 79.8 percent (SSC, 2014, p. 80).

The visual presentation of described growing trends can be found on Figure 2.

*Figure 2: Changes in numbers of entrepreneurial entities over 10 years.*



*Source: State Statistical Committee of the Republic Azerbaijan.*

Women started to be more actively involved in entrepreneurship activities. After 2010, their share in total number of entrepreneurs increased by 1.2 percentage point and by the beginning of 2014, constituted 18 percent (SSC, 2010, p. 80; SSC, 2014).

In the spheres of entrepreneurial activity, out of the total number of women entrepreneurs, 43.5 percent are engaged in trade, 14.4 percent in agriculture, and 4.3 percent in the touristic services. In the other fields of businesses, the number varies from 1 to 2.5 percent per each area (SSC, 2016, p. 382).

There is no difference between distributions of genders between spheres of entrepreneurship activities, except transportation industry, where men are more commonly involved. Out of all entrepreneurs, 15% of males and 1.1 percent of females are busy in that field. After 2010, the positive dynamic in number of female entrepreneurs was noted in agriculture sector, their proportion outperformed the share of men. By the beginning of 2014, the shares of males and females in agriculture were 14.4 and 13.8 respectively. Similar situation is observed in the sphere of services like education, health, social services, etc. (SSC, 2016, p. 383).

## **4.3 Analysis**

### **4.3.1 Descriptive Statistics of Factors Affecting Entrepreneurship Activity in Azerbaijan**

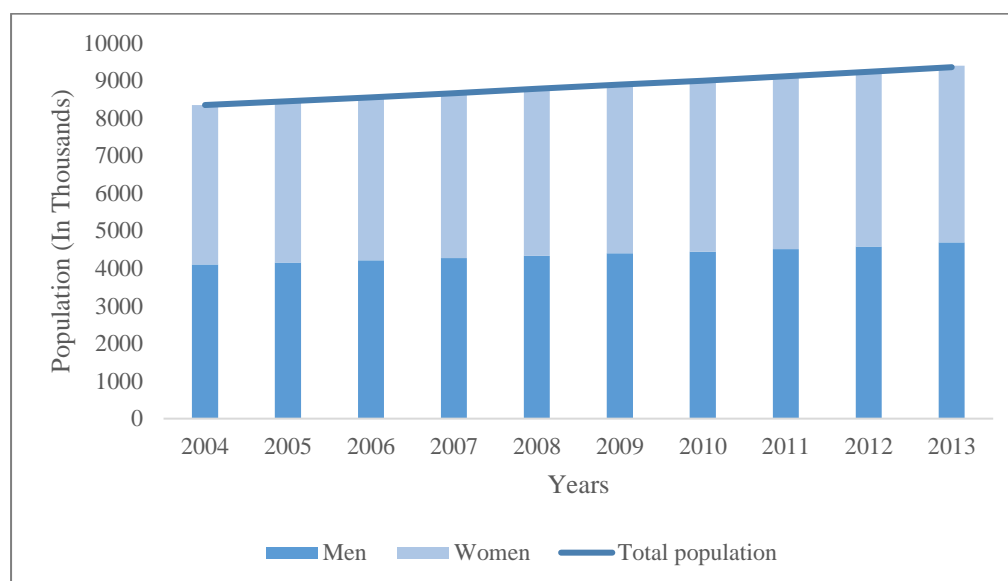
#### **4.3.1.1 Individual factors**

From demographical point of view, Azerbaijan is a country with a constantly growing population. In other words, according to analysis of demographic indicators provided by SSC of Azerbaijan, the lowest and largest numbers of people were noted in 2004 and 2013 respectively. Average indexes of absolute population size and increase rate over 10 years were 8839.29 and 13 respectively. Highest population growth rate took place in 2011 and constituted 13.5 percent increase. Although the population growth speed slightly reduced since the year 2011, in absolute numbers the population was still increasing. At the end of the investigated period in 2013, the population growth rate constituted 12.8, compared to 10.0 rate in 2004. Accordingly, the population density in the country has increased in that period from 95.4 to 109.4 thousand people per sq. km. (SSC, 2004-2013).

In above-mentioned years, minimum and maximum numbers of population size were noted for both genders. The ratio of a man to a woman in the whole country is almost equal, with a slight preponderance of women. However, there has been a trend towards a decrease in the proportion of females in the total population. Between 2004 and 2013, the proportion of women decreased by 0.6 percentage points and accounted for 50.3 percent of the total population. A similar trend is taking place in both cities and rural areas. Starting from 2009, the share of women in rural areas is lower than that of men. The number of females to the total number of inhabitants in cities and rural areas

was 50.7 and 49.8 percent, respectively. The situation with population size and gender distribution in Azerbaijan is visually represented on Figure below.

*Figure 3: Changes in total number of males and female residents over 10 years.*



*Source: State Statistical Committee of the Republic Azerbaijan.*

Azerbaijan is a country with a large share of the young population. The proportion of young people aged 15 to 29 years has remained more or less stable over the 10 years taken for the study. The share of young generation accounts for 28 per cent of the total population.

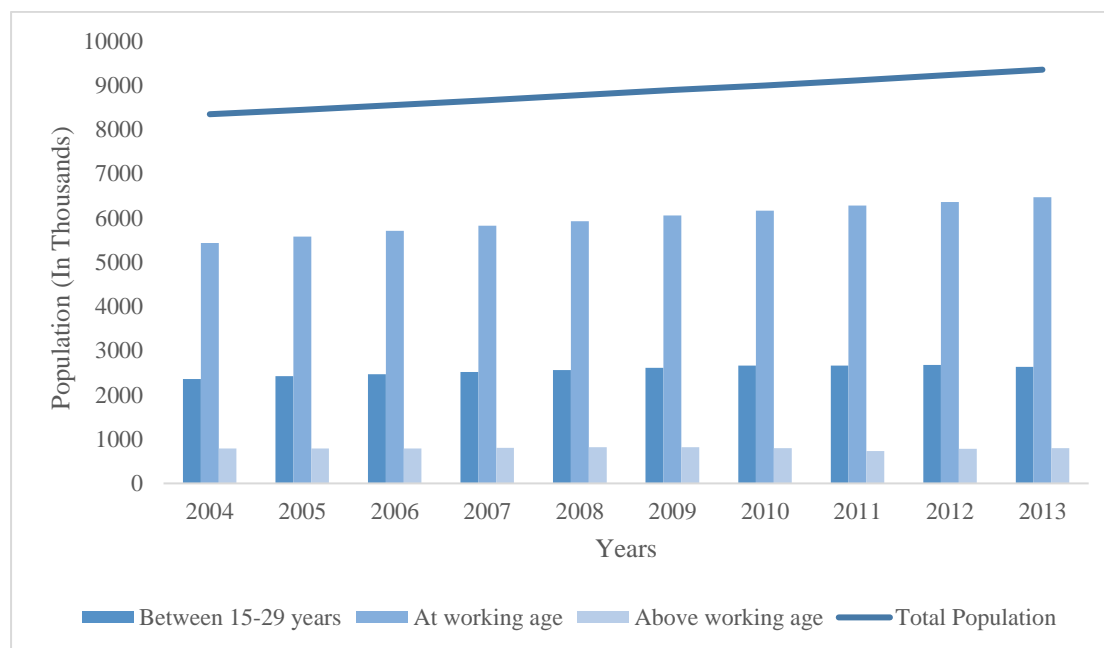
The share of children under the age of 15 was 22.3 percent in 2013, which is 3.1 percentage points lower than 2-4 years ago. The reason for it is a decrease in the birth rate in the country; the fertility rate peaked in 2011 and amounted to 19.4 while in 2013, the same index was 18.6.

In 2013, people in working age amounted to 69.2 percent of the total population. The old accounted for 8.5 percent of the total population. Despite the fact that life expectancy in Azerbaijan increases (for 10 years from 72.3 to 74.2 years), the proportion of people older than working age in the country decreases. This is due to the implementation of the pension reform and an increase in the retirement age. Until 2010, the retirement age was 62 and 57 years for male and female, respectively. From 2010 to 2015, the retirement age has been increased by 6 months for females and reached 60 years. For males, the similar increase lasted for two years and from 2012 to 2015, and it had a constant index of 63 years. Thus, during the studied period, the retirement age

has been gradually increasing, and in the beginning of 2013 it was 63 for men and 59 for women.

The comparison of age groups can be found on Figure 4.

*Figure 4: Age structure of the population over 10 years.*



*Source: State Statistical Committee of the Republic Azerbaijan.*

The general secondary education from the first (from the age of 6) to the 9th grade in Azerbaijan is compulsory and free. Literacy among the population over 15 years is 99.8 percent.

According to the latest population census conducted in 2009, the total share of people with higher and incomplete higher education makes up 12.4 percent of total population. In the cities, such people account for 18.1 percent while in rural areas, the share is 5.8 percent. The proportion of educated people is higher among men in both city and in rural areas.

From the total population, 51.2 percent has secondary general education. The share of such people is higher among women, than males and constitutes 52.3 and 50 percent, respectively. In rural areas, there are more people with secondary education, compared to cities. The share is 56.5 and 46.5 percent, respectively. The number of females with this type of education is also higher in rural areas of Azerbaijan. The number of people with vocational education constitutes 3.6 percent of total population. Their share is higher in urban than in rural regions. The share of males, compared with females, is larger.

Around 12.1 percent of total population has primary general education and account equal number of both genders. The share of such people is higher in rural area, than in urban. The table with detailed information regarding shares of residents with different levels of education can be found in Appendix 3.

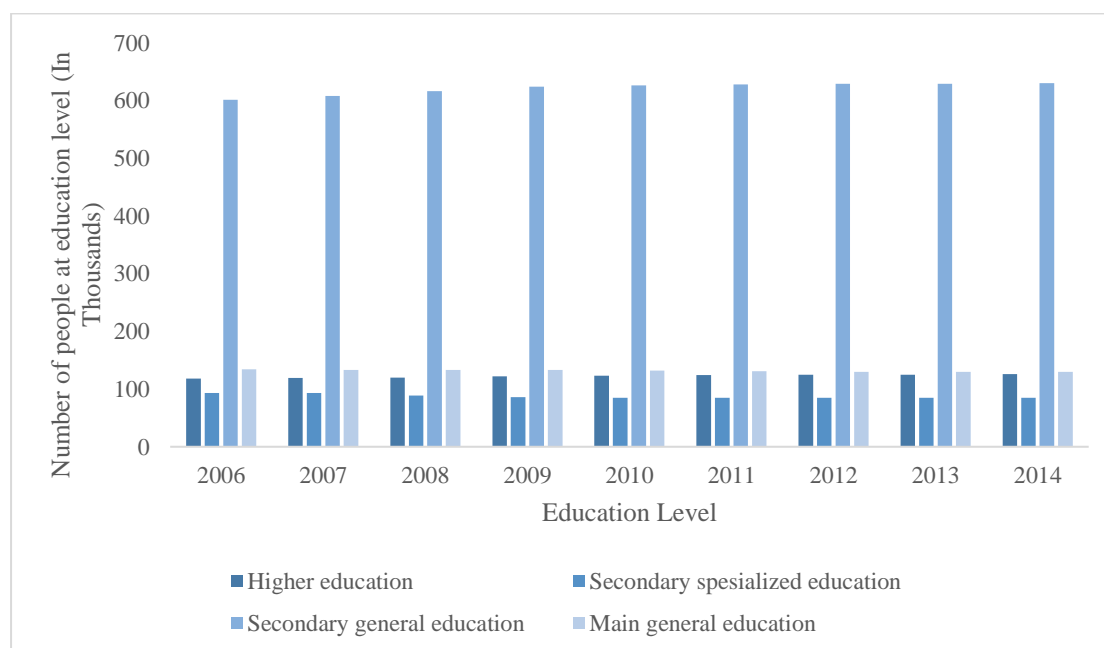
Based on description above, it can be concluded that the level of education in Azerbaijan is quite high and the number of educated people has a tendency to grow. In 2006, among every 1000 of population older than 15 years old, the number of people with an education level higher than general secondary education (main general) was 812. In 2014, quantity of such people increased and reached the number of 841 out of 1000.

The highest increase is noted in number of people with secondary general education, for higher education the growth rate is small. The share of vocational education in population shows a decline.

The share of people with higher education is larger than proportion of vocational specialists since later ones are perceived as unrespectable and not prestige. As a result, there is an overabundance of highly educated people. Thus, they have to work in jobs that do not require scholar education or become unemployed. Consequently, the number of unemployed people with higher education is growing in Azerbaijan.

The changes in numbers of people at particular education step is visually described on Figure 5.

*Figure 5: Number of people with different education level over 10 years.*



*Source: State Statistical Committee of the Republic Azerbaijan.*

#### 4.3.1.1 Environmental factors

With respect to environmental factors related to raw materials, Azerbaijan has the following characteristics:

Azerbaijan counts several mines of iron ore. However, this business bears huge financial costs and processing capacities. Nevertheless, they have been announced for privatization, after the collapse of the Soviet Union, in addition to destroyed supply of equipment and technologies, there were no people willing to lead this costly business. Thus, majority of iron ore sources have been closed.

Regions of the country are also rich with non-metallic materials, such as rock salt, sand, stone, gravel, clay and, other building materials. All of them are successfully developing. The extraction of these materials is completely in hands of the non-state sector and satisfies the needs for construction.

The distribution of mineral resources can be found on the picture below.

Picture 3: Map of Mineral Resources distribution.



Source: First CIS local counsel forum.

The natural and climatic conditions are diverse in the country. Several regions of the country, mainly mountainous areas, have variety of springs with mineral water resources, which contain sulfur, bicarbonate, and other useful minerals. Those resources are used as table water for drinking and as medicinal. Some regions also contain hot and other sources of water, which are used for medical and resort spa procedures.

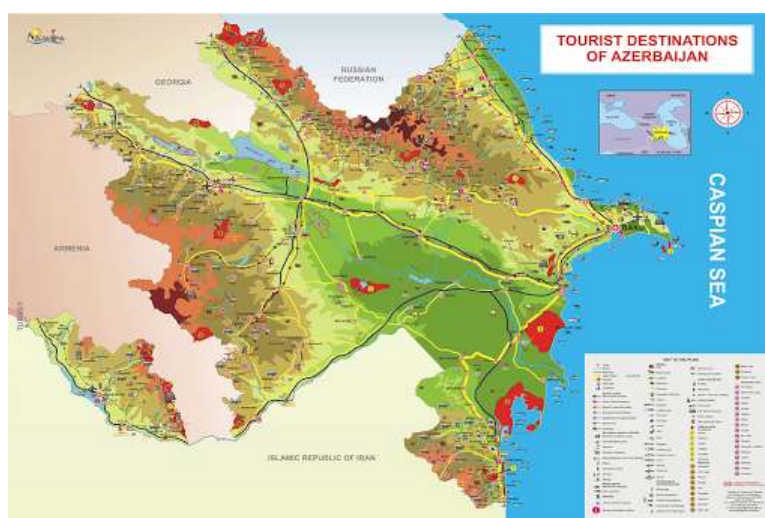
Mountainous regions also have all necessary conditions for winter skiing resort and sport activities.

Regions located on the coast of the Caspian Sea are suitable for the development of sea (beach) tourism. Some of such regions have a unique combination of seacoast and forest belts.

In general, the nature of Azerbaijan allows the development of various types of resort activities, which favors the development of tourism.

The touristic activities are described on picture below.

*Picture 4: Map of Touristic activities.*



*Source:* Ministry of Culture and Tourism of the Republic of Azerbaijan.

Azerbaijan is also rich in raw endowments for agriculture entrepreneurship. Private sector produces approximately 97% of all agricultural products. Around 55 percent of the land is suitable for this kind of entrepreneurial activity, of which 40 percent are arable, 5 percent are engaged in crop production, and 55 percent are used as pastures. Forests are placed on 12 percent of the county's territory.

According to natural and climatic conditions, various vegetables, fruits, and grains are grown in Azerbaijan.

Local production fully meets population's needs in eggs, milk, and meat.

Given that the land reform in the country is carried out, nowadays, entrepreneurs grow almost all agriculture production in the private sector.

A number of areas, with an extended access to the sea, have perfect conditions for fishing, i.e. extraction of raw material – fish.

The distribution of agricultural activities among regions is represented on the picture below.

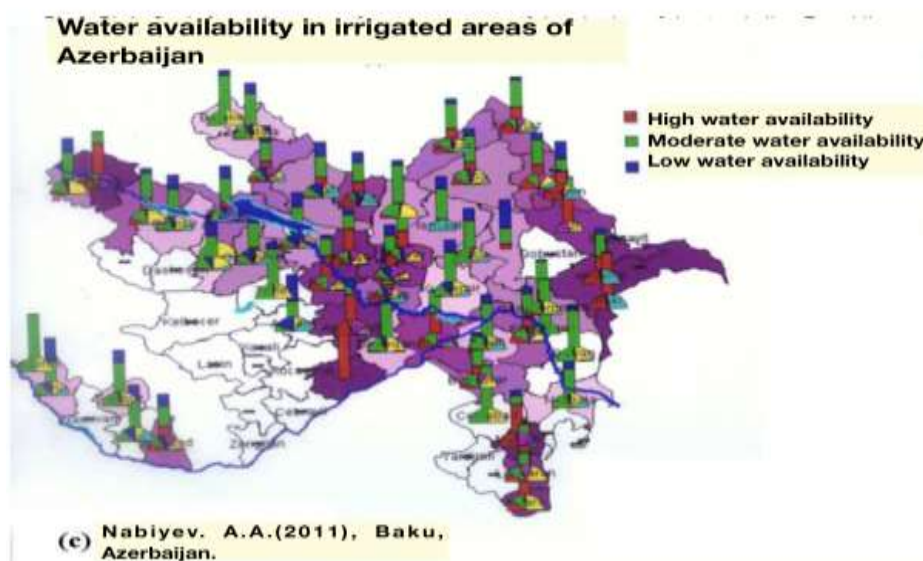
Picture 5: Map of Agricultural activities distribution.



Source: Expert Round Table Best practices in export promotion: Experiences in Latin America, Europe and Central Asia.

At the same time, most of the regions of Azerbaijan are poorly provided with water resources and many are waterless (see Picture 6). In addition, there are problems with quality of the water. Therefore, for agriculture in Azerbaijan, land reclamation is very important. Currently, this activity is fully controlled by the governmental sector.

Picture 6: Map of water resources availability.



Source: Global International Scientific Analytical Project.



During the recent years, much has been done in Azerbaijan in the field of telecommunications. The whole country has access to the Internet. In the early 2000s, the Internet was only in the capital, and its share in communication services was only 1 percent. In 2014, it constituted 6.8 percent. During the research period, the number of Internet users has grown from 5 to 75 people for every 100 people.

The most common communication service in Azerbaijan is cell network. Its share has reached its peak in 2007, and taken 70.6 percent of all communication services. Nowadays, it is gradually decreasing, due to increasing share of Internet services, and it accounts for 56.4 percent.

Overall, the index of development of information and communication technologies has increased during 2004-2013 period from 1 to 7.62.

The transportation network in Azerbaijan has been developing since soviet times. Baku was main port city and was responsible for people and cargo transportation for the whole country and union. Unfortunately, after collapse of the USSR, especially during the period of social and economic instability of the 1990s, the port and the railways have been in decline, because of the destroyed economic and trade ties. The past significance and scale of the port and railways have not been restored yet. The length of the railways has decreased significantly.

Many the roads network also fell into decay and needed repairs, in addition, country had no financial and material capacity to repay them or build new ones.

Nevertheless, in 2003, the country began a large (re)construction of roads. During the period under this study, the length of motor roads increased by 1 percent and the quality of roads improved.

Overall, for 2003-2014 years, freight and passenger transportation by rail and sea has decreased. By road, the average distance of transportation of one ton of cargo increased from 105.7 km to 112.9 km. The passenger turnover on motor transport has more than doubled from 9,861 to 22.999 million people per year.

The road map is presented on picture below, in next page.

Picture 7: Map of the roads.



Source: United Nations. Department of Field Support Cartographic Section.

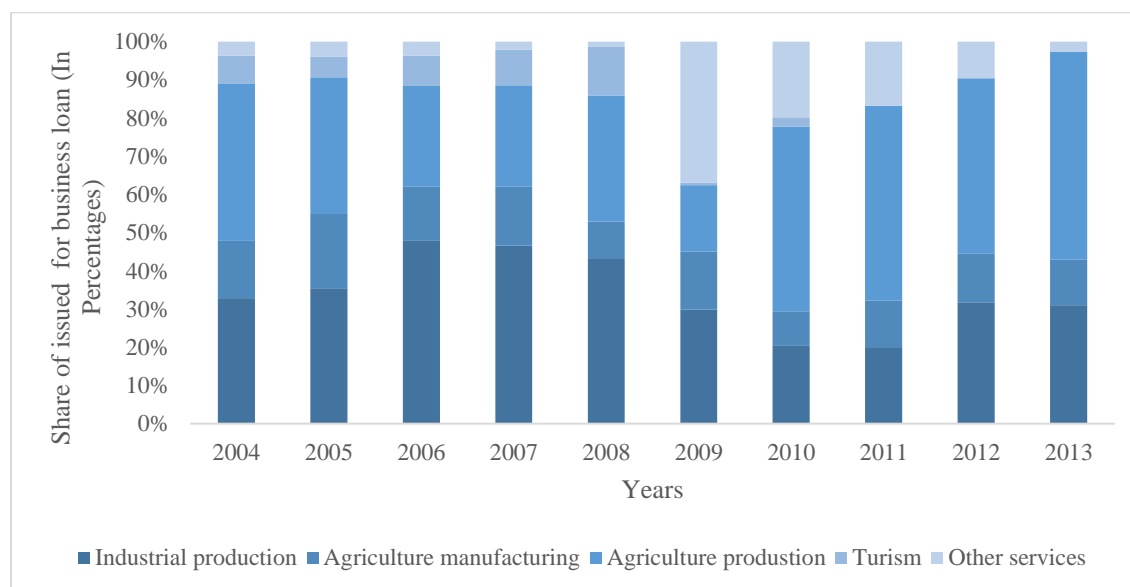
The banking system in Azerbaijan was under development during the period under study. The electronic payment system has just begun to develop, the loan portfolio of banks mainly consisted of consumer loans and business lending was almost at zero. Insurance market, especially securing against business risks, was not developed.

In order to provide financial support to businesses from the state, the National Entrepreneurship Fund (NEF) was established, in 1992. The Fund provides loans to entrepreneurs through banks from allocated state's budget funds. The Fund operates under the Ministry of Economic Development. Under the decision of the Contest Committee, responsible for loads allocation, entrepreneurs are granted concessional loans of at minimum 5,000 AZN, maximum 10 million AZN. The mechanism of obtaining governmental load is hard and long, nevertheless during the 2004-2013 period, the amount of issued loans increased 15-fold and amounted to AZN 275 million in 2013. Credits were used mainly for the production and processing of agricultural products, their share in 2013 was respectively 54.4 percent to the business loans, and 11.9 percent to the total loans. Overall, 31 percent of the loan portfolio was credits to production and processing in various industries while 2.7 percent to the service sector. The structure of the loan portfolio indicates a weak diversification of business activities. Despite the fact that the country has announced a policy for the development of tourism,

when loans for the development of tourist services reached their maximum of 7.2 in the loan portfolio in 2008, their share began to decline. From 2010 and onwards, they have not been issued anymore.

The shares of described loans can be found on Figure 6.

*Figure 6: Shares of issued loans for development of various business activities over 10 years.*



*Source: State Statistical Committee of the Republic Azerbaijan.*

The structure of the loan portfolio by loan size shows that for 2004-2013 years, preference was given to large loans; they constitute 70-80 percent of all loans. The share of medium-sized loans decreased and amounted to 1.6 percent in 2013. The share of small loans remained unchanged at 19 per cent of the total loan portfolio.

The visual comparison of changes in issuance of loans of different size can be found on Figure 7, in the next page.

Figure 7: Shares of different sizes issued loans for development business over 10 years.



Source: State Statistical Committee of the Republic Azerbaijan.

#### 4.3.1.3 Organizational Factors

Analysis of the data provided by State Statistical Committee of the Republic Azerbaijan in statistical yearbooks on the development of entrepreneurship by type of activity for the 2004-2013 years shows the redistribution of both entrepreneurs and enterprises across the industries has occurred consistently by increases in some spheres and reductions in the others (SSC, 2004-2013).

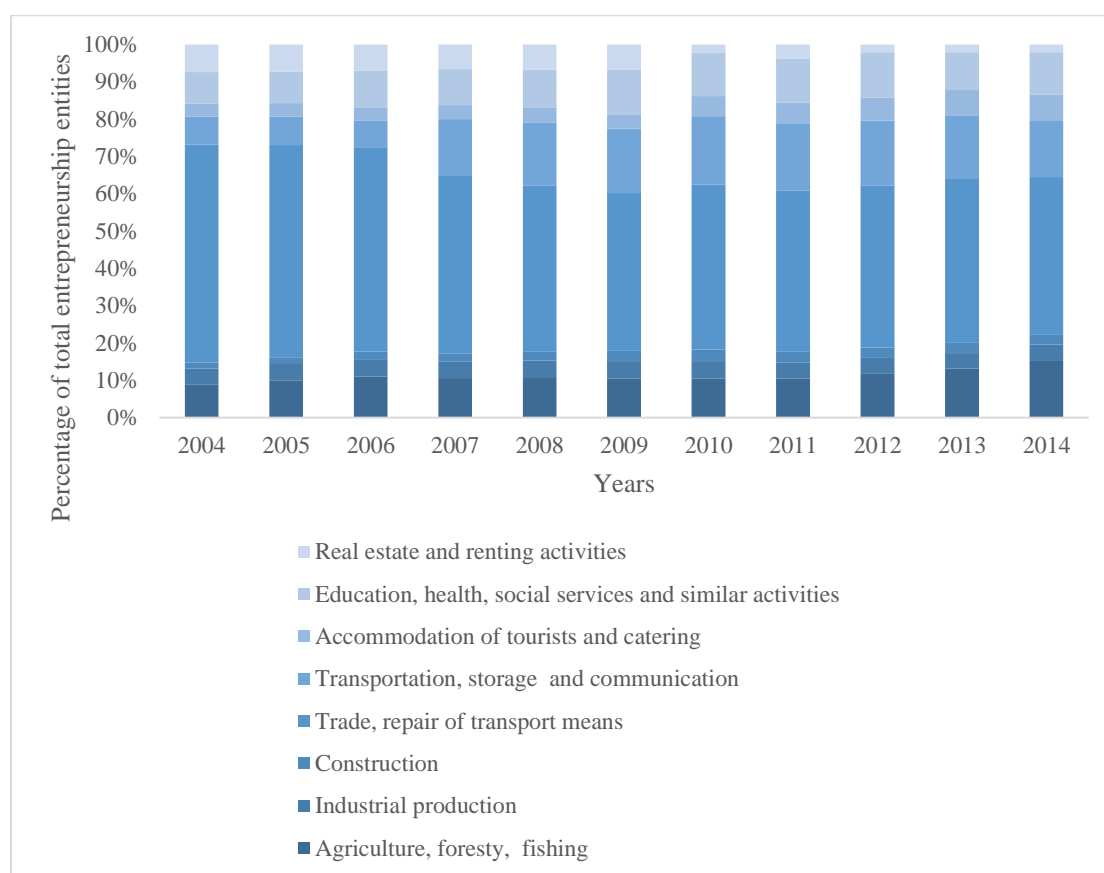
The most significant changes occurred in trade; its share decreased from 58.1 percent in 2004 to 37.6 in 2014. The sphere of hotel business and tourist service, including restaurants and other entertaining organizations began to develop. The share of business in this area has grown almost twice over the studied 10 years from 3.5 to 6.3 percent. Entrepreneurship activities in agriculture, forestry, and fishing also exhibited positive dynamics. The share of private entrepreneurs for the period under study has grown 1.6 times increase in this area from 8.8 to 13.7 percent. At the same time, despite the presence of favorable natural conditions for the development of agricultural production in the country, the proportion of this business could be larger. One of the reasons is lack of water supply. To solve this issue, it is necessary to involve irrigated lands in production that requires more costs and state assistance. Another reason is the weak development of service centers for renting, leasing and repairing agricultural machinery, and providing seed to agro-entrepreneurs. Moreover, the introduction of innovations in agricultural production is weak and slow in Azerbaijan.

Under the investigated policies on restrictions of legislation and control, significant changes have occurred in the share of business related to transportation. In 2007, compared to 2006, the number of individual entrepreneurs in this industry increased 2.4 times. According to the increased restriction and control, in the construction sector, the share of firms has grown while the share of individual entrepreneurs has decreased. Nevertheless, the country still experiences problems with shadow – unregistered entrepreneurship activities. For example, in service sector, official statistics exhibit no changes in number of entrepreneurs, in fact, the number of people employed in the service sector, especially in the area of cleaning apartments, caring for the sick, the elderly, children, etc. is growing. The share of entrepreneurship activities in real estate industry showed a significant decrease. During the Soviet era, there was no free housing market, but in fact, apartment sales took place. People who conducted such activities already had some experience and simply legalized the business after USSR collapsed. By them, real estate business was understood as close to the common trade. Therefore, firstly, many offices engaged in brokering activities for the purchase and sale of houses. Over the time, construction companies themselves began to deal with sales issues. Together with the expansion of the Internet, an opportunity to trade without intermediaries has appeared. Thus, some of the individual entrepreneurs left the market under the increased competition. However, the industry is still developing and there is no complete mechanism in legislation and control of it.

Overall, the business activities are so much diverse. The scope of presented industries is moderately broad, but entrepreneurs are primarily focused in trade sector.

The scope of presented business activities is presented on the figure below, in next page.

Figure 8: shares of entrepreneurial entities per industry over 10 years.



Source: State Statistical Committee of the Republic Azerbaijan.

By early 2003, informational partnership system, including a network of information and reference services, legal and consulting services, training centers, was very weak in the country. The exception was the rare one-off seminars held by the National Confederation of Entrepreneurs (Employers). Gradually, state bodies began to join this work: the employment service, the Ministry of Economy, and the National Entrepreneurship Fund. More training activities have been conducted on explanation of the legislation and business organization. Nowadays, on the websites of the Ministry of Economy, the NEF and the National Entrepreneurs Confederation (Employers) an electronic database of all the necessary documents on how to start a business, obtain a loan, and solve other business issues has been created.

The Baku Business Center and its branch offices in the regions provide information, innovation, and consulting services. Over the period 2007-2013, 4,660 consulting services were rendered in business centers, more than 600 training, seminars, and conferences were held in various regions of the country on actual business topics.

Baku training business center also carries out international cooperation. In particular, joint projects were conducted with Germany.

To ensure sustainable development of entrepreneurship, special actions are being taken to organize a partnership between the state and entrepreneurs. A mechanism for cooperation has been created through consultations and discussions on entrepreneurship, in which state bodies, together with the Export and Investment Promotion Foundation, the Council of Entrepreneurs, and business-training centers participate.

A tripartite partnership between the state, trade unions, and businesspersons is provided every three years by regular conclusion of the General Collective Agreement between the Cabinet of Ministers of Azerbaijan, the Confederation of Trade Unions, and the Confederation of Entrepreneurs (Employers).

According to the decree, signed by president of Azerbaijan Republic in 2016, endorsing “Strategic roadmaps for the national economy and main economic sectors” the partnership links between enterprises need to be improved since they are not properly developed in the country. Moreover, the evidence of partnering business is rarely meet and not presented at all between enterprises of different size. According to OECD Policy Index, Azerbaijan has lower score on support services for SMEs and start-ups, than Eastern Partnership (EaP) countries. The index in 2016 was 2.98, compared to 3.13 among EaP countries (EU4Business, 2017).

### 4.3.2 SWOT Analysis

Table 2: SWOT matrix

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>S1) Availability of huge proportion of young generation</li> <li>S2) High level of literacy among population</li> <li>S3) Availability of various favorable nature-climatic condition, availability of therapeutic and balneal-therapeutic mineral waters and muds</li> <li>S4) Availability of natural mineral resources</li> <li>S5) Direct access to the sea</li> <li>S6) Constant increase in e-communication facilities</li> <li>S7) Availability of well-developed infrastructure</li> <li>S8) Availability of the National Entrepreneurship Support Fund</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>W1) Presence of gender inequality among entrepreneurs</li> <li>W2) Weak development of vocational education system</li> <li>W3) Unequal distribution of educated people</li> <li>W4) Lack of managerial skills</li> <li>W5) Lack of water resources</li> <li>W6) Weak development of service centers and leasing in agriculture sphere</li> <li>W7) Weak development of banks' loans for business system</li> <li>W8) Weak development of micro-credits system</li> <li>W9) Partnership network between government and business are not developed enough</li> <li>W10) Undeveloped partnership networks between the enterprises of different sizes</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>O1) Potential increase in demand</li> <li>O2) Potential increase in labor force</li> <li>O3) Potential establishment of centers for the provision of consulting services and training centers</li> <li>O4) Potential development of vocational education</li> <li>O5) Potential for development of service centers network, leasing and innovations in agricultural sector</li> <li>O6) Potential diversification of business spheres</li> <li>O7) Potential alignment of differences between urban and rural area</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>T1) Risk of reduction in birth rates</li> <li>T2) Risk of unequal development of rural and urban areas</li> <li>T3) Risk of the natural resources depletion</li> <li>T4) Absence (not application) of innovations</li> </ul>



Based on the conducted research on factors influencing business activity and SWOT analysis based on those factors, the following conclusion on the development of entrepreneurship in the country can be made on the example of the Republic of Azerbaijan.

In the Azerbaijan Republic, considered factors have a certain effect on entrepreneurial activity and within those factors, there are both strengths and weaknesses. The impact of those factors on entrepreneurial activity depends on the level of their development.

List of factors presented in the "Strengths" section of the SWOT analysis affect the entrepreneurship in positive way.

For example, presence of rich and diverse natural resources, a variety of ore and nonmetallic minerals, provides the entrepreneur a wide range of activities, such as agro-production and processing of agricultural products, development of minerals, affordable and low-cost constructing activities, tourism, resorts, etc. Access to the Caspian Sea allows the development of the port and all the resulting services, as well as, fishing and fish processing. The developed transport infrastructure facilitates logistics and provides convenient and fast movement of people and cargoes.

Availability and expansion of access to information resources through e-communications allows obtaining information necessary for opening the business, maintaining and developing it, studying the market situation and responding to it, developing partnerships with suppliers, buyers, and having knowledge about innovations.

The state influences entrepreneurial activity by adopting laws on its regulation and providing financial support. This research examined the financial support factor, which is also present in Azerbaijan.

The presence of sufficiently high level of education among the population and the proportion of young people can be attributed to demographic factors favorable for entrepreneurship development, as an educated person easily understands the issues of business organization. In addition, usually young people are active, creative, and eager for innovations; they have understandings of modern e-technologies which mean easier access to various sources of information.

Nevertheless, as was noted in the "Weaknesses" section of the SWOT analysis, not all of the factors mentioned in the study are sufficiently developed in Azerbaijan to intensify entrepreneurial activity.

The business-to-business partnership system is not sufficiently developed. Although, de-jure the relevant institutions are established - the National Confederation of Entrepreneurs (Employers), the National Foundation for the Promotion of Entrepreneurship, tripartite general agreement between the state, entrepreneurs and trade unions, there is still a lot of formalism in the issue in their cooperation. In order to obtain loans in the Enterprise Support Fund, entrepreneurs have to undergo complex procedures. In addition, the loans allocated by the fund are primarily oriented towards large businesses. Since such enterprises do not emerge often on the market, loan program does not contribute much to entrepreneurship development. The banking system is also almost not involved in financing small and medium-sized businesses.

Along with the financial support of the business, it is important to organize service centers where it would be possible to rent, lease, or repair equipment necessary for entrepreneurial activities. This is especially important for agriculture, but in Azerbaijan, this network is poorly developed. The absence of such system makes the farmer's work difficult, unproductive, and unattractive.

The lack of managerial skills among people makes it difficult for them to open and operate a business. The existing training centers hold one-off events, so there is no permanent system of training and consulting for those who want to start a business or for those who already have it. Most often, such events are held in the capital, although they are highly demanded in the rural areas, as well. Access to business for women and young people is difficult since there are no special programs to support business activities among young people.

In general, uneven development of regions in the country creates unfavorable condition for the regions' outflow of educated people, from rural to urban – particularly to the capital. This is especially true for young people with higher education, who do not return to the village after studying in the city. As a result, there is little innovation in the rural areas, the types of activities mastered by entrepreneurs in the villages are simple and do not require education and if necessary, people travel to the nearest city or the capital for services. Insufficient provision of vocational education in the country has led to the fact that people hardly get a working profession.

As result, young people who are graduated from high school and who do not want or do not have the opportunity to study at a higher level of education remain without a profession at all. Over the time, they lose the amount of knowledge they got in school which could be used to organize their business.

Weak communication between business entities of various sizes also adversely affects the increase in entrepreneurial activity; the cooperation of large businesspersons with similar partners squeezes small and medium-sized businesses, which does not withstand competition off the market.

Along with these, there are also opportunities for business development in Azerbaijan, which are also described in the SWOT analysis. These opportunities are associated with demographic growth, which can cause greater needs of population in goods and services. To satisfy new demand, existing business will increase existing capacities of production, and new entrepreneurial activities will emerge on the market. Thus, it will be possible to further diversifying the economy. This, in turn, can create conditions for increasing entrepreneurial activity.

The growth of entrepreneurial activity can cause the need for trainings and consultations. Hence, there will be a need for the creation of training and consulting centers. Also, there will be an opportunity to increase number of service centers, especially in agriculture, which can make farmers' work more productive and attractive. This, in consequence, will create needs and opportunities for the development of vocational education and the attraction of technology, and innovations to agriculture sector. Thus, more people that are educated will be interested and involved in this sphere of business.

In general, diversification in the business activities, innovations, and increase in education level will create an opportunity to equalize the differences between rural and urban areas.

According to the results of the SWOT analysis, the possible decrease in the birth rate and growing inequality in development between the rural and urban areas lack, as well as, disregard innovations, environmental problems, such as; depletion of resources, which can be attributed to risks for successful entrepreneurship development in Azerbaijan.

Additional explanation per each of mentioned strengths, weaknesses, opportunities, and threats could be found in Appendix 4.

## 4.4 Results and Discussion

### 4.4.1 Confrontation Matrix

*In order to determine the strengths and weaknesses influential for opportunities and threats of entrepreneurial activities in Azerbaijan and implement this as instrumental tool for selection of factors to focus on strategic options available for policy makers, the confrontational matrix was constructed.*

Table 3: Confrontation Matrix

		Opportunities							Threats			
		O1	O2	O3	O4	O5	O6	O7	T1	T2	T3	T4
Strengths	<b>S1</b>		+	+	+							+
	S2			+			+					+
	<b>S3</b>	+		+		+	+					
	S4	+			+		+					
	S5				+		+					
	<b>S6</b>	+		+		+	+	+		+		+
	<b>S7</b>	+	+					+		+		
	<b>S8</b>						+	+		+		+
Weaknesses	<b>W1</b>		+	+		+	+			+		
	W2			+			+					+
	W3							+			+	+
	W4						+					
	W5					+					+	
	W6	+					+					
	<b>W7</b>						+	+		+		+
	<b>W8</b>						+	+		+		+
	<b>W9</b>			+		+	+	+		+		+
	W10						+					

Factors of strengths, associated and crucial for the largest number of SWOT parameters, can be a base to form certain strategies for policy makers. Such strategies will allow realization of certain opportunities and avoidance of risks in entrepreneurship.

One of such strength factors related to the 5 factors of opportunities and 2 threats is expanding the scope of e-communications (S6). The development of this factor will allow to expand access to information resources, will make people more informed on many aspects of life, and will cause an increase in the population's demand for products (and/or services). Thus, it may increase interest in entrepreneurship and attract more people to businesses. This will enlarge the scope of entrepreneurial activities. Especially, it can stimulate the business activities in agrofilds. It will be easier to efficiently operating an enterprise in agriculture area, due to easier access to information about suppliers, customers, and processes within the business. Thus, it will create a need for the development of service centers and innovations in agrosphere. In turn, this can give an impetus to the development of the network of training and consulting centers, will reduce the differences between cities and villages, and, in turn, erase all the risks associated with it. This factor will increase the access to global information resources about the management of production and cause the availability of new technologies and innovations. Hence, it will reduce the risks associated with the lack of innovations in Azerbaijan.

Another crucial strategic option includes strengths associated with four opportunities and threats for entrepreneurship development. These strengths include presence of a large proportion of young people in the total population, rich and diverse natural resources, a sufficiently developed infrastructure, and availability of state support for entrepreneurship.

The availability of rich and diverse natural resources (S3) can be used to develop various sectors of the economy and meet the increasing demand of the population for goods and services, which may allow diversifications in entrepreneurial activities. In turn, this will create a need for training and consulting centers, and can lead to further growth of service centers and innovations in agriculture for increasing its productivity and improve the quality of products to meet the needs of the population in products.

A large share of young people (S1) in the country creates the opportunities to involve new people in the potential labor. Young generation by its nature is active and

strives for innovations. This can contribute to the interest of young people in entrepreneurship, and therefore, will require the development of a network of training and consulting centers. It can also lead to interest in obtaining vocational education and will boost the development of the system of such education. A young generation, striving for knowledge and novelty, will reduce the risk of non-application of innovations and can create conditions for the introduction of new technologies in all spheres of life.

Presence of state's support for entrepreneurs (S8) can give an impetus to further expansion of the private sector through the development of new branches of the businesses. Also, by regulating the allocation of loans and stimulating the development of more progressive, innovative activities in the villages, it can reduce the differences between rural and urban areas. The development of such strategic options will help to reduce the risks associated with inequalities in development between city and village and decrease lack of innovativeness in the entrepreneurial activities.

Nevertheless, besides strengths, several weaknesses, crucial for the entrepreneurship development, are also present in the country.

The most influential weak point related to the 6 parameters of the SWOT analysis is the insufficient development of the system of partnership between entrepreneurs and the government (W9). This factor negatively affects the 4 factors of opportunities and increases future risks of the 2 current threats. The insufficient development of such system of relations adversely affects the business environment, as the state does not monitor and guide the business activities and cannot intervene in time to resolve problems. In turn, businesses avoid contacts with state bodies and in a certain proportion go into shadow. This adversely affects the diversification of the economy, the involvement of new people in entrepreneurship and strengthens monopolies. It also slows down, and even eliminates the need for the development of training and consulting centers, service centers, and the application of innovations in agroservice. This situation can aggravate the problems of equalizing the differences between the city and the village. Underdevelopment of the business-state partnerships increases the risks of decline in the quality of life in rural areas and can deepen its differences from the city. It will also increase the risks of underdevelopment and non-use of innovations.

Presence of gender inequality in entrepreneurship (W1) is related to the 5 parameters of opportunities and risks mentioned in the SWOT analysis. The underdevelopment of women's entrepreneurship will adversely affect the opportunities

for women to be involved in labor potential, aggravate gender discrimination with regard to restrictions on freedom of choice, and narrow down opportunities for women. This can affect the diversity of types of entrepreneurial activities, because taking into account prevailing stereotypes, there are activities that are not attractive to men. This factor will affect the development of training and consulting centers, not only in terms of the extent of their growth, but also from the point of the variety of demanded types of services. It can also affect the development of innovations and service centers in the agrosphere since a significant proportion of women face the severity and primitiveness of agricultural labor, which is more difficult for them, compared to men, to handle, due to physiological differences.

Presence of weakly developed banking system of credits (W7) and unsatisfactory structure of business lending in the Entrepreneurship Support Fund (W8) impacts 4 parameters according to the confrontational matrix of SWOT.

These weaknesses negatively affect the access to financial resources for entrepreneurs, and do not create conditions for involving new people in business and securing it in already existing entrepreneurs, especially small and medium-sized businesses. Consequently, such unfavorable conditions create circumstances for emergence of monopolies due to unhealthy competition among entrepreneurs. As a result, opportunities for broadening the variety of entrepreneurial activities are limited. These factors increase the risks of non-acquisition of innovations, at least in connection with the fact that large entrepreneurs have already seized the market and to some extent impose their conditions on consumers. Thus, such monopolies have market power and do not need to improve to gain additional market share. Taking into account that the rural population has less access to financial resources because wages are lower in countryside areas and not all banks open their branches in villages and provide services there, the unsatisfactory and inefficient work of Entrepreneurship Support Fund may exacerbate the differences in levels of development between rural and urban areas.

#### **4.4.2 Suggestions for Policy Redevelopments**

Based on the results of the literature review, descriptive assessment of influential factors, SWOT analysis, interconnections and interdependencies between factors, determined by confrontational matrix, together with selection among them the ones at core interest for the state the following recommendations on how to develop entrepreneurship in Azerbaijan can be given to policy makers.

These recommendations are aimed at more effective use of existing strengths, changing the situation with the weaknesses to reduce their negative impact on the development of entrepreneurship, as well as, creation of the conditions for progress towards reducing risks. These recommendations could be considered by the Government of the Republic of Azerbaijan in programs and projects on improvement of business environment.

In order to increase the favorable effect of e-communications, the following is proposed:

- To expand the scope of access to the Internet; first of all, provide access in those regions where the Internet is currently absent;
- To expand the scope of e-services, e-government, e banking, e-commerce, etc. necessary for improvement of entrepreneurial activity, through increasing the use of high-speed broadband Internet;
- To assist in educating the public on the use of Internet resources;
- To stimulate entrepreneurial activity in the fields of providing access to the Internet, improving the quality of e-communications services, training, and providing advices on the use of information resources.

To increase the efficiency of rich natural resources, use and stimulating entrepreneurial activity in various spheres of business, the following recommendations can be made:

- To analyze the current structure of entrepreneurship for finding out the reasons which influence the choices of the activity type, the degree of complexity of opening a business and the factors that impede its development, in order to preparing a program for improving the business environment;
- To monitor and analyze the degree of development of economic sectors and identify needs and opportunities for their diversification, identify priority areas, and develop programs to stimulate the involvement of entrepreneurs in them. At the first stages, state could start with promotion of tourism, agriculture and e-communications spheres;
- To explore opportunities and identify programs aimed at stimulating cooperation in agriculture (guaranteeing the purchase of agricultural products and encouraging enterprises to store, and process them). Also, to develop a mechanism for state support and implementation of these programs.



In order to increase the involvement of young people and women in entrepreneurship, the following can be recommended:

- To conduct a sociological survey to figure out reasons of small involvement of young generation and women in entrepreneurial activities;
- To develop special programs for state support of young and female entrepreneurs, to consider implementation of intensifying mechanisms, and creation of business incubators for women and for young people;
- In the system of vocational education within the framework of the training program, to focus on the formation of entrepreneurial thinking, to give both theoretical and practical skills in using the acquired profession to start a business.

In order to improve situation in the field of state support for entrepreneurship, the following is proposed:

- To review the policy of state support of entrepreneurship in the direction of greater consideration of the needs of small and medium-sized businesses;
- To provide advantages and benefits for lending to innovative business projects;
- To take steps to simplify the organization of business, to support the receipt of start capital and to determine the mechanism for its phased return;
- To develop projects for business incubators and start-ups, create a model of small and medium-sized enterprises.
- To analyze the current financial system for acquiring new equipment and technologies by entrepreneurs, as well as, replace the obsolete one, on the basis of this, along with the current system of lending and leasing, to consider the application of other systems, such as factoring, forward, futures, swap, etc.

Following the aim to develop a system of partnership between the state and entrepreneurs, it was advisable for the government to determine conceptually on this issue, to show more openness, primarily through use of information and communication technologies, in dialogues with business.

In order to improve people's knowledge of entrepreneurship, state should help them to gain managerial skills. Thus, the following advices can be helpful:

- To develop a mechanism for support and stimulation of the entrepreneurial organization by the state, through training centers, consulting and information services;

- To implement steps to attract qualified specialists from state bodies to the activities of these organizations, and to develop a mechanism for encouraging them to cooperate.

In order to ensure efficient and productive work of the agricultural sphere businesses, and to attract high-tech technologies and innovations there, the following can be recommended:

- To develop a mechanism to support the creation of a network of agro-parks, including agroindustrial clusters;
- To conduct an analysis of the business environment in the agricultural sector. Later, on its basis, to determine the most suitable for the country model of the agrobusiness incubator;
- To analyze the sectoral and institutional structure of the service market in the agricultural sector, then on its basis, to find a mechanism for strengthening the role of entrepreneurs' participation in this market;
- To determine the needs of the agricultural sector in innovative, small machinery, sophisticated technologies, and equipment used for the collection and prime processing of agricultural products. Next, based on needs, to develop a system for providing this equipment.

## **7 Conclusion**

*This section provides summary of the paper together with answers for the central questions. Next, the limitations of this study together with recommendations for future researches are discussed.*

Entrepreneurship is an important tool to improve and strengthen economy, thus, enlargement of business activity is often mentioned in governmental policies on economic development. Determination of factors affecting entrepreneurial activity is crucial to identify the road of future programs on entrepreneurship development. Especially, it is actual in developing countries, where development of businesses is essential not only for state to improve economy, but also for residents to increase quality of own lives. This paper set out to determine the factors affecting the entrepreneurship in developing countries and to identify the ways to improve the current situation with entrepreneurs and enterprises in Azerbaijan. This bachelor thesis

focused on three levels of factors: individual, environmental, and organizational. Based on literature review, in developing countries at the individual level, demographics and education are significant. At the environmental level situation, raw materials, infrastructure, and access to finance are crucial. Finally yet importantly, at organizational level, diversification of business activities (innovativeness) and availability of partnership links are significant. All three levels' factors operate at the same time and affect the entrepreneurs and enterprises. Thus, it can be concluded, that assessment of situation with all influential factors must be conducted, analyzed, and considered by policymakers during their decision-making regarding programs on entrepreneurship development in Azerbaijan. In policies, the state authorities should use favorable conditions of a particular factor to overcome the weak sides of another factor in order to improve entrepreneurial activity in the country. According to analyzed data, Azerbaijan has a positive assessment in demographics, infrastructure, and availability of state's fund for entrepreneurship development, which can be targeted in policies in order to support opportunities and reduce risks for business development. Furthermore, state should not only consider the decision-making process, but also strive to alter the current availability of gender biases in entrepreneurial activities, underdevelopment of partnership links between government and business, and inefficient provision of loans by banks while implementing programs. Such weaknesses create various obstacles and put barriers for many favorable opportunities to increase entrepreneurship activity in the country. Thus, by paying attention to all above-mentioned favorable and unfavorable factors and targeting the improvement of business environment through exercising them in programs, state authorities can improve situation with entrepreneurial activity in Azerbaijan.

Ultimately, by right selection and analysis of factors to target in programs, policy makers can alter the situation and boost the development of entrepreneurship and consequently economy in the country. Results and suggestions obtained in this study can be further used in various developing countries, especially in the ones with transitional economy.

### **6.1 Limitations and possible way forward**

Although the research has answered the central questions, there were some unavoidable limitations. First one is lack of prior research studies on entrepreneurship topic in Azerbaijan and in other similar countries with transitional economy. This puts

some constraints on preciseness of research. Thus, only general and statistically measurable factors were mentioned which raised a question for future researches, whether the culture and prior economy conditions affect entrepreneurs in countries with transitional economy. Second, not all information regarding factors affecting entrepreneurial activity and entrepreneurship itself in Azerbaijan was available for public use. This limited the scope of assessment of the situation with the factors. Nevertheless, available information was also enough to make valid conclusions. Third, due to time limit, the research question regarding case study was answered based on descriptive statistics and qualitative analysis only. In future, the surveys among entrepreneurs can be conducted in order to give more accurate answer and provide information about the factors important for entrepreneurship activity and policy recommendations in Azerbaijan. The deeper study of the extent to which the factors are important and influential can be presented. Forth, the SWOT analysis and confrontation matrix are qualitative methods, thus derived policy recommendations are subjective judgment of researcher based on analysis of existing literature and prior knowledge. Although the answers are in line with theory and prior studies, this is important to mention for future study suggestions. In future researches, the results can be also rejected based on more quantitative and sophisticated study methods with involvement of primary data.

## 6 Appendices

### *Appendix 1: Exchange Rates of 1 EUR to AZN.*

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1EUR =AZN	1.23	1.34	1.09	1.14	1.23	1.13	1.15	1.06	1.04	1.03	1.08

*Source: Central Bank of the Republic of Azerbaijan*

### *Appendix 2: Entrepreneurship Performance Indicators according to Ahmad & Hoffmann (2008).*

Evaluation Indicators of Entrepreneurship Performance
---

- employer enterprise birth rates;
- rate of high-growth firms based on employment growth;
- rate of high-growth firms based on turnover growth;
- Gazelle rates based on employment;
- Gazelle rates based on turnover; and
- employer enterprise deaths.
- business churn (the addition of birth and death rates);
- net business population growth (a measure of births minus deaths);
- survival rates after 3 and 5 years,
- the number of firms aged 3 and 5 years old as a proportion of all firms with employees;
- the percentage of employees in 3 and 5 year old firms;
- the average size of 3 and 5 year old firms;
- business ownership rates
- business ownership start-up rates
- the value-added share of young firms, and the average productivity of births, deaths, small and young firms and their contribution to productivity growth, the innovation and export performance of small and young firms.

Source: OECD. *A Framework for Addressing and Measuring Entrepreneurship*

**Appendix 3: Education levels among population according to Azerbaijan Population Census (2009)**

	<i>Higher and incomplete higher</i>	<i>Secondary specialized</i>	<i>Secondary</i>	<i>Main general</i>	<i>Vocational</i>	<i>Primary general</i>	<i>No education</i>	<i>Not stated</i>
<i>Republic of Azerbaijan</i>	12,4%	7,6%	51,2%	12,0%	3,6%	12,1%	0,2%	0,9%
<i>men</i>	14,4%	6,6%	50,0%	11,1%	5,2%	12,1%	0,1%	0,5%
<i>women</i>	10,4%	8,6%	52,3%	12,9%	2,0%	12,1%	0,3%	1,4%

<i>Urban population</i>	18,1%	9,7%	46,5%	10,1%	4,3%	10,4%	0,2%	0,7%
<i>men</i>	20,4%	7,8%	44,9%	9,7%	5,9%	10,7%	0,2%	0,4%
<i>women</i>	15,8%	11,5%	48,1%	10,4%	2,8%	10,1%	0,3%	1,0%
<i>Rural population</i>	5,8%	5,1%	56,5%	14,3%	2,7%	14,2%	0,2%	1,2%
<i>men</i>	7,5%	5,1%	56,0%	12,7%	4,3%	13,6%	0,1%	0,7%
<i>women</i>	4,0%	5,1%	57,1%	15,8%	1,1%	14,8%	0,3%	1,8%

Source: Azerbaijan Population Census 2009

**Appendix 4:** SWOT analysis: additional explanation of mentioned strengths, weaknesses, opportunities and threats.

**Strengths:**

- S1 Young people, who are more active and creative, can be more successful in entrepreneurship. Taking into account that large share of people is between 15-29 years old, they create a nice share of potential entrepreneurs, who can innovate and drive up entrepreneurship activity faster.
- S2 A sufficiently high level of education allows people to understand the documents necessary to open a business, master information resources and use the available knowledge to organize and manage their enterprise.
- S3 Rich and diverse natural and climatic conditions allow developing entrepreneurship in the agricultural sector. Moreover, it can also be used for the entrepreneurship development in various areas of tourism: summer and winter recreation, hunting, fishing, eco-tourism, therapeutic and balneological treatment using mineral water and mud.
- S4 Presence of natural resources allows us to develop business in the extraction of ore and nonmetallic minerals and diversify the industrial production and contributes to development of non-oil sector.
- S5 Direct access to the sea contributes to the development of the port and fisheries. Thus, it is beneficial for entrepreneurship in the field of servicing cargo and passengers, fishing and processing of fish. It also contributes to the development of entrepreneurship in the area of beach resorts.
- S6 Presence and expansion of the sphere of e-bases, e-communications and e-governance creates access to information resources, provides information

necessary for opening a business, maintaining and developing it, studying the market situation and responding to it, negotiating and partnerships with suppliers, and buyers.

S7 Presence of a sufficiently developed network of highways and railways makes it possible to develop entrepreneurship in the field of freight and passenger transportation. This is especially important for agri-business, as it creates conditions for rapid delivery of products to consumers.

S8 The Entrepreneurship Support Fund provides loans for the creation and development of business. This helps to increase the number of entrepreneurs.

**Weaknesses:**

W1 Gender inequality in entrepreneurship makes it difficult for women to have access to entrepreneurship and limits their opportunities. For the reason that it creates conditions for a system of double standards, stereotypes and negative trends in relations between entrepreneurs.

W2 Weak development of the vocational education system leads to the fact that after graduating from high school, people do not have any professional skills. It is difficult for them to open their business in those areas of service, while they are in demand.

W3 Uneven distribution of educated people between cities and villages leads to an unequal distribution of entrepreneurial activity, as well as spheres of business. In cities, a more innovative business is developing, while in the villages it is more primitive.

W4 For a significant historical period, people were just hired workers at state-owned entities; there was no need to be creative and enterprising. Lack of self-employment and managerial business skills creates difficulties in the organization of enterprises.

W5 Weak development of the vocational education system leads to the fact that after graduating from high school, people do not have any professional skills. It is difficult for them to open their business in those areas of service, while they are in demand.

W6 Weak provision of water resources creates problems in agro-production; it requires large expenditures for land reclamation. This creates difficulties for

cultivating land and growing crops cost-efficiently. Thus, the price of final product is too high, which reduces demand for local production.

W7 Weak development of service centers in agro-production creates difficulties for entrepreneurs in the use and repair of agricultural machinery. The lack of financial resources to buy equipment could be compensated by the opportunity to lease it. Difficulties with information provision about such opportunities make agriculture unproductive.

W8 Underdevelopment of bank's system of credits for business, especially for developing small and medium-sized businesses, makes access to finance by entrepreneurs and further enterprise development difficult.

W9 Allocation of Fund's loans primarily to large businesses adversely affects the startup and development of entrepreneurial activity.

W10 The underdevelopment of such a system adversely affects the development of entrepreneurship, as business is weakly aware of state support. In addition, government by its own does not always make the right decision regarding support of business.

W11 Lack of partnership relations between entrepreneurs limits their chances for cooperation, mutual support and benefit. Moreover, it slows down development of small and medium sized businesses.

### **Opportunities**

O1 Positive dynamics of population growth in the country and the growth rate of the economy can create opportunities to increase the production of goods and services since the demand is growing, and hence to develop entrepreneurship.

O2 Population growth will lead to an increase in labor resources, which must be provided with work. Oversupply of workforce will depress wages, thus, the labor will become cheaper and in consequence the process of producing the good/ service itself. This will create an opportunity for entrepreneurs to successfully enter the market and develop business. On the other hand, the large competition for job place and decreases in wages will stimulate people for self-employment.

O3 With the growth of labor resources, there will be a need for training them in the basics of business and providing consulting services for its management.



This will contribute to development in entrepreneurship activities though more literal and innovative share of potential entrepreneurs.

- O4 Diversification of the economy and the development of entrepreneurship will create a need for training workers in specific fields, which will allow developing the system of vocational training and link it with the needs of the market. This can create an opportunity for business development in educational services.
- O5 Moreover, meeting the food needs of the growing population will require further development of the agricultural sector, attracting innovations and providing technology.
- O6 Underdevelopment of many demanded spheres of production and services will attract people for their development them and create opportunities to derive up entrepreneurial activity in the country.
- O7 Diversification of the economy, the introduction of innovations, the involvement of high-tech machinery in agriculture, the expansion of e communications and transport networks will require more educated people in the village. Thus, high skilled rural labor force will not leave for the city in search of work. This will equalize the differences in the level of education and consequently in the business atmosphere and level of entrepreneurship development.

### **Threats**

- T1 Decrease in the birth rate can increase the demographic burden on the able-bodied population, reduce the demand for products and services, and reduce entrepreneurial activity.
- T2 Increase in the inequality between city and village development levels, will lead to further outflow of the educated population from the village, a decrease in opportunities and possibilities to open a business in the rural area. The competition and entry barriers will be high in the city because of enormous population density, so it will be hard to open a business and survive. Overall, this will create unfavorable atmosphere for business development in the country.
- T3 The use of mineral resources in violation of environmental safety standards will lead to their accelerated depletion and reduce the opportunities for future entrepreneurship development.

T4 Not application or absence of innovations in the business sectors, will leave them at a low level of development, and will not allow them to compete in the market. Together this will weaken interest in entrepreneurship and slow down its development.

## 7. Bibliography

Audretsch, D. B. (1995). Innovation, growth and survival. *International journal of industrial organization* , 13 (4), 441-457.

Acs, Z. J., & Armington, C. (2006). *Entrepreneurship, geography, and American economic growth*. Cambridge University Press.

Ageev, A. I., Gratchev, M. V., & Hisrich, R. D. (1995). Entrepreneurship in the Soviet Union and post-socialist Russia. *Small Business Economics*, 7(5), 365-376.

Ahmad, N., & Hoffmann, A. (2008). *A framework for addressing and measuring entrepreneurship*, (2).

Aldrich, H. (1999). *Organizations evolving*. Sage.

Aldrich, HE, & Pfeffer, J. (1976). Environments of Organizations. *Annual review of sociology* , 2 (1), 79-105.

Annual Report of Center for Economic and Social Development (CESD), Baku, 2011

Atababayev, Elchin R. (2016). "Economic Regions Map: Distribution of Agriculture Activities." *Food and Agriculture Organization of the United Nations*. (Web), Retrieved on 11 July 2017, from <http://www.fao.org/economic/est/international-trade/europe-and-central-asia/call/en/>

Azerbaijan. (2010). *General Information on Nature of Azerbaijan*. Retrieved on July 1, 2017, from [http://www.azerbaijan.az/portal/Nature/General/generalInfo\\_e.html](http://www.azerbaijan.az/portal/Nature/General/generalInfo_e.html)

Azerbaijan Agriculture Finance Facility. (2015). *Overview of the Regions*. (Map). Retrieved July 1, 2017, from [http://www.azaff.org/AZ/content.aspx?content\\_id=123](http://www.azaff.org/AZ/content.aspx?content_id=123)

Baker, W. E., & Sinkula, J. M. (2009). The complementary effects of market orientation and entrepreneurial orientation on profitability in small businesses. *Journal of Small Business Management*, 47(4), 443-464.

Baumol, W. J. (1990). Oates (, WE, 1988. *The Theory of Environmental Policy*.

Blanchflower, D. and B. Meyer (1994) A Longitudinal Analysis of t employed in Australia and the United States. *Small Business Economics*

Blanchflower, D., A. Oswald, and A. Stutzer (2001) Latent Entrepreneur Across Nations. *European Economic Review* 45, 680-691. [SEP]

David, G. Blanchower (n.d.) Self-employment in OECD Countries. *Lab* 7:5, 47 [SEP]

Bönte, W., Falck, O., & Heblich, S. (2009). The impact of regional age structure on entrepreneurship. *Economic Geography*, 85(3), 269-287.

Brockhaus, R. H. (1980). Risk taking propensity of entrepreneurs. *Academy of management Journal*, 23(3), 509-520.

Bruno, AV, & Tyebjee, TT (1982). The environment for entrepreneurship. *Encyclopedia of entrepreneurship* , 2 (4), 288-315.

Bryson, JM, & Agitation, WD (1987). Applying private sector strategic planning in the public sector. *Journal of the American Planning Association* , 53 (1), 9-22.

Burnham, J. B. (2009). Economic growth, entrepreneurship, and the deployment of technology. *Innovation policies, business creation and economic development* , 13-35.

Calvo, GA, & Wellisz, S. (1980). Technology entrepreneurs, and firm size. *The Quarterly Journal of Economics* , 95 (4), 663-677.

Campos, K. D. P., Norman, C. D., & Jadad, A. R. (2011). Product development public-private partnerships for public health: a systematic review using qualitative data. *Social Science & Medicine*, 73(7), 986-994.

Cantillon, R. (1881). the Nationality of Political Economy. *Contemporary Review* , 61.

Carlino, G., & DeFina, R. (1998). The differential regional effects of monetary policy. *The review of economics and statistics* , 80 (4), 572-587.

Chittithaworn, C., Islam, MA, Keawchana, T., & Yusuf, DHM (2011). Factors Affecting business success of small and medium enterprises (SMEs) in Thailand. *Asian Social Science* , 7 (5), 180.

Chowdhury, M. S. (2007). Overcoming entrepreneurship development constraints: the case of Bangladesh. *Journal of Enterprising Communities: People and Places in the Global Economy*, 1(3), 240-251.

Commission of the European Communities. (2003). *Green Paper Entrepreneurship in Europe*. Enterprise Publications.

Cooper, A. C. (1985). The role of incubator organizations in the founding of growth-oriented firms. *Journal of Business Venturing*, 1(1), 75-86.

Council of Europe. (2017). *Member states: Azerbaijan*. Retrieved on July 1, 2017, from *Council of Europe official website: <http://www.coe.int/en/web/portal/azerbaijan>*

- Czinkota, M. R., & Ronkainen, I. A. (2003). An international marketing manifesto. *Journal of International Marketing*, 11(1), 13-27.
- Eckhardt, J. T., & Shane, S. A. (2003). Opportunities and entrepreneurship. . *Journal of management* , 29 (3), 333-349.
- Dealtry, T. R. (1992). *“Dynamic SWOT Analysis”*: *Developer's Guide*. Intellectual Partnerships.
- DeCarlo, JF, & Lyons, PR (1979, August). A Comparison of Selected Personal Characteristics of Minority and Non-Minority Female Entrepreneurs. In *Academy of Management Proceedings* (Vol. 1979, No. 1, pp. 369-373). Academy of Management.
- Devarajan, S., & Fengler, W. (2013). Africa's economic boom: why the pessimists and the optimists are both right. *Foreign Affairs*, 92(3), 68-81.
- “The determinant directions of strategy roadmap on national economy and economy’s main sectors” (Presidential Decree 16.03.2016).
- Doing Business. (2011). *Making a difference for entrepreneurs*. Retrieved July 1, 2017, from <http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB11-FullReport.pdf>
- Drucker, P. F. (1985). *Innovation and Entrepreneurship. attributes the coining and defining of "entrepreneur" to Jean-Baptiste Say in his A Treatise on Political Economy; (1834)*.
- European Commission. (2004). *National sustainable development strategies in the European Union: a first analysis by the European Commission*.
- EU4Business. (2017, May). *Investing in SMEs in the Eastern Partnership* (Rep.). Retrieved July 1, 2017, from European Commission website: [http://www.eu4business.eu/files/medias/country\\_report\\_azarbaijan.pdf](http://www.eu4business.eu/files/medias/country_report_azarbaijan.pdf)
- Feldman, M. P., & Audretsch, D. B. (1999). Innovation in cities:: Science-based diversity, specialization and localized competition. *European economic review*, 43(2), 409-429.
- Forslund, U. M., & Johansson, B. (1995). Assessing road investments: accessibility changes, cost benefit and production effects. *The Annals of Regional Science* , 29 (2), 155-174.
- Freedman, M. (1962). *Capitalism and Freedom*. University of Chicago Press.

- Fritsch, M., & Schroeter, A. (2009). *Are more start-ups really better? Quantity and quality of new businesses and their effect on regional development* (No. 2009, 070). Jena economic research papers.
- Galor, O., & Weil, D. N. (2000). Population, technology, and growth: From Malthusian stagnation to the demographic transition and beyond. *American economic review*, 806-828.
- Gartner, W. B. (1985). A conceptual framework for describing the phenomenon of new venture creation. *Academy of management review*, 10(4), 696-706.
- Grilo, I., & Irigoyen, JM (2006). Entrepreneurship in the EU, and to wish not to be. *Small Business Economics* , 26 (4), 305-318.
- Henderson, J. (2006). Understanding rural entrepreneurs at the county level: Data challenges. Federal Reserve Bank of Kansas City – Omaha Branch: 2.
- Heyat, F. (2002), *Azeri Women in Transition: Women in Soviet and Post Soviet Azerbaijan*, London: Routledge Curzon.
- Hannan, MT, & Freeman, J. (1977). The population ecology of organisaties. *American Journal of Sociology* , 82 (5), 929-964.
- Holtz-Eakin, D., Joulfaian, D., & Rosen, H. S. (1994). Sticking it out: Entrepreneurial survival and liquidity constraints. *Journal of Political economy*, 102(1), 53-75.
- Jain, RK (2011). Entrepreneurial competencies: a meta-analysis and comprehensive conceptualization for future research. *Vision*.
- Jamali, D. (2004). Success and failure mechanisms of public private partnerships (PPPs) in developing countries: Insights from the Lebanese context. *International Journal of Public Sector Management*, 17(5), 414-430.
- Kaburi, S.N., Mobegi, V.O., Kombo, A., Omari, A., & Sewe, T. (2012). Entrepreneurship challenges in developing economies: A case of Kenyan Economy. *International Journal of Arts and Commerce* Vol. 1 No. 4 September 2012 264
- Kamunge, MS, Njeru, A., & Tirimba, OI (2014). Factors Affecting the performance of small and micro enterprises in Limuru Town Market or Kiambu County, Kenya. *International Journal of Scientific and Research Publications* , 4(12), 1-20.
- Kirzner, I. (1993). 1973. *Competition and Entrepreneurship* (7th impr.).
- Komives, JL (1969). *Karl A. Bostrum seminar in the study of enterprise. Milwaukee, WI: Center for Venture Management* .
- Le, A. (1999) Empirical Studies of Self-employment. *Journal of Economic Surveys* 13:4, 381-416.

- Lepojevic, V., Djukic, M., & Mladenovic, J. (2016). Entrepreneurship and economic development: a comparative analysis of developed and developing countries. *Facta Universitatis* , 17-29.
- Lévesque, M., & Minniti, M. (2011). Age matters: How demographics influence aggregate entrepreneurship. *Strategic Entrepreneurship Journal*, 5(3), 269-284.
- Liñán, F., & Chen, Y. W. (2009). Development and Cross-Cultural application of a specific instrument to measure entrepreneurial intentions. *Entrepreneurship theory and practice*, 33(3), 593-617.
- Long, W. (1983). The meaning of entrepreneurship. *American Journal of small business* , 8 (2), 47-59.
- Lucas, W. A., & Cooper, S. Y. (2005, July). Measuring entrepreneurial self-efficacy. In *EDGE conference: bridging the gap: entrepreneurship in theory and practice, Singapore* (Vol. 2005, pp. 11-13).
- Lumpkin, G. T., and G. G. Dess (1996). Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance, *Academy of management review* 21 (1), 135-172.
- Nawaz, F. (2009). Critical factors of women entrepreneurship development in rural Bangladesh.
- Nteere, K. (2012). Entrepreneurship: A global perspective. *Nairobi. Kenhill Consultants* .
- Mambula, C. (2002). Perceptions of SME growth constraints in Nigeria. *Journal of Small Business Management* , 40 (1), 58.
- Mastercard. (2017). *Mastercard Index of Women Entrepreneurs 2017*. Mastercard.
- Ministry of Culture and Tourism of the Republic of Azerbaijan. "Tourist Destinations of Azerbaijan." *Maps of Azerbaijan*, Retrieved on 1 July 2017, From <http://www.maps-of-the-world.net/maps/maps-of-asia/maps-of-azerbaijan/large-tourist-map-of-azerbaijan.jpg>
- Minshall, T., Mortara, L., Elia, S., & Probert, D. (2008). Development of practitioner guidelines for partnerships between start-ups and large firms. *Journal of Manufacturing Technology Management*, 19(3), 391-406.
- Mfaume, R. M., & Leonard, W. (2004). Small business entrepreneurship in Dar es Salaam-Tanzania: Exploring problems and prospects for future development. *African Development and Poverty Reduction, Somerset West, South Africa*.

- Mohr, J., & Spekman, R. (1994). Characteristics of partnership success: partnership attributes, communication behavior, and conflict resolution techniques. *Strategic management journal.*, 15 (2), 135-152.
- Nabiyev, A. A. (2011). "Water Availability in Irrigated Areas of Azerbaijan." *Global International Scientific Analytical Project.* (Web)., Retrieved 11 July 2017, from <http://gisap.eu/node/37240>
- OECD. (2004). PROMOTING ENTREPRENEURSHIP AND INNOVATIVE SMEs IN A GLOBAL ECONOMY: *2nd OECD CONFERENCE OF MINISTERS RESPONSIBLE FOR SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs)*. Istanbul: Organisation for Economic Co-operation and Development.
- OECD. (2015). *SME Policy Index: Eastern Partner Countries 2016* (Rep.). Retrieved July 1, 2017, from <http://www.oecd.org/countries/belarus/sme-policy-index-eastern-partner-countries-2016-9789264246249-en.htm>
- Official Statistics for 2003-2014 provided by the State Statistical Committee of the Republic of Azerbaijan. Also available online at <http://www.azstat.org/>
- Ombura, CO (1997). Environmental impact assessment procedures in the framework of environmental planning and management. *Environmental Impact Assessment in Kenya, Theory and Practice*. Nairobi: Academic Publishers , 18-23.
- Ovaska, T., & Sobel, R. S. (2005). Entrepreneurship in post-socialist economies. *Journal of Private Enterprise*, 21(1), 8-28.
- Patankar, M. V. A., & Mehta, N. Entrepreneurship, it's development and impact of other factors: An Empirical Study.
- Pennings, J. M. (1982). Organizational birth frequencies: An empirical investigation. *Administrative Science Quarterly*, 120-144.
- Pessoa, A. (2010). *Reviewing PPP Performance in Developing Economies* (No. 362). Universidade do Porto, Faculdade de Economia do Porto.
- "Physical Map of Azerbaijan." *Maps of Azerbaijan.* (Web). Retrieved 1 on July 2017, from <http://www.maps-of-the-world.net/maps/maps-of-asia/maps-of-azerbaijan/physical-map-of-azerbaijan.jpg>
- Pinchot, Gifford. (1985). *Intrapreneuring*. New York, Harper and Row.
- Pittaway, L., Robertson, M., Munir, K., Denyer, D., & Neely, A. (2004). Networking and innovation: a systematic review of the evidence. *International journal of management reviews*, 5(3-4), 137-168.

- Prokopenko, J., & Pavlin, I. (1991). *Entrepreneurship development in public enterprises*. Geneva: International Labour Office.
- Ramazanov N. "Mineral Resources of Azerbaijan. (2006). " *CIS Local Council Forum*. (Web). Retrieved on 1 July 2017, from [https://view.officeapps.live.com/op/view.aspx?src=http://www.rulg.com/firstcisforum/presentations/ramazanov\\_legal\\_practice.ppt](https://view.officeapps.live.com/op/view.aspx?src=http://www.rulg.com/firstcisforum/presentations/ramazanov_legal_practice.ppt)
- Robert, E. Lucas (1978). On the Size Distribution of Business Firms. *Bell Journal Economics* 9.2, 508-52
- Roberts, K., & Tholen, J. (1999). Young entrepreneurs in the new market economies. *SEER: Journal for Labor and Social Affairs in Eastern Europe* , 2(1), 157-177.
- Rondinelli, D. (1993). *Development Projects As Policy Experiments*. Routledge.
- Quadrini, V. (2000). Entrepreneurship, saving, and social mobility. *Review of Economic Dynamics*, 3(1), 1-40.
- Santos, F. J., Roomi, M. A., & Liñán, F. (2016). About gender differences and the social environment in the development of entrepreneurial intentions. *Journal of Small Business Management*, 54(1), 49-66.
- Shane, S., & Venkataraman, S. (2000). The promise of entrepreneurship as a field of research. *Academy of management review*, 25(1), 217-226.
- Schumpeter, J. A. (1982). *The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest, and the Business Cycle (1912/1934)* (Vol. 1). Transaction Publishers.
- Schultz, T. W. (1980). Investment in entrepreneurial ability. *The Scandinavian Journal of Economics*, 437-448.
- Šlégrová , H., Hackl, P., Hansen, C., & Byfuglien, J. (2010). *Adapted Global Assessment of the National Statistical System of Azerbaijan* (Rep.). Retrieved July 1, 2017, from European Commission (Eurostat) website: [http://ec.europa.eu/eurostat/documents/52535/52745/2011-01-13\\_Final\\_Assessment\\_Report\\_AGA\\_Azerbaijan.pdf/ddc2f248-7dcf-4f3d-8491-f767d12df0d6](http://ec.europa.eu/eurostat/documents/52535/52745/2011-01-13_Final_Assessment_Report_AGA_Azerbaijan.pdf/ddc2f248-7dcf-4f3d-8491-f767d12df0d6)
- Start, D., & Hovland, I. (2004). *Tools for policy impact: a handbook for researchers*. London: Overseas Development Institute.
- State Statistical Committee of the Republic of Azerbaijan. (2004). *2004 Statistical Yearbook of Azerbaijan*, (pp. 731-733). Baku: SSC.
- State Statistical Committee of the Republic of Azerbaijan. (2006). *2006 Statistical Yearbook of Azerbaijan* (pp. 767-769). Baku: SSC.



State Statistical Committee of the Republic of Azerbaijan. (2007). *2007 Statistical Yearbook of Azerbaijan* (p. 676). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2009). *2009 Statistical Yearbook of Azerbaijan* (pp. 664-667). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan. (2010). *2010 Statistical Yearbook of Azerbaijan* (pp. 701-705). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan. (2016). *2016 Statistical Yearbook of Azerbaijan* (pp. 213,382,383,671-675,731). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, *2009 Population Census* (volume 1, pp. 57-113). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2005). *2005 Demographic indicators of Azerbaijan* (p71). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2006). *2006 Demographic indicators of Azerbaijan* (p. 73). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2007). *2007 Demographic indicators of Azerbaijan* (p.70). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2008). *2008 Demographic indicators of Azerbaijan* (p. 78). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2009). *2009 Demographic indicators of Azerbaijan* (p. 79) .Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2010). *2010 Demographic indicators of Azerbaijan* (p. 80). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2011). *2011 Demographic indicators of Azerbaijan* (p. 78). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2012). *2012 Demographic indicators of Azerbaijan* (p. 79). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2013). *2013 Demographic indicators of Azerbaijan* (p. 77). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2014). *2014 Demographic indicators of Azerbaijan* (p. 80). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2015). *2015 Demographic indicators of Azerbaijan* (p. 81). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2016). *2016 Demographic indicators of Azerbaijan* (pp. 39, 46). Baku: SSC.

State Statistical Committee of the Republic of Azerbaijan, official publication. (2016). *Entrepreneurship in Azerbaijan*. Retrieved on July 1, 2017 from State Statistical Committee of the Republic of Azerbaijan official website: <http://www.stat.gov.az/source/entrepreneurship/?lang=en>

State Statistical Committee of the Republic of Azerbaijan, official publication. (2017). *Interactive Map. Background Information*. Retrieved on July 1, 2017 from State Statistical Committee of the Republic of Azerbaijan official website: <http://www.stat.gov.az/map/>

Statistics Department. (2003, March 20). *Azerbaijan Republic: Report on Observance of Standards and Codes—Data Module; Response by the Authorities; and Detailed Assessment Using Data Quality Assessment Framework* (Rep. No. 03/86). Retrieved July 1, 2017, from International Monetary Fund website: <https://www.imf.org/external/pubs/ft/scr/2003/cr0386.pdf>

Stauss, JH (1944). The entrepreneur: the firm. *Journal of Political Economy* , 52(2), 112-127.

Stevenson, H., & Gumpert, D. (1985). The heart of entrepreneurship. *Harvard Business Review*, 63(2), 85-94.

Timmons, J. A. (1989). *The entrepreneurial mind*. Andover, Brick House.

Tyson, LDA, Petrin, T., & Rogers, H. (1994). Promoting entrepreneurship in eastern Europe. *Small Business Economics* , 6 (3), 165-184.

United Nations. (2014). "Roads in Azerbaijan." *Department of Field Support Cartographic Section*. 2014. Print. Ser. 3761.

Wanjohi, A. (2009). Challenges Facing SMEs in Kenya. *Retrieved July , 10 , 2010*.

Weick, KE (1979). Cognitive processes in organizations. *Research in organizational behavior* , 1 (1), 41-74.

Welter, F., Smallbone, D., Aculai, E., Isakova, N., & Schakirova, N. (2003). Female entrepreneurship in post Soviet countries. *New perspectives on women entrepreneurs*, 223-239.

Wennekers, S., Van Wennekers, A., Thurik, R., & Reynolds, P. (2005). Nascent entrepreneurship and the level of economic development. *Small business economics*, 24(3), 293-309.

White, S.; Kenyon, P. (2001): "Enterprise-Based Youth Employment Policies, Strategies and Programmes." Initiatives for the development of enterprise action and

strategies, Working Paper, InFocus Programme on Skills, Knowledge and Employability, ILO, Geneva. (8) Ibid.

Wolff, J. A., & Pett, T. L. (2006). Small-firm performance: modeling the role of product and process improvements. *Journal of Small Business Management*, 44(2), 268-284.

Wong, P. K., Ho, Y. P., & Autio, E. (2005). Entrepreneurship, innovation and economic growth: Evidence from GEM data. *Small Business Economics*, 24 (3), 335-350.