

# THE IMPACT OF PRODUCTION POTENTIAL USAGE IN AGRICULTURAL FIELD ON ECONOMIC DEVELOPMENT

*Hasanova Shalala Knyaz*

*Doctorate , Ganja State University*

*Azerbaijan, Ganja*

**Summary.** The article examines the importance of efficient use of production resources in agriculture, which is considered one of the most pressing issues in modern conditions, in economic development. In particular, the impact of the measures envisaged on the socio-economic development of rural areas, the improvement of the economic situation and the identification of ways to make better use of existing opportunities on economic development is analyzed. Indicators of investment and innovation potential of the agricultural sector depend largely on the characteristics of this sector of the economy. Thus, the policy of import substitution by ensuring the efficient use of production potential primarily promotes the satisfaction of domestic demand. So, if export-oriented production implies an increase in commodity production, it also solves the problem of replacing imports with exports. The creation of export-oriented production will stimulate the development of sales markets for these products, make more efficient use of resource, scientific, technical and production potential of the agricultural sector, diversify the production structure, expand opportunities for attracting new investment, increase the potential of various sectors of the agricultural economy.

**Keywords:** economic efficiency, resource, import, export, investment, innovation, development, stimulation.

The modern stage of development of the national economy requires attention in the implementation of agrarian policy to solve socio-economic problems of a village with the effective use of internal resource potential. This significantly depends on the quality and economic justification of the measures to effectively use the production potential. Studies show that there are significant opportunities in the field of macroeconomic stability in the country, reducing the impact of the crisis occurring at the international level, regulating foreign economic relations, improving the activity of the agrarian economy [2, p. 12]. In this regard, stimulating efficient use of production capacity with the use of regulatory means of influence in the conditions of limiting the import of high-tech commodities, by increasing the potential to replace imports, its scientific and technical base and etc. within the agricultural development sphere framework has a significant role. In addition, it should be taken into account that the indicators of the investment and innovation potential of the agrarian sphere depend mostly on the characteristics of this important sphere of the economy [5, p. 68]. Therefore, as one of the main directions of stimulation activity, the creation of the necessary conditions for increasing

investment activity of agricultural enterprises and the household sector as a whole is among the main issues.

The policy of the state towards the development of the agrarian sphere by stimulating the effective use of production potential mainly consists of the following:

- stimulating the development of re-production processes through normative-legal regulation of investment and other financial relations and measures to improve investment attractiveness;

- providing necessary support to the formation, development and use of the resource potential of its development in the strategic directions of the agrarian sphere;

- ensuring socio-economic development of agriculture in terms of innovation and modernization;

- supporting the development of innovative production of competitive products that can replace the products of analogical import;

- to create conditions for attracting particular investments in agrarian development areas, which are strategically important for the country.

The policy of substitution of imports, which is considered one of the main objectives of the strategy to ensure the efficient use of production potential, first of all makes the fulfilment of domestic demand to stand out. Therefore, if export-oriented production aimed at the demand of the foreign market primarily implies an increase in commodity production, this in turn entails a solution to the problem of replacing imports with exports [4, p. 246].

In practice, the substitution of imports is associated with one of the major tasks of the economics. Diversification of production, as well as specialization and cooperation of agricultural enterprises play an indispensable role in this process. It should be noted that the substitution of imports is one of the prior directions of the modern economy, including the innovative development of the agrarian sphere. This allows not only to pursue an active policy of structural change, but also to reduce product loss through the creation of systems for its storage, packaging, transportation and sale at all stages of production. This means that the policy aimed at replacing imports considers the active range policy, complement and replace common export commodity brands and create more competitive brands as the main objective. According to researches it turns out that, along with other measures, programs and mechanisms are required for diversification of the agrarian economy.

In particular, it should be noted that the management of the agrarian economy should be based on the fact that the substitution of imports should be considered a resource of economic development. This concept of understanding the process of replacing imports determines the

priorities of the new agrarian policy aimed at rational use of resources and modernization of the non-perfect sector and innovative development. Then, it is very important, in principle, to find out the directions of state influence on the efficient use of economic potential, taking into account the characteristics of the specific area within the framework of distinctive production areas.

Despite the fact that in recent years great attention has been paid to ensuring the efficiency of the usage of production potential in the agrarian sector at the level of the state's economic policy, there are still certain shortcomings in this area. Research shows that although the necessary tools and institutions that ensure successful completion and reintegration of relevant programmes serve to accelerate the socio-economic development of the agrarian sphere as a whole and improve the efficiency of the agricultural economy within the framework of this policy, still good resources and opportunities remain unused. This means that, it is necessary to apply additional instruments and institutional tools that can provide favourable conditions for the efficiency of the usage of production potential in the agrarian sector.

The implementation of the strategy to ensure the efficiency of the usage of agricultural production potential should be carried out gradually, starting from the stimulation of commodity production till the implementation of innovative development by increasing the production of scientific and high-tech products [1, p. 24]. The basis of this strategy should be improving the quality of products and technologies used in enterprises, expanding the application of innovations to production.

The innovative direction of the transition to the model of ensuring the efficiency of the use of production resources in the agrarian sector reflects the following measures:

- application of the latest achievements of scientific and technical progress to production, creation and application of innovative products and technologies;
- increase in revenues and value added through the application of innovations in science-intensive production;
- increase the employment and the living standards of population;
- increase the level of commercialization of the results of local scientific research by reducing the specific weight of equipment and technologies purchased from abroad;
- strengthening the country's economic and food security;
- increase the demand for local goods and expansion of production capacities;
- improve trade balance;
- ensuring the flow of local and foreign investments into the agrarian sphere, etc.

International experience shows that it is necessary to ensure the efficiency of the usage of production resources in the agrarian sector, to face the problem of reconstruction of the production structure with proportions that are traditional for the resource-oriented economy. The direct relationship of such a reconstruction with the policy of substitution of commodity imports is evident at the level of the problem of increasing the rate of use of production resources in order to comprehensively increase the added value created during the production of goods in the country.

Research studies have shown that the policy of efficiency of the usage of production resources is closely related to the management of this process. The tasks of managing the use of production resources are significantly associated with the improvement and development of tools and institutions for the management of various economic processes, as well as with the means of stimulating influence on the agribusiness environment. The need for effective management of the use of resources as part of the agrarian policy stems from the point of diversification of the structure of the national economy and the importance of ensuring the country's food security. It should be noted that the measures to ensure efficiency in the use of production resources are aimed not only at meeting the country's demand at the expense of local production, but also become part of the strategy for the replacement of imports by imports.

The purpose of the development and implementation of measures to ensure the efficiency of the use of production resources includes the following: increase the employment and the living standards of the population; development of scientific and technical progress; stimulation of the provision of demand for commodities at the expense of local production, expand the production capacity of agrarian economy, formalization of capacity to ensure access to global markets; ensuring economic and food security of the country and etc [3, p. 16]. From the point of view of this, several alternative directions of the strategy for the development of agricultural production can be noted:

- stimulation of relatively weak production areas. For this purpose, the efforts of the state are aimed at developing the production of products that are not competitive even against the goods of foreign producers in the domestic market;

- making developed areas with sufficient potential for foreign trade operations more active. For this purpose, the state seeks to strengthen the successful exporters in foreign markets;

- implementation of the strategy to replace imports with imports – the state is trying to produce more goods by its own strength, import is carried out in the absence of analogical local goods;

- creation of non-existent areas – at the initial stage of the existence of newly created segments of production, state support is directed to them when it is necessary to provide price advantages for commodities that replace imported ones;

- allocation of resources in the efficiently operating areas – providing state support to the areas that operate more efficiently and have export potential;

- stimulation of structures that use production resources more efficiently.

Research shows that the approach to more efficient use of production resources is multifaceted, the implementation of measures in this direction mainly in promising, competitive areas allows to achieve more positive results. This directly depends on the extent to which the production structures themselves are provided with production resources.

As practice shows, the policy of efficient usage of resources by production structures becomes possible when the following conditions are fulfilled:

- formation of sufficient demand for goods produced within the country;

- availability of material and technical base of production structures for the organization of production or ability to create and obtain it in order to meet the demand for these resources in a short time;

- stimulation of investments for production diversification along with stimulation of more efficient production areas;

- determination of measures to ensure high level of competitiveness of local commodities;

- innovation directed development of agrarian economy and stimulation of production of high-quality high-tech products as a result;

- formalization of the relevant mechanism on the delivery of goods to consumers;

- state regulation of tariff and non-tariff restrictions for products which are analogues of products produced in enterprises;

- ensuring that the exported and replaced products comply with quality standards and etc.

Depending on if directed to meeting the needs of markets by increasing production with the efficient use of production resources, the following measures are of particular importance:

- develop a strategy to increase the specific weight of the products aimed at meeting the demand in the domestic market among the overall product;

- increase of special weight of products in foreign markets aimed at meeting demand in foreign market;

- to develop a strategy for strengthening the products aimed at meeting the demand in foreign and domestic markets in the domestic and foreign markets of.

It is known that the main objective of increasing the production of agricultural products through the efficient use of production resources is that the goods are produced primarily in order to meet the demand of the domestic market and to ensure export. There is a serious need for manufacturers to take into account the requirements of foreign markets for the quality of the commodity, which can lead to progress in the field of innovation and technology. Under such conditions, production structures are highly interested in international trade, and they try to take into account the global trends in the development of technologies and innovations to produce high-quality products. It seems that the importance of efficient use of production resources in economic development manifests itself in different directions. In this regard, the strategy of gradually replacing imports with export is one of the most optimal options. Meantime, in order to master the international market, it is necessary to independently determine the directions of the development of substitution of imports, based on the volume of resources available, and at the same time, the development of production areas aimed at the domestic market, which require less costs, is set as the main goal.

The specific characteristic of the mixed type of noted strategy is that it is possible to rationally distribute the amount of resources needed to expand the volume of export by the implementation of the import substitution in the domestic and foreign markets. For this purpose, the product created in production should naturally be aimed at both domestic and foreign markets. In this case, it is imperative to achieve an acceptable level of competitiveness of the domestic product, since producers should be more interested in improving the competitiveness of the commodity they produce by developing innovations to prevent the restriction of competition by the importer [6, p.127]. Otherwise, production enterprises may become completely dependent on the subsidies provided by the state. Meanwhile, it is necessary to focus not on the imitation of production technologies, but on the creation of its own specific production.

At the level of agrarian sphere in economic literature, there are three main directions of import substitution policy as a priority of economic development. In the first direction, the agro-industrial sphere of the country begins to produce its own products in the maximum amount. Import is intended only for commodities that do not have analogues or have a high level of value.

In the second direction, the state's support is directed to new segments of the market, in which the production enterprises entering these markets need measures to ensure competitive advantages at the initial stage. Subsequently, the support made to them decreases and finally completely ceases.

The main purpose of the state policy in the third direction consists of measures that implement active export activities of enterprises and include the support for competitive areas.

Research shows that the main conditions for the efficient use of production resources in the agrarian sphere should first of all be formed at the level of distinctive production areas. The mechanism of efficient use of production resources at the level of production sites allows us to quickly determine the promising directions of concentration of natural, financial, innovation, data resources in order to organize product production. At this time, the state plays an important role in the implementation of this policy. Government agencies are able to create favorable conditions and appropriate infrastructure for the cooperation of enterprises in order to use the available resources efficiently. In essence, making demand more active through state orders, investments and subsidies, meeting demand with the financing of infrastructure facilities on the terms of public-private partnership, creation of agro-parks and clusters, etc. methods is based on a model that is in itself based on the stimulation of production enterprises. It means that, state plays an important role during the organization of measures for efficient use of production resources with its coordinating role. Research shows that the following can be applied to the implementation of the policy of more efficient use of resources, scientific-technical and production potential of the agrarian sphere:

- 1) legal guarantee based on the availability of necessary legislative and normative-legal documents;
- 2) Organization-information support – development and organization of information support, creation of management structures of various processes at the level of production areas;
- 3) financial support – for development and implementation of targeted programs, subsidies, grants, rewards, etc.

In order to achieve the efficiency of realization the use of production resources in order to ensure the innovative development of the agrarian economy, the following measures can be considered expedient:

- to use measures to support the achievement of investment activity in agriculture and development of investment attractiveness;
- to use of the policy of diversification of production that directed to the policy which is in accordance with modern institutional macroeconomic conditions;
- to improve the agribusiness environment, support the process of formation of separate areas and more developed structure of the agrarian economy as a whole;
- formation of appropriate institutional environment in the development of competitiveness of agricultural enterprises.

The application of these measures to production can significantly affect the provision of economic security and innovative development within the framework of the transforming strategy of economic development, as well as the efficiency and profitability of the activities of agricultural enterprises, allowing for stable economic growth. At this time it should be taken into account that one of the most important conditions for achieving the effectiveness of innovative changes in the agrarian sector of the economy is ensuring the coordination of the sphere's managerial impact with the state's economic policy measures. For this purpose, in practice, direct and indirect methods of regulation used by the state are distinguished.

Direct methods of regulation perform functions of prohibitive, restrictive and regulative, by reflecting in itself mainly issues related to legislation. Indirect methods of regulation are usually characterized as economic methods. The state often uses indirect means of influence while regulating economic processes, including tariff and non-tariff regulations. The method of tariff regulation consists of the increase of customs tariffs, import taxes and fees for commodities.

In economic literature, non-tariff regulation is also divided into direct and indirect means. The means of direct influence are direct prohibitions and quotas. Indirect methods of non-tariff regulation oblige importers to make decisions taking into account the conditions of activity which are specially created in the territory of the country. These are, in fact, economic measures.

Customs duties on a number of types of goods are used in practice in order to stimulate local production. At the same time, it is possible to consider the reduction of customs duties on the import of different types of raw material as a measure of assistance to the export. This can also play a stimulating role in bringing local goods to the world market by serving to stimulate export-oriented production of local producers.

One of the most important areas of achieving efficiency in the use of production resources in order to ensure the development of the agrarian economy is the stimulating support of import substitution programs and projects, including export support programs. However, it should be noted that the development of entrepreneurship and its economic support are not always directly related to import substitution policy, but can also be used in the process of creating and using targeted programs.

Indirect methods of regulation during the implementation of regulatory policy can also participate in economic processes as an administrative method: currency control, licensing, standardization and certification, identification of specific regulations, etc.

Stimulation of the achievement of the efficiency of the production resources usage in the agrarian sphere requires significant investments. Here, the state should act as a guarantor in



accordance with the principles of economic security, including food security and stimulate local production. For this purpose, allocation of funds for incentive measures takes place in the form of co-financing of subsidies and production-oriented research, as well as the provision of grants for public procurement. Subsidies from the state budget can also be provided to enterprises implementing complex projects on priority areas of agriculture. Ideally, such a measure of reducing the cost of borrowed funds for manufacturing enterprises is taken to avoid problems. Within the framework of this mechanism, enterprises are subsidized to pay interest on loans, which is considered an important support measure made by the state.

A significant place is allocated to state subsidies, including research work, technical reconstruction and modernization in various sectors of the economy [2, p. 7]. They can be given to the development of infrastructure and modernization of production, subsidizing interest rates on loans, subsidizing the application of innovations in the framework of investment projects when achieving a certain level of agricultural production. It should be noted that within the framework of financing projects aimed at stimulating production, the necessary measures to support investment programs are identified and adopted. The main objective of such measures is to increase the volume of long-term and soft loans of agricultural enterprises.

Within the framework of the programs, only projects to be implemented in certain areas selected as a result of the competition are financed. One of the similar financial support measures is debt funds provided to help enterprises with competitive and export oriented production at the expense of the state budget. For this purpose, special funds are created and financing of projects before production is included in their duties. Such funds are an important element of the system of state measures aimed at increasing the competitiveness of the agrarian economy globally and implementing the policy of support to the export. These funds should be viewed as a unit that combines individual measures and instruments used to support production, since they provide real interaction between the enterprises and the state by allowing them to take preventive actions. It can be noted that these funds play a serious role in stimulating production and become the main actual tool for the efficiency of the resource usage process.

In addition, special investment contracts are used in international practice. This agreement guarantees that the investor can invest in the production process in better conditions for several years. The investor undertakes to carry out production of the specified size. If the credit is accessible for enterprises, the incentive policy is systematic, the measures to regulate money and credit, to prevent the growth of tariffs and credit rates are associated with them, these measures ensure a long-term positive effect. The interaction of producers with the state in this form can naturally lead to great success in the implementation of projects.

The main principle in private investment contracts is non-financial mechanism and motivates participation in the creation of new production areas, production diversification and development of the production potential of the agrarian sphere as a whole. Its main features are the stabilization of the current conditions for the investor, who accepts the obligations for the organization and modernization of production.

Unlike the cooperation between the state and enterprises, special investment contracts do not involve the transfer of real estate from state bodies directly to investors. Thus, these contracts are one step ahead in contrast to the forms of cooperation of the state with various enterprises. Private investment contracts also play an important role in facilitating administration and do not offer concessions not specified in the legislation. This allows to reduce the long duration of the investment phase of the project.

Another important point for the participants of special investment contracts is that the product produced within this project is considered a local product. A number of normative documents limit the import of some imported products. In a number of areas, it is possible to demonstrate the substitution of individual elements and the standardization that satisfies environmental requirements, such as measures that contribute to export. This in turn makes it possible to reduce imports of poor quality products, becoming one of the main factors that stimulates local producers to produce competitive products.

Studies have shown that appropriate measures are not only a tool for improving the quality and competitiveness of the product, but also for ensuring production efficiency at all levels of management. This, in turn, can manifest itself in processes as a guarantor of the use of resources in agricultural production. Therefore, one of the objectives of the measures aimed at efficient use of production resources should be taking into account interstate standards that ensure the creation and development of priority production areas and take into account the most advanced international experience.

Notes above show that in order to achieve the efficiency of the use of production resources in the agrarian sphere, it is important to take into account the resource capabilities of the certain production area and the development characteristics of each sector of the economy of that area. This is one of the main conditions for the development of various sectors of the agrarian economy as a whole, and it manifests itself as a powerful tool of internal and external demand for the product produced.

Thus, the development of the agrarian sector and the growth of production are possible on account of the more efficient use of internal resources. In order to effectively implement this policy, creating demand with purchasing power and ensuring the continuity of the issue of

adequate financing of agricultural enterprises and expanding the stimulation measures as a whole should be one of the most important priorities of the state.

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