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Mirhashim Agamirov
mirhashim.agamirov@gmail.com
https://orcid.org/0009-0000-7597-7121

The Economic Importance of the Development of Small and Medium-Sized Enterprises in a Modern Market Economy

Abstract

Small and medium-sized enterprises (SMEs) are very vital for the growth of modern market economies. They help the economy grow, create jobs, and make the products and services more varied. This study looks at the economic importance of small and medium-sized enterprises (SMEs) by looking at both international statistics and data from Azerbaijan. The report underscores that SMEs are the predominant category of business entities in numerous nations, contributing substantially to employment and value added. The study looks at practices around the world and finds that small and medium-sized businesses (SMEs) are important for innovation, competition, and long-term economic growth. In advanced economies, SMEs play a significant role in GDP and labor market stability. International experience shows that regulations that help, access to funding, and strategies that focus on innovation are all important for improving the performance of SMEs.

The study examines the impact of SMEs on the national economy, utilizing Azerbaijan's regulatory structure and statistical data for 2023–2024. The results show that value created, jobs, and total economic engagement have all gone up. SMEs were more active in important areas like trade, construction, manufacturing, and services. Micro businesses grew the fastest, while medium-sized businesses continued to be the biggest employers. The fact that most businesses are privately owned and not owned by the government shows how important entrepreneurship is for economic growth.

Keywords: *economic development, business entities, market economy, small and medium-sized enterprises.*

Introduction

Small and medium-sized enterprises (SMEs) possess significant economic potential and play a special role in terms of their share of total businesses, employment rates, and the amount of added value they create. SMEs are key players in the stability and proportion of the national economy. This group of agricultural entities contributes to the production of material wealth, and SMEs ensure the formation of economic development, dynamism, and sustainability in both developed and developed countries, enabling new improvements in economic development paths and access to domestic and foreign markets. SMEs produce finished and semi-finished goods used by large businesses, as well as by their processes. These conditions, driven and managed by the motivation to survive and succeed in economic life, are barometers of the economy's vitality. A healthy economy is created by a competitive environment, and SMEs, which create this competition, create new entrepreneurs and protect the economy from stagnation (omboilation). Experts liken the important role played by SMEs in economic development to nature. The operations of small and medium-sized enterprises (SMEs) are likened to seedlings. Some wither, some thrive, and a forest of entrepreneurship is formed. “A healthy economy requires the emergence of numerous new producers, some of whom challenge and compete with existing industrial power, creating a competitive environment. Therefore, SMEs are a forest of enterprise, with some seedlings decaying and others growing and forming a forest of business. This nursery function is the most important contribution this production makes to the economy”. In the modern world, SMEs, as a type of business activity quite common and possessing numerous advantages, are gaining significant importance as one of the key mechanisms in the economic development of both developed and developing countries. SMEs, being a significant part of the national economy in both developed and developing countries, contribute to economic development, GDP growth, national income increase, and national economic growth.

Literature review

Small and medium-sized enterprises in foreign practice

Countries worldwide are expanding and supporting SMEs by building their national economic development strategies on the growth of the private sector. Therefore, in many countries around the world, an average of 95% of employment is created by small and medium-sized enterprises (SMEs). According to the World Trade Organization, SMEs account for over 90% of the workforce, 60-70% of employment, and 55% of GDP in developed economies. SMEs hold approximately 20% of patents in biotechnology-related fields in Europe, which is a measure of innovation (Popadic, et.al.,2022:p.105). With their flexible production capabilities, SMEs contribute to economic development, national income, productivity, entrepreneurship training, and employment. Their innovative and flexible structures also positively impact the development and use of new technologies. The European Union provides support to SMEs to protect their flexible and innovative structures and increase their competitiveness (Varga, 2021:p.211). The main objective of the SME support policy implemented within the European Union is to strike a balance between state interests and entrepreneurship, to provide the most favorable conditions for business operations, and to increase the competitiveness of SMEs. Access to finance, which is one of the most important problems for SMEs, the reduction of administrative and regulatory burdens, the provision of market and internationalization support, digitalization and green transformation, and skills, workforce, and talent support are among the key support policy areas of the European Union (Petrunenko, et.al., 2021). "Approximately 26 million SMEs operating in the EU provide employment to 109 million people and account for two-thirds of Europe's Gross National Product." Today, small and medium-sized enterprises (SMEs) constitute approximately 70-90% of the total number of businesses in the most developed foreign countries. In the USA, approximately 53% of the total working population is employed in the SME sector, in Japan 71.7%, and in the European Union, approximately half of the population employed in small businesses works in SMEs. Furthermore, although medium-sized enterprises (SMEs) constitute only 1% of all businesses in European Union countries, they account for 20% of total business turnover and 17% of total employment (Iaroslav, et.al.,2022). All this shows that the level of development of small and medium-sized enterprises worldwide directly determines the level of economic development of countries. Countries around the world are expanding and supporting SMEs by building their national economic development strategies on the development of the private sector. Therefore, in many countries worldwide, on average, 95% of jobs are created by small and medium-sized enterprises. According to the World Trade Organization, SMEs account for more than 90% of the workforce, 60-70% of employment, and 55% of GDP in developed economies. SMEs hold approximately 20% of patents in biotechnology-related fields in Europe, which is a measure of innovation. “In developing economies, a large number of people work in SMEs, accounting for approximately 45% of total employment (Ciekanowski and Wyrębek, 2020). According to the Organization for Economic Cooperation and Development, 33% of employment and GDP in these countries are provided by SMEs.” In the United States, the United Kingdom, the People's Republic of China, Russia, Japan, Germany, Poland, and other developed countries, small and medium-sized enterprises account for more than 50% of the countries' gross domestic product (GDP) and are considered a primary source of employment for the population (Karadag, 2015). With the economic slogan, “We are building a sustainable economic future by offering SMEs an innovative, competitive, transformative, and export-oriented structure,” the criteria used to define small and medium-sized enterprises have been updated.

Table 1. Structural characteristics of SMEs

Characteristic	Description	Economic Implication

Small scale of operations	SMEs operate with limited production capacity and workforce	Enables flexibility in market adaptation
Limited capital base	Financial resources are relatively constrained	Encourages efficient resource allocation
Simple organizational structure	Management hierarchy is minimal	Supports faster decision-making
Local market orientation	Activities often focus on regional or domestic markets	Strengthens local economic development
Ownership concentration	Owned and managed by individuals or small groups	Increases accountability and control

Source: Ahmedova, 2015

In Japan, over 75% of the national economy is comprised of small and medium-sized enterprises (SMEs). "In the US, SMEs account for 58% of total employment, while in Japan and Italy this figure can reach over 80%." In Japan, the functioning mechanism for SMEs is managed by the state, acting as a governing body for small business administration. This management mechanism safeguards the interests of SMEs, controls the enforcement of antitrust laws, provides support, and helps determine the development of computers and other technologies. Japanese legislation determines the amount of productivity achieved based on the SMEs' declarations and type of activity, controls and regulates the market value of the products produced, and enables the budget to control price increases and prevent inflation. The Japanese government creates all the necessary opportunities for the emergence of SMEs and the growth of the national economy. In recent years, Japan, the People's Republic of China, the United States, and many other countries have established SME Insurance Companies and Credit Guarantee Associations, similar to state-backed funds, to support SME growth and stabilize financial support ranges. The Japanese government also provides support through subsidies and loans, facilitating access to credit for entrepreneurs (Brodny and Tutak, 2022). The aim of this government support is to ensure that SMEs, which play a significant role in knowledge-intensive and high-tech industries, are provided with the essential elements that drive and accelerate the country's economic development. Furthermore, the Japanese government supports SMEs by offering services in areas such as consulting, advertising, personnel selection, and organizational assistance. This demonstrates that in Japan, one of the world's developed countries, conditions are created for SMEs to play a crucial role in the development of the national economy. The government tightly controls the organization and development of SMEs by ensuring compliance with antitrust rules, creating concessions, regulating their prices, and providing financial and consulting support at every stage of their development. In the US, SMEs are one of the hidden areas of economic development. In the US, SMEs are crucial in the cost of new technologies and the use of advanced equipment. More than 50% of the population works in small and medium-sized enterprises. Policies supporting SMEs ended with the establishment of the Small Business Administration in the early 1950s. Today, there are over 20 million registered SMEs in the US, and these SMEs provide employment for more than half of the country's workforce. The results of small and medium-sized enterprises (SMEs) in America are as follows: "With fewer than 500 employees, and an average annual income of no more than $7 million in the last three years. The number of newly established SMEs in the US is constantly increasing, reaching 5.5-6.5 million each year, most of which operate for only one to two years." According to American scientists, "one in three American families is involved in business, and some American entrepreneurship textbooks claim that 20% of small US firms start with $1,000-$5,000 and reach an annual income of $1 million from the start (Ahmedova, 2015).

- SMEs in the US have their own unique characteristics high patent activity and a focus on innovation (IT sector, consulting, accounting and auditing services, construction);
- High concentration of individuals with a large number of employees (63% of SMEs have more than 100 employees);
- Availability of a wide range of existing state support measures;

➢ Formation of an integrated compression system;
➢ A multi-level criteria system for a company's appearance as a legal entity;
➢ A multi-level criteria system for a company's appearance as a legal entity.

Small and medium-sized enterprises (SMEs) play a significant role in the economic development of the People's Republic of China and have been instrumental in achieving economic development and progress in the country during the 2014-2018 period. According to the fourth economic census of the National Bureau of Statistics of the People's Republic of China, as of 2018, the number of SMEs reached 18.07 million (a 115% increase compared to 2013 growth), constituting 99.8% of legal entities (Karadag, 2015).

Table 2. Functional characteristics of SMEs

Characteristic	Description	Economic Implication
Operational flexibility	SMEs adapt quickly to market changes	Enhances competitiveness
Innovation potential	Ability to introduce new products or services	Supports technological progress
Customer proximity	Direct interaction with customers	Improves service quality
Risk exposure	More vulnerable to market fluctuations	Requires adaptive strategies
Labor-intensive structure	Dependence on human capital	Contributes to employment growth

Source: Ahmedova, 2015

Table 3. Economic role-based characteristics of SMEs

Characteristic	Description	Economic Contribution
Employment generation	Create jobs across various sectors	Reduces unemployment
Market diversification	Introduce variety into the market	Promotes competition
Support for large enterprises	Act as suppliers or subcontractors	Strengthens value chains
Regional development	Operate in rural and urban areas	Reduces regional disparities
Entrepreneurial development	Encourage business creation	Stimulates economic dynamism

Source: Ahmedova, 2015

Data shows that SMEs employ approximately 233 million people and account for 79.4% of all businesses nationwide. The total annual operating revenue of SMEs in the country in 2018 was 188.2 trillion yuan (approximately US$26.9 trillion) (National Bureau of Statistics of China, 2018). India is the second largest country in terms of the number of SMEs after China. Producing more than 6,000 different products, small and medium-sized enterprises (SMEs) form the backbone of the country's economy. "40% of India's workforce is employed in small and medium-sized enterprises (SMEs), comprising approximately 80 million people. SMEs account for 45% of India's manufacturing output, 40% of its total exports, and 17% of its gross domestic product." The Republic of Singapore, a sovereign island nation in Southeast Asia, is today one of the most developed countries in the world and is considered by experts to be a top destination for entrepreneurship. The country ranks fifth globally in terms of SME development. 65% of businesses in the country are SMEs, with some sources suggesting this figure exceeds 90%. Small and medium-sized enterprises are the main source of the country's economic development. "There are approximately 220,000 SMEs in Singapore, providing 65% of employment and accounting for about half of the national GDP" (Развитие малого бизнеса: опыт Сингапура, 2024: 2). The key support for the successful activities of Singaporean entrepreneurs is the existence of comprehensive government programs that determine the development of small and medium-sized enterprises. SMEs in the country mainly cover retail, food production, next-generation mechanical engineering, logistics, and other sectors. Small and medium-sized enterprises (SMEs) play a significant role in the economic development of the People's Republic of China and were crucial in achieving economic development and progress in the country during the 2014-2018 period. According to the fourth economic census of the National Bureau of Statistics of the People's Republic of China, as of the end of 2018, the number of SMEs was 18.07 million (a 115% increase compared to 2013), representing legal entities. They constitute 99.8% of the workforce. Data shows that SMEs employ approximately 233 million people and make up 79.4% of all businesses nationwide. The total annual operating revenue of SMEs in the country in 2018 was 188.2 trillion yuan (approximately US$26.9 trillion). India is the second largest country in terms of the number of SMEs after China. Small and medium-sized enterprises, producing more than 6,000 products, form the backbone of the country's economy. "40% of India's workforce, or approximately 80 million people, are employed in SMEs. SMEs account for 45% of India's manufacturing output, 40% of its total exports, and 17% of its gross domestic product, with a target of reaching 25% of GDP by 2025."

Methodology

The first step in the analysis looked at how businesses around the world classify themselves by size. This review elucidated the prevalent criteria employed in worldwide economic systems to categorize micro, small, medium, and large firms. The next part of the study looks at Azerbaijan's national regulatory system.

The Resolution No. 556 of the Cabinet of Ministers of the Republic of Azerbaijan dated December 21, 2018 provides for the classification of business entities by size. This resolution systematically defines the criteria for the division of micro, small, medium and large business entities. The main purpose of the resolution is to ensure statistical accounting of entrepreneurial activity in the country, the targeting of state support, as well as the effectiveness of economic policy. According to the law, the division of business entities is carried out according to two main indicators. These are the average number of employees and the annual income indicator. Micro-entrepreneurs are characterized by 1–10 employees and annual income of up to 200 thousand manats. Small entrepreneurs have 11–50 employees and annual income of 200 thousand to 3 million manats. Medium-sized entrepreneurs are defined by 51–250 employees and income of 3 million to 30 million manats. Large entrepreneurs are distinguished by more than 251 employees and annual income of more than 30 million manats. One of the important features of the law is that the higher of the two indicators is taken as the basis for classification. This approach more accurately reflects the real economic power of business entities. In determining the size of newly created enterprises, the income indicator is considered the main one. If income is not determined, the number of employees is taken into account. The law also regulates the exchange of information between state agencies. The categories of business entities are determined based on information provided by the Ministry of Economy and the Ministry of Labor and Social Protection of the Population. This information is updated in real time (https://e-qanun.az/framework/41048).

Table 1. Main macroeconomic indicators of micro, small and medium-sized enterprises

Indicators	2023	2024

	Total	of which			Total	of which		
		Micro	Small	Medium		Micro	Small	Medium
Value added*, million manat	*20,383.6*	7,839.6	3,254.9	9,289.1	*21,118.3*	8,738.3	3,469.6	8,910.4
Number of employees, thsd. person	*390.8*	49.9	110.3	230.6	*417.8*	51.6	121.5	244.7
Average monthly nominal wages, manat	*765.8*	501.5	642.8	899.4	*824.2*	513.3	679.2	980.9
Investments directed to fixed capital, million manat	*2,366.1*	303.5	794.0	1,268.6	*2,302.7*	242.0	821.4	1,239.3
The number of active enterprises	*401,149*	389,133	8,610	3,406	*424,437*	410,913	9,737	3,787

Source: https://www.stat.gov.az/source/entrepreneurship/

The macroeconomic indicators for micro, small, and medium-sized businesses (SMEs) show that things are getting better between 2023 and 2024. The overall value added went up from 20,383.6 million manat in 2023 to 21,118.3 million manat in 2024. Micro businesses were the main reason for this expansion, as their contribution rose from 7,839.6 million manat to 8,738.3 million manat. On the other hand, the value created by medium-sized businesses went down a little, from 9,289.1 million manat to 8,910.4 million manat. During this time, the number of jobs also grew. The number of employees went up from 390,800 to 417,800. All types of small and medium-sized businesses saw this growth. Medium-sized businesses still had the most jobs, going from 230.6 thousand to 244.7 thousand. There was an upward trend in average monthly nominal wages. In 2023, the average wage was 765.8 manat, and in 2024, it went up to 824.2 manat. The greatest wages were in medium-sized businesses, where the average monthly pay went from 899.4 manat to 980.9 manat. Investments in fixed capital went down a little, from 2,366.1 million manat to 2,302.7 million manat. Even though this drop happened, small businesses invested more money, going from 794.0 million manat to 821.4 million manat.

Table 2. Share of micro, small and medium-sized enterprises in the country's economy, in percent

Indicators	2023				2024			
	Total	of which			Total	of which		
		Micro	Small	Medium		Micro	Small	Medium
In total value added by economy*	*18.0*	6.8	2.9	8.3	*18.5*	7.7	3.0	7.8
non oil-gas sector*	*27.2*	11.3	4.6	11.3	*27.4*	11.6	4.5	11.3
In total number of employees of businesses	*44.0*	5.6	12.4	26.0	*45.3*	5.6	13.2	26.5
non oil-gas sector	*45.3*	5.8	12.8	26.7	*46.4*	5.8	13.5	27.1
In total investments directed to fixed capital by enterprises	*19.0*	2.4	6.4	10.2	*20.8*	2.2	7.4	11.2
non oil-gas sector	*15.8*	2.0	5.3	8.5	*14.2*	1.5	5.1	7.6
In total number of active enterprises	*99.7*	96.7	2.1	0.9	*99.7*	96.5	2.3	0.9

Source: https://www.stat.gov.az/source/entrepreneurship/

The statistics for 2023–2024 show that micro, small, and medium-sized businesses (SMEs) are still an important part of the national economy. From 2023 to 2024, the share of SMEs in total value added went up from 18.0% to 18.5%. Micro businesses were the main reason for this growth, as their share went from 6.8% to 7.7%. The share of medium-sized businesses, on the other hand, went down a little, from 8.3% to 7.8%. Small and medium-sized businesses (SMEs) continued to be important in the non-oil and gas industry. Their total contribution went up somewhat, from 27.2% to 27.4%. Micro businesses did better again, going from 11.3% to 11.6%, while the percentages of small and medium businesses were about the same. SMEs also become more important as employers. Their percentage of all business jobs went grown from 44.0% to 45.3%. This number went up from 45.3% to 46.4% in the non-oil and gas industry. Medium-sized businesses still made up the biggest share of jobs in the SME group. The trends in investment participation were uneven. The percentage of total fixed capital investments that went to SMEs went up from 19.0% to 20.8%. Small and medium-sized businesses were mostly responsible for this expansion. But in the non-oil and gas sector, the share of SME investment fell from 15.8% to 14.2%.

Table 3. Value of goods shipped, work performed, and services provided by micro, small, and medium-sized enterprises by type of economic activity and ownership, thousand manats

Economic activity / ownership types	Total	2023			Total	2024		
		Micro	Small	Medium		Micro	Small	Medium
Total for types of economic activity	***34,743,075.4***	**12,366,194.8**	**5,778,422.7**	**16,598,457.9**	***36,963,151.8***	**13,883,877.0**	**6,174,206.0**	**16,905,068.8**
of which:								
state owned	*3,378,930.0*	22,613.2	161,184.8	3,195,132.0	*2,285,496.7*	14,906.9	184,490.7	2,086,099.1
non-state owned	*31,364,145.4*	12,343,581.7	5,617,237.9	13,403,325.9	*34,677,655.1*	13,868,970.1	5,989,715.3	14,818,969.7
privately owned	*27,594,081.4*	11,971,105.5	4,941,310.4	10,681,665.5	*30,512,761.8*	13,528,121.8	5,099,018.0	11,885,622.0
foreign owned	*2,908,973.6*	294,580.3	519,623.8	2,094,769.4	*3,143,485.3*	279,916.8	667,686.5	2,195,882.0
jointly owned	*861,090.4*	77,895.8	156,303.7	626,891.0	*1,021,408.0*	60,931.5	223,010.8	737,465.7
Agriculture, forestry and fishing	***1,091,640.6***	**246,779.2**	**195,187.0**	**649,674.4**	***1,082,424.1***	**193,242.4**	**223,149.4**	**666,032.3**
Industry total	***7,617,953.1***	**922,092.6**	**970,555.7**	**5,725,304.8**	***7,238,101.8***	**1,115,367.1**	**1,119,666.8**	**5,003,067.9**
Mining industry	***1,805,918.7***	**41,323.3**	**64,965.8**	**1,699,629.6**	***671,332.3***	**53,293.7**	**93,009.8**	**525,028.8**
Manufacturing industry	***4,517,502.5***	**835,880.2**	**839,529.7**	**2,842,092.6**	***5,187,002.6***	**1,005,381.8**	**938,558.7**	**3,243,062.1**
Electricity, gas and steam production, distribution and supply	***889,011.0***	**11,759.4**	**33,250.9**	**844,000.7**	***1,002,431.6***	**13,886.0**	**32,022.0**	**956,523.6**
Water supply; waste treatment and disposal	***405,520.9***	**33,129.7**	**32,809.3**	**339,581.9**	***377,335.3***	**42,805.6**	**56,076.3**	**278,453.4**
Construction	***4,500,863.8***	**467,800.4**	**973,292.8**	**3,059,770.6**	***5,305,903.0***	**802,317.6**	**947,764.9**	**3,555,820.5**
Trade; repair of transport means	***9,024,434.5***	**5,135,470.9**	**1,508,160.2**	**2,380,803.4**	***9,458,690.7***	**5,654,078.6**	**1,273,288.0**	**2,531,324.1**
Transportation and storage	***2,539,488.0***	**1,358,426.4**	**323,114.5**	**857,947.1**	***2,681,856.0***	**1,383,100.2**	**448,551.7**	**850,204.1**
Accommodation and food service activities	***1,937,663.8***	**1,234,078.0**	**132,407.1**	**571,178.7**	***2,309,064.3***	**1,444,673.9**	**194,197.5**	**670,192.9**

Source: https://www.stat.gov.az/source/entrepreneurship/

The numbers for 2023–2024 show that the value of goods exported, work done, and services offered by micro, small, and medium-sized businesses (SMEs) has gone up overall. In 2023, the total output was 34.7 billion manats. By 2024, it had grown to 36.9 billion manats. Micro businesses were the main reason for this expansion, as their output rose from 12.3 billion manats to 13.8 billion manats. Small businesses also saw moderate increase, and medium-sized businesses kept their contributions fairly consistent. An examination of ownership structure suggests that non-state businesses were the most active in SMEs. Their overall output went up from 31.3 billion manats to 34.6 billion manats. Privately owned businesses made up the greatest part of this group, going from 27.5 billion manats to 30.5 billion manats. Foreign-owned businesses also grew, going from 2.9 billion manats to 3.1 billion manats. Trade and transportation services were still the biggest contributions, according to sectoral analysis. In 2024, trade and repair activities brought in more than 9.4 billion manats, which is a big jump from the year before. Construction activity also grew a lot, going from 4.5 billion manats to 5.3 billion manats. In business, manufacturing continued to be very important, growing from 4.5 billion manats to 5.1 billion manats. At the same time, the mining industry saw a big drop. Service-related activities including lodging and food services grew from 1.9 billion manats to 2.3 billion manats. Overall, the results show that SMEs are becoming more and more important across a wide range of economic sectors.

Discussion and conclusion

The investigation reveals that small and medium-sized businesses are very important to the way the current market economy works. International experience suggests that small and medium-sized businesses (SMEs) can create jobs, come up with new ideas, and make the economy more diverse. In industrialized nations, SMEs constitute the predominant category of commercial enterprises and generate a significant portion of national income. This worldwide experience shows that the level of development of small and medium-sized enterprises (SMEs) has a direct effect on economic stability and competitiveness. The national analysis, which looked at Azerbaijan's laws and statistics, also backs this up. From 2023 to 2024, small and medium-sized businesses (SMEs) grew in terms of value contributed, jobs, and overall economic involvement. The rise in total value added and the growth in jobs show that small and medium-sized businesses are still getting stronger in the economy. Micro firms, in particular, grew a lot, which shows how important they are to the economy. The rise in earnings and the rise in the number of operating businesses also show that the SME sector's economic conditions are getting better.

The sectoral structure of SME activity shows that trade, construction, manufacturing, and services are still the most important areas of contribution. The prevalence of privately owned and non-state enterprises underscores the significance of entrepreneurship in economic development. Some industries, like mining, saw a drop in activity, but overall, the trend is toward more variety and growth in SME activity.

Conclusion

The study's findings indicate that small and medium-sized firms are assuming an increasingly significant role in Azerbaijan's contemporary market economy. The examination of statistics data for 2023–2024 reveals favorable trends in value added, employment, and general economic engagement. During the time period we looked at, the total value added by small and medium-sized businesses (SMEs) went up. The main reason for this expansion was micro businesses. Employment at small and medium-sized businesses (SMEs) also grew, which shows that they help keep the job market stable. Medium-sized businesses continued to create the most jobs, but micro-sized businesses grew the fastest.

Small and medium-sized businesses (SMEs) nevertheless made up a large part of the national economy. Their share of overall value added and jobs went up a little bit. SMEs also made their involvement in fixed capital investments stronger. There were, however, some changes in the non-oil industry. A look at the several sectors showed that commerce, construction, manufacturing, and services were the most active areas for small and medium-sized businesses. The amount of money that SMEs made went up from 34.7 billion manats to 36.9 billion manats. Most of the work done by SMEs was done by businesses that were not owned by the government or the state. Micro businesses were quite active in both commerce and services. Medium-sized businesses stayed robust in the construction and manufacturing sectors.

Based on the research conducted, we can make the following suggestions:

- Improve SMEs' access to financial resources through credit support programs;
- Simplify administrative and regulatory procedures for business operations;
- Support digital transformation and technological adoption;
- Strengthen entrepreneurship education and workforce training;
- Promote the participation of SMEs in non-oil sectors;
- Expand regional development programs to support SMEs outside of major cities.

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