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<https://doi.org/10.59849/2409-4838.2024.3.42>**INSTITUTIONAL ASPECTS OF REGIONAL ECONOMIC DEVELOPMENT****Huseyn Hamdulla Aliyev** 

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This article examines the institutional aspects of regional economic development. Regional economic development is a strategic process that aims to stimulate economic growth in a specific geographical area. The success of this process depends on a number of institutional factors. This article addresses the importance and impact of these factors, highlighting the institutional aspects of regional economic development.

The article focuses on institutional aspects of regional economic development. These aspects include issues such as the role of local governments, investment incentives, public-private cooperation, and contributions of local businesses and non-governmental organizations. These factors are considered to influence and promote regional economic development.

Consequently, institutional aspects of regional economic development play an important role in the design and implementation of regional development policies. This article aims to contribute to the understanding of these aspects and the more effective development of regional economic development strategies.

Keywords: *Regional economic development, corporate structure, regional development policies, economic development strategies, institutional capacity building, local entrepreneurship and innovation, regional development indicators*

INTRODUCTION

In this article, we will consider the institutional aspects of regional economic development and examine this important issue in depth. Regional economic development is a comprehensive process that aims to increase the economic growth and development potential of a country or region. This process requires both the public and private sectors to work in effective collaboration. Institutional aspects form one of the cornerstones of regional economic development. Institutions have the role of regulating the economy, allocating resources, promoting investments and monitoring and directing many other economic activities. In this article, we will explore the factors that underpin successful development strategies by taking a closer look at the institutional aspects of regional economic development. We will also try to understand why regional economic development is so important and how institutional structures play a critical role in this process. In addition, we will consider how institutional approaches and policies in different countries and regions can lead to different outcomes. This article is an introduction to regional economic development and aims to be an essential source of information for those seeking a deeper understanding of this important topic. It is an important issue to address regional economic development from an institutional perspective under the title of "Institutional aspects of regional economic development". This topic helps us understand how economic growth and development in a region is influenced and guided by institutions. Here are some important factors that generally explain the institutional aspects of regional economic development:



The success of regional economic development is often shaped by policies and programs implemented by the public sector. These policies may focus on areas such as tax incentives, infrastructure investments, education and workforce development. Institutions design, implement and manage these policies. Regional economic development involves encouraging investment and growth of businesses in the region. Banks, venture capital firms, and other financial institutions play an important role in this process by providing resources and offering loans to these businesses. Regional chambers of commerce and industry offer institutional support and networks to increase the growth and competitiveness of local businesses. These institutions are also related to regional economic development, innovation and technological developments, providing cooperation between businesses and new opportunities. Universities and research institutions contribute to the development of new ideas and technologies by conducting studies in these fields [1]. From an institutional perspective, regional economic development requires supporting an entrepreneurial culture. This includes removing barriers for entrepreneurs to start and grow businesses. At the same time, local cultural factors can influence business and shape the economic development of the region. Regional development requires cooperation of different institutions. Cooperation between public institutions, private sector, academic institutions and non-governmental organizations is important in ensuring sustainable development. These factors represent important elements in addressing institutional aspects of regional economic development. Each region may have different dynamics and regional development strategies should be shaped according to these dynamics. Institutions play a key role in the development and implementation of these strategies. Regional development is more relevant in modern times. This is theoretically regulated by the requirements of regional development. The variety of regional development in many states, which is generally characterized by all kinds of goals, is fulfilled by the areas of state policy, depending on its orientation with methods and means. Regional development depends on the economic, public, cultural, social and political characteristics of many countries, both on the progress of the population living in the regions in the material and spiritual sphere, and on the increase in material well-being in the formation of society. For this reason, the socio-economic development of the regions, which determines the regional development, considers the policy implemented by the state based on certain measures to be necessary. It is no coincidence that regional economic policy is the methodological basis of the regulation of the country's territory.

The policy implemented by the state in this direction consists of the division of economic regions that are being formed correctly in the regions and the efficiency of the zoning process. In general, there are the following forms of zoning:

1. Macro-regionalization - specifically, it is carried out through the specialization of zones in any field, which concentrates each economic system of economic regions, implemented on the basis of long-term planning and strategy.
2. Meso-regionalization - is understood as the regulation of each direction of regionalization according to the existing administrative structures, even if it is small.
3. Micro-regionalization – implemented as a form of regionalization at the level of local self-government.

Although the implementation of certain processes in regionalization is regulated by the state, the implementation of economic reforms, the investigation of the problems of regions, affects the formation of their management structures [6].

This is regulated within certain targets as follows:

- socio-economic development of regions;
- effective use of the potential of the regions;
- increasing the role of regions in national economy;



- raising the standard of living of the population.

The implementation of the above goals in the regions is actualized by the directions of many regional policies.

First, the creation and integration of a single market in all regions;

Second, elimination of problems between regional differences and development of economy in backward agrarian regions;

Third, regulation of the urbanization process; Fourth, evaluation of human and natural resources; Fifth, implementation of new industrial projects.

One of the most important issues in the regional economy is the regulation of complex development. Such an arrangement is a purposeful direction of the state's influence on the economic fields of each region and social processes related to it. These directions are realized both in the economic policy and social policy of the state. In order to achieve the goals of the regional policy, certain group regulation tools are implemented, which, as a general rule, affect the all-round and optimal development of the regional economy. In terms of optimal development, attention should be paid to principles such as efficient placement of productive forces in regions and the use of new productive forces. These principles include:

1. To implement their dynamic development by ensuring the proportional development of productive forces in the regions;

2. To improve the sources of raw materials for various production areas and to increase the possibility of using them in a cost-saving mode;

3. To bring socio-economic development closer to each other by canceling the difference between cities and villages of the region;

4. To increase the defense capacity of the region at the republican level;

5. Nature protection by efficient use of natural resources in the regions;

6. Effective use of labor resources in the regions;

7. Maintaining competitiveness in each region [5].

The above-mentioned determines the master plan for the deployment of productive forces in the regions and is carried out in the following order:

- first, an analysis of the deployment of productive forces in the regions in recent years is carried out;

- possibilities of future development and placement of productive forces are investigated;

- the main directions of development in the regions are determined;

- the level and rate of development of industrial hub, agriculture and other areas are determined;

- the economic efficiency of deployment of productive forces is determined;

- the country's master plan for the future period envisages the socio-economic development of the regions.

The connection of regional development with the regional economy is interpreted as the regulation of complex development carried out by the state. The regional policy of the state regulates the purposeful influence process of economic complexity of regions and social processes. In this regard, the policy decisions adopted in the regions should be planned based on purposeful activities and should envisage the development of mutual relations between the region and the regions. Taking into account the potential opportunities of these regions, the state program plays an important role in the further expansion of economic reforms.

Taking into account all this, in the preparation of state programs, based on the world experience, it was considered to develop more economic influence mechanisms than administrative influence mechanisms in each field. This, in particular, leads to the purposeful stimulation of the develop-



ment of entrepreneurship in the regions under market conditions. Strategic programs aimed at the development of regions hinder the implementation of state policy, which affects the implementation of state programs. Thus, the operational nature of the state program has a negative impact through the following factors.

- preparation of an action plan by defining unrealistic goals;
- regions are not taken into account in state measures for separate areas of the economy;
- lack of monitoring in the process of preparing the program;
- application of uncalculated mechanisms at the country and regional level and inefficient use of these mechanisms;
- weak control over program execution, etc.

Nevertheless, the world experience confirms that the development of all areas of the economy in the regions can be carried out in a planned manner according to the measures calculated in the state programs for the socio-economic development of the regions, and this development also brings the state policy to a workable level [6].

In general, regional development programs of countries are solved by the following issues:

- attraction of new production areas to the regions;
- renewal of production structures;
- infrastructure improvement;
- creation of new jobs.

Thus, a successful state policy on socio-economic development of regions depends on a purposefully developed state program and effective measures.

Mechanisms in the economy are realized in the form of sectoral and territorial regulation. In the regional form, the state's monetary and credit, agrarian, financial, customs, tax, regional, scientific-technical, structural, conjunctural, etc. policies included. Here, the types of policy cover some area. The method of territorial regulation is the study, research, study of regions, establishment of interregional relations, etc. territorial regulation methods are concerned. The state has the following directions of influence on the regional economy:

- inability to control;
- increase of regional inequality and differences;
- failure to solve the economic problems of economic subjects with different purposes;
- improper organization of industry and economy;
- failure to prevent the increase of unemployment;
- non-equal and fair distribution of income;
- appropriation of natural resources;
- failure to prevent socio-economic problems in time, etc.

The regional policy prepared by the state to eliminate the above-mentioned directions of influence are social factors that ensure social justice and equal rights of citizens. Social factors contribute to improving the well-being of the population, ensuring their rights and freedoms, meeting their social needs and the quality of health services, information provision, etc. directed. The economic factor of the regional policy is the establishment of production and economic facilities in the regions, the efficient use of natural resources, the establishment of export-oriented industry, and the implementation of programs with socio-economic objectives, which carry out the regional development of the country's economy. In modern times, the regional development of the state has been adapted to the conditions of the market economy and its implementation has begun. Regional development policy is carried out primarily by state management bodies, and in regions by local management bodies in a parallel and complex manner as a social, economic, political and legal activity [4].



Table 1.

Types of regional economic development policy

Criteria	Types of regional economic development policy
1. Basics of the economic development policy of the region	<ul style="list-style-type: none"> - finance; - social; - structure; - employment; - investment; - settlement; - ecological; - scientific and technical; - agrarian etc.
2. Application goals	<ul style="list-style-type: none"> - balancing the level of socio-economic development of the regions; - optimization of the use of regional resources, etc.
3. Realization mechanism	<ul style="list-style-type: none"> - automatic (distribution according to quantitative indicators); - problematic (division by special programs); - targeted (distribution by specific regions);
4. Implementation form	<ul style="list-style-type: none"> - financial (transfers, concessions, fines); - administrative (permit, ban, licensing); - infrastructure, etc.
5. Addressed	<ul style="list-style-type: none"> - companies; - citizens; - area; - regional authorities.

Source: Table prepared by the author

Economic development should be carried out in such a way that the economic development policy that can be carried out by the state, taking into account the main aspects of regional development, increasing the efficiency of operations in the region, improving the structure of material production, eliminating interregional differences, balancing socio-economic inequalities, etc. are important factors. From the above table, the basis of the economic policy of the state for the regions is the application of the economic policy of the state for the main areas to the regions. This determines the application of the state's economic policy by region. The planned measures in the region are regulated through the financial strategy, which is the first factor to achieve economic balance, economic growth and socio-economic development. Application of financial policy in the regions, its level of efficiency is based on correct distribution between production and service areas. The state allocates financial resources from its budget for each region, and they are implemented by regional authorities for effective use. For the purposeful implementation of agrarian policy in the regions, it is necessary to protect the food supply and food security of the population in each region, as well as the interests of local producers. Natural climate conditions, soil fertility level, etc. depending on the



factors, agricultural policy plans aimed at the development of agriculture are prepared and implemented in each region.

The development of scientific and technical progress in the economy of the region is its application and strengthening in economic spheres. This also affects and regulates the implementation of new researches, scientific researches and laboratory examinations in established research institutes. Despite the implementation of scientific and technical policy in the region with the support of the state, when the research sometimes fails to implement the expected results, the private sectors are not interested in the development of this field and refrain from investing in these fields. The production of competitive and high-quality products that meet international standards is determined as the main direction of the scientific and technical policy, it is aimed at producing maximum products with minimal resources and low production costs and bringing more income.

The employment policy is applied in every region of the country. The main goal of the employment policy in the regions is to improve the job security of the population by opening new workplaces and economic complexes, to protect the rights of the working people with the labor code and normative legal acts, to create normal conditions for the population's labor activity in the workplaces, to train new personnel, etc.

The field of social policy is considered one of the main types of policy in the economic development of our republic. This system, regulated as indicators of the state of well-being of the population, shows a successful result at the level of the republic, which is distinguished by the special weight of the region. The main directions of social policy in the regions are socio-economic, such as the creation of education and health centers, tourism facilities for recreation, culture and health centers, provision of household services to the population, implementation of ecological projects, environmental protection, quality improvement in service areas, improvement of housing conditions, etc. forms the basis. One of the leading goals of every state is the correct implementation of this policy [3]. The investment policy in the regions regulates the investment projects that meet the country's economic interests and standards, and the normative legal acts in the social field regulate both entrepreneurship and other fields. In order to create a favorable investment environment for investors, the state must achieve the goals ahead. In order to ensure regional economic security, investors implement an investment project, and if they make a profit in this area, its job security and profitability level increase.

Regional economic development implements and implements regional complex development according to the requirements of the modern era, reconstruction of production areas within the limits of natural resources in general. The economic policy of the state regulates regional development in the field of regulation and regulates its policy for each region. Regional economic development policies in a different form - creating an economic environment, ensuring minimum social standards in the regions, achieving socio-economic equality, building territorial-economic complexes, creating a favorable environment for investors, creating new jobs, restoring employment and developing social areas realize.

Realization of socio-economic development of regions in different directions is conditioned by the correct determination of the priority directions of these areas, their correct selection and development. Development of state programs is one of the main directions of regional development policy. For this purpose, a system of stages of the program design and progress is established in a correct, quick and easy form.



Table 2.

A step-by-step system of the order of preparation of the state program

I and II stage	Managers and specialists learn and conduct their work with the program management method;
III stage	Data collection and processing; - analysis of problems; - identification of the most important problems; - systematic establishment of problems;
IV stage	Forming goals and building a "tree of goals".
	Grading and setting goals
V stage	Preparation of measures for the purposes of lower levels, discussion and grading of measures in groups, costs identification;
	Organizational part: selection of events and experts, experts of events according to reality, importance and costs evaluation;
	Preparation of network model of programs, calculation of forecast efficiency, calendar of events and approval;

Source: Table prepared by the author

It is clear from the shown scheme that the initial concept of measures for each direction is determined and goals are set. Each stage carries out the analysis of the selection, grading, assessment of the goals according to reality and a "tree of goals" is built. The tree of objectives can regulate the study of development alternatives, the selection of less important groups, the removal of some measures from the tree of objectives in terms of resources and finances [2].

For the implementation of regional state programs, production and service areas are carried out in two directions. This is grouped as follows:

- I. Implemented measures and related policies;
- II. Support for implementation measures and policies related to measures.

Practically, the method of calculating regional development in the economy should be such that it can be evaluated by taking into account psychological, aesthetic and social factors that do not have a unit of measurement. In addition, provision of arable land for the population in the region, as well as social areas, natural resources, as well as per capita output are applied by changing prices. For this reason, to increase the similarity, it is necessary to carry out the values of the variable in certain intervals.

The level of development of the regions is evaluated step by step during the implementation of each program. This is applied by defining a system of indicators for individual areas of the regions. Taking into account the evaluation of the human factor and the quality of economic processes, they also use a system of targeted linguistic indicators. At this time, they differ according to the environment of each region according to its natural-geographic environment, economic activity and other specialized areas. Also, the fact that each region is oriented towards both



agriculture and industrial production in its field is defined as its interregional specialization. GDP can be determined by determining each macroeconomic indicator for the country.

Priorities of ensuring sustainable development of regions

Socio-economic development in the economy should be both tactical and strategic. This also plays an important role in regulating the development of regions. In general, the programs implemented in the regional direction are predicted, designed, planned, and priorities are formed for the medium and long term. Economic growth in the regional economy and the improvement of the population's well-being require large expenses in a number of areas, which are determined for the complex solution of scientific and technical problems [5].

The regulation of socio-economic development is based on the following principles from the point of view of regional development:

- to analyze the current state of the production and economic system in order to implement targeted measures of the region;
- selection of spheres in the regional system of the social situation of the population's competitiveness and other areas;
- implementation of systematic measures in environmental, political-legal, innovation, democratic and other areas;
- to ensure decentralized and coordinated subordination of the country in the regional management system;
- effective orientation of new measures;
- carrying out changes in socio-economic fields in the country and in the world;
- acceptance of intra-regional subjects with equal rights;
- manage inclination according to tasks and motives
- to ensure the innovation orientation of the organizational management system in the regions
- determination of the observed indicators according to the new measure of efficiency from sustainable regional approaches of socio-economic development in the modern era one is the transformation of the innovation-oriented economy. Innovation processes become the main driving force of the existing dynamics of the economy, which leads to changes in mechanisms and rates. In such a process, new trends in the economy emerge.

The trends resulting from research and investigations depend on the duration of technological organizational innovations, product quality, and service dynamics. Another reason is that the regional direction of the national economy is implemented within the priorities created and directed by them [6].

1. In order to improve the standard of living of the population, to optimize the development according to the market structure from the economic point of view, and to ensure the economic growth of the regions in each area of the social economic policy. This is one of the priorities that requires the expansion of human capital in each economic region.

2. The global financial and economic crisis is a priority direction put forward for the global provision of anti-crisis development management in the regions. Such a priority direction is to increase the volume of social security by the state, expand the work of corruption, regional employment agencies, the financial sector, and apply state orders to the regions. increases the role of the state in internal crisis conditions.

3. The third priority direction of the regional processes is aimed at the socio-economic development of the innovative areas, and by making changes in the structure of the area, it is directed to the science-intensive industrial areas.



CONCLUSION

Regional economic development can be an important goal aimed at improving the economic growth and quality of life of a region. In this process, the role of institutional aspects is of great importance.

One of the cornerstones of regional economic development is local governments. Local governments are responsible for understanding region-specific needs and developing appropriate policies and programs. At the same time, implementing regional development strategies and managing resources effectively are among the duties of local governments. Interagency collaboration and partnerships are critical to promoting regional economic development. Cooperation between the public, private sector, civil society and educational institutions can help use resources more efficiently and increase the competitiveness of the region. One of the institutional aspects relates to the promotion of education and innovation. Training programs and investments should be made to increase the competence of the region's human resources. At the same time, encouraging innovation and technological developments can increase the competitiveness of the region. Creating a favorable investment environment for business is also one of the institutional aspects. Regional governments should try to attract investment to the region by providing ease of doing business, reducing bureaucratic obstacles and offering incentives to investors [3].

Consequently, institutional aspects of regional economic development have a critical role in supporting the growth and sustainability of the region. The leadership of local governments, the promotion of cooperation and partnerships, the promotion of education and innovation, and the creation of a favorable investment environment are the keys to successfully achieving regional economic development. Effective management of these institutional aspects can increase the prosperity of the region and ensure sustainable economic growth.

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REGIONAL İQTİSADI İNKİŞAFIN İNSTİTUSİONAL ASPEKTLƏRİ

H.H. Əliyev

Bu məqalə regional iqtisadi inkişafın institusional aspektlərini araşdırır. Regional iqtisadi inkişaf konkret coğrafi ərazidə iqtisadi artımı stimullaşdırmaq məqsədi daşıyan strateji prosesdir. Bu prosesin uğuru bir sıra institusional amillərdən asılıdır. Bu məqalədə regional iqtisadi inkişafın institusional aspektləri işıqlandırılmaqla bu amillərin əhəmiyyəti və təsirindən bəhs edilir.

Məqalədə regional iqtisadi inkişafın institusional aspektlərinə diqqət yetirilir. Bu aspektlərə yerli hökumətlərin rolu, investisiya təşviqləri, dövlət-özəl sektor əməkdaşlığı, yerli biznes və qeyri-



hökumət təşkilatlarının töhfələri kimi məsələlər daxildir. Bu amillər regional iqtisadi inkişafa təsir edən və təşviq edən hesab olunur.

Nəticə etibarilə, regional iqtisadi inkişafın institusional aspektləri regional inkişaf siyasətlərinin işlənilib hazırlanmasında və həyata keçirilməsində mühüm rol oynayır. Bu məqalə bu aspektlərin başa düşülməsinə və regional iqtisadi inkişaf strategiyalarının daha səmərəli inkişafına töhfə vermək məqsədi daşıyır.

Açar sözlər: *Regional iqtisadi inkişaf, korporativ struktur, regional inkişaf siyasətləri, iqtisadi inkişaf strategiyaları, institusional potensialın gücləndirilməsi, yerli sahibkarlıq və innovasiyalar, regional inkişaf göstəriciləri*

ИНСТИТУЦИОНАЛЬНЫЕ АСПЕКТЫ РЕГИОНАЛЬНОГО ЭКОНОМИЧЕСКОГО РАЗВИТИЯ

Х.Х. Алиев

В данной статье рассматриваются институциональные аспекты регионального экономического развития. Региональное экономическое развитие — это стратегический процесс, целью которого является стимулирование экономического роста в конкретной географической зоне. Успех этого процесса зависит от ряда институциональных факторов. В данной статье рассматриваются важность и влияние этих факторов, подчеркивая институциональные аспекты регионального экономического развития.

В статье рассмотрены институциональные аспекты регионального экономического развития. Эти аспекты включают такие вопросы, как роль местных органов власти, инвестиционные стимулы, государственно-частное сотрудничество, вклад местного бизнеса и неправительственных организаций. Считается, что эти факторы влияют и способствуют региональному экономическому развитию.

Следовательно, институциональные аспекты регионального экономического развития играют важную роль в разработке и реализации политики регионального развития. Целью данной статьи является содействие пониманию этих аспектов и более эффективной разработке региональных стратегий экономического развития.

Ключевые слова: *региональное экономическое развитие, корпоративная структура, политика регионального развития, стратегии экономического развития, наращивание институционального потенциала, местное предпринимательство и инновации, показатели регионального развития.*