

Key Factors for Increasing Innovative Efficiency in The Non-Oil Sector

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Abstract. In today's competitive environment, service-based businesses must adopt innovative strategies to enhance performance and meet evolving customer needs. This article explores key ways to strengthen innovation within service organizations, focusing on advanced technologies, service personalization, customer-centric development, organizational agility, human capital growth, and sustainable practices. Particular emphasis is placed on digital transformation and data-driven decision-making to improve efficiency and customer experience. Economic diversification, especially in the non-oil sector, is essential for balanced and sustainable growth. Strengthening the service sector is a strategic priority for enhancing international competitiveness and supporting economic diversification. Intense market competition and rapidly changing customer expectations compel service companies to integrate innovations into their operations. Innovation not only includes technological advances but also process optimization, human resource development, and active customer engagement. Such integration enables businesses to deliver superior, efficient services, differentiate themselves in the market, and build customer loyalty. Innovation-driven growth in the service sector lays the foundation for new service areas and continuous improvement. Sustainable national development and global competitiveness depend on ongoing technological progress and the effective implementation of innovative solutions.

Keywords: Transport, Innovation, Transition Economy, Market Position, Efficiency.

1 Introduction

The sharp drop in oil prices on world markets at the end of 2014 and the deepening financial crisis against this background led to a change in the main goals of Azerbaijan's economic policy. In these conditions, reducing the economy's dependence on one sector and accelerating the development of the non-oil sector have become a priority of the country's sustainable development model. In particular, in recent years, economic growth has been formed mainly due to the non-oil sector, and the share of this sector in the gross domestic product has increased to 65 percent.

The conducted analysis and statistical indicators indicate that over the past thirteen years, the non-oil sector in Azerbaijan has grown more than 2.7 times. These achievements were achieved, first of all, due to the effective and targeted management of oil revenues, as well as consistent steps to diversify the economy. [2].

Various state programs were implemented to ensure diversified development of the economy. Within the framework of these measures, serious financial investments were made in support of small and medium-sized businesses, preferential financial instruments were provided, subsidies were allocated to agriculture, and the transport and communications infrastructure was modernized.

As a result of all these measures, Azerbaijan has successfully emerged from the transition economy and entered a new stage. The main goal set is to renew the structure of the economy through the efficient use of natural resources and minimization of oil dependence. To this end, continuous progress is being made in the fields of agriculture, tourism, transport, information technology and construction. Thus, the creation of more than a million new jobs over the past decade, especially a significant portion of these jobs in the non-oil sector, reflects the real results of the economic diversification policy [4].

2 Methods

State policy aimed at developing the non-oil sector has a serious impact on the formation of alternative export opportunities in the national economy. In particular, in the current period, when the global economic system is experiencing a deep crisis, steps in this direction are becoming even more relevant.

State measures stimulating the development of non-oil sectors serve not only to reduce oil dependence, but also to reduce poverty and maintain socio-economic stability. These measures create a solid foundation that ensures the sustainability of the country's economy and contributes to increasing its structural sustainability.

Support for this sector leads to an increase in the production capacity of non-oil sectors, the creation of new jobs and strengthening economic stability. Research shows that government intervention in this sector plays a significant role in increasing the competitiveness of products and services. Strengthening the position of products manufactured in the non-oil sector, both in the domestic and international markets, is directly related to the use of innovative technologies. [5].

The analysis also shows that private sector participation in the oil industry is broader. This is mainly a result of the privatization process and is considered one of the important indicators of a market economy.

However, in some cases, the non-oil sector does not seem attractive enough to foreign investors. This is explained by the fact that oil products have easier and more profitable access to international markets. In such conditions, investors prefer to invest in the oil sector, where the risk is lower and the profitability is higher.

Protecting the non-oil sector from foreign competition is also of particular importance. Against the background of economic liberalization, the country imports higher-quality, cheaper and more competitive products. Although this process is beneficial for consumers, it creates difficulties for local producers and can weaken their market position.

On the other hand, the low purchasing power of the population leads to an increase in demand for cheaper products. This, in turn, creates conditions for a wider distribution of imported non-oil products on the domestic market.

The growth of imports of non-oil products negatively affects the economic security of the country. One of the main reasons for this negative trend is the low economic literacy of the population and its weak purchasing power. The main problem in this area is the insufficient modernization of the non-oil sector. In the modern era, measures aimed at modernizing the economy are of strategic importance in terms of ensuring not only short-term efficiency, but also long-term economic security of the country. The introduction of technological innovations in non-oil sectors, improving product quality and competitiveness are among the main conditions for ensuring the sustainability of the national economy.

3 Results

At the present stage, the development of the non-oil sector faces a number of difficulties. Insufficient investment in this area and weak competitiveness of manufactured products in international markets slow down the economic growth of the non-oil sector. This, in turn, leads to a low level of income for the population working in this sector and deepening economic inequality between the regions and the capital.

Looking at the structure of economic specialization in Azerbaijan, it can be noted that oil production is concentrated mainly in the central part of the country and on the Caspian coast, while non-oil activities are focused mainly on the regions. In this regard, the indicators of socio-economic development of the regions lag behind those of the center, and employment opportunities for the population are limited.

Low investment attractiveness of the non-oil sector limits the financial resources allocated to solving social problems in the regions. In general, social issues in the regions are resolved to a greater extent through state social protection programs. In this regard, rapid and sustainable development of the non-oil sector is of strategic importance for strengthening economic stability in the regions and creating new jobs.

To achieve successful results in this area, it is important to strengthen coordination between state macroeconomic management bodies and local government structures. Such mutual cooperation

allows for more efficient use of the existing production potential of the regions. In particular, this factor is important in terms of creating conditions for the activities of business entities in a free and competitive environment, reducing production costs and increasing profits. The state policy of economic regulation in this area is mainly accompanied by such mechanisms as reducing the tax burden, providing preferential loans and stimulating innovation. Strengthening state support creates conditions for the formation and strengthening of local industrial enterprises and increasing the share of regions in the gross domestic product.

Taking into account all these factors, the development of non-oil sectors in modern conditions should be assessed as one of the main areas of state policy of economic regulation. That is why the country's leadership constantly pays attention to the development of the non-oil sector and comes up with important initiatives in this direction. [3].

In particular, the main tasks of the State Investment Company, created by the Decree of the President, are to increase the inflow of investments into the non-oil sector and the formation of new economic opportunities in this area. Experience from advanced countries also shows that resource-based economic models cannot be sustainable in the long term without government support for the development of the non-oil sector. Since the production methods used in these areas are generally not based on innovation, the risk of technological backwardness and economic decline in the future is higher.

4 Discussion

As part of the process of economic liberalization, competitive non-oil products imported into the country from abroad are rapidly spreading in the domestic market, which creates a serious competitive environment for local producers. As a result, the market opportunities of non-oil sector enterprises are narrowing, and the share of local products in the market is decreasing.

In these conditions, the policy of state regulation should not be limited only to supporting economic growth, but should also be aimed at modernizing the industrial structure. The economic instruments used by the state contribute to the introduction of new technologies and scientific innovations in production. These incentive mechanisms have a positive effect on the introduction of new products and services to the market. The concept of national economic security requires ensuring sustainable income-generating activities in the real sector of the economy. In this regard, the continuity and sustainability of production in the real sector is one of the main pillars of national economic security.

Free competition in a market economy is considered an important factor in development. The stable position of enterprises in the market necessitates the production of competitive products and services. In the non-oil sector, the organization of production in accordance with market requirements, increasing labor productivity and service level are of particular importance in this regard.

Products of the processing industry, especially in comparison with imported ones, demonstrate a higher sensitivity. The entry of foreign goods into the domestic market can weaken the position of local producers. Therefore, it is necessary to introduce effective mechanisms of state support for the expansion of non-oil sector enterprises and the attraction of capital. The development of special financial programs within the framework of this support can accelerate the development of the industry. Attention should also be paid to the economic essence and features of investments. Investments in the economy mean directing capital to areas that will generate income over a certain period of time. Directing capital flows to production areas is an important tool in terms of creating new enterprises, producing innovative products and protecting against inflation. Investments are the main mechanism that ensures not only economic growth, but also employment expansion.

The creation of light industry enterprises, especially textile ones, in various regions of the country allows for the production of competitive products. These enterprises are capable of both satisfying domestic demand and increasing export potential. Relatively cheap labor in Azerbaijan and the abundance of natural resources create additional advantages in this direction.

The introduction of new technologies in the non-oil sector improves the quality and competitiveness of products, expands export opportunities and increases the inflow of foreign currency

into the country. This process has a positive effect on the country's balance of payments and makes it more resilient to global economic risks.

Research shows that Azerbaijan has certain advantages in terms of attracting investment in the CIS. These advantages were formed mainly due to revenues from the energy sector and played an important role in the growth of the state budget and GDP. Thus, the country has internal investment opportunities for the development of the non-oil sector and a favorable environment for additional capital investment has been created. [1].

However, certain shortcomings remain in this area. The obsolescence of equipment and fixed assets of non-oil sector enterprises, including light industry, necessitates new investments. Improving the investment climate is of strategic importance for all countries. One of the main obstacles in this area in Azerbaijan is the ineffective functioning of the land market in the regions. Legal uncertainty related to land ownership, problems in the judicial system, weak investment market infrastructure and underdeveloped social infrastructure make it difficult to attract foreign investors.

Foreign investment is of particular importance for the development of the non-oil sector. In the long term, foreign investment directed to the regions can help strengthen the country's economic security. Continuously changing market conditions and a tough competitive environment require more flexible and efficient operations, especially from service companies. The use of innovative approaches in this area allows companies to both improve the quality of service and expand their customer base.

It should be noted that innovation in the service sector is not limited to technology alone. It is a multifaceted approach that includes optimization of management processes, development of human resources and establishment of effective relationships with clients.

5 Conclusion

In this study, the main objective was to improve the efficiency of innovative approaches in service sector enterprises. The study analyzed in detail the role of such elements as the use of technological innovations, human capital development and business process improvement in the innovative development of the service sector. In the era of modern economic transformations, the rise of the service sector is of strategic importance in terms of strengthening the country's position in the system of international economic relations, increasing the competitiveness of service products, balancing trade in services and diversifying the overall structure of the economy. Innovations used in the service sector are aimed not only at satisfying current demand, but also create a solid foundation for the formation of new service areas and the qualitative improvement of existing ones. Experience shows that sustainable economic development of any country is directly related to maintaining its global competitiveness. This, in turn, is impossible without constant innovation processes based on scientific and technological achievements. Innovative activity is assessed primarily as a product of intellectual potential. As a result of this activity, organizations create new products and services, as well as technologically improve existing production processes. Thus, innovations contribute to both productivity growth and improvement of quality indicators. At the present stage, the development of capital-intensive sectors is the focus of the state economic strategy. State support for such areas gives impetus to the expansion of entrepreneurship and opportunities for activity in other areas, especially in the private sector and non-governmental structures.

On the other hand, the correct definition of priority areas for the development of the non-oil sector is of fundamental importance from the point of view of the formation of state policy in the sphere of economic management. Experience shows that in many countries, reforms carried out in the direction of structural transformation of the national economy did not produce the expected results, and most of these processes ended in failure.

Therefore, when choosing priority areas for the development of non-oil sectors, it is necessary to comprehensively analyze and take into account important factors that ensure the effective functioning of these sectors - technical, financial, institutional and social conditions.

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