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DOI: <https://doi.org/10.32782/2520-2200/2022-3-8>**Esmira Hasanzade**PhD in Economy,
Associate Professor of the Department of Economy
Baku State University (The Republic of Azerbaijan)**MAIN FEATURES AND MACROECONOMIC ASPECT
OF ECONOMIC SECURITY****ОСНОВНІ ХАРАКТЕРИСТИКИ ТА МАКРОЕКОНОМІЧНИЙ АСПЕКТ
ЕКОНОМІЧНОЇ БЕЗПЕКИ**

The fact that the market is the main trading instrument influencing the development of the national economy makes it necessary to analyze the lessons of all the factors that will affect its development. Consumer markets have a significant share of daily demand. Therefore, the article analyzes the behavior of consumers of agricultural products. It describes many factors that affect consumer behavior. The study argues that consumer behavior is not only affected by price and income factors. There are dozens of external factors that affect consumer behavior. Studies show that many factors can influence consumer choices, from social factors to psychological factors. The article graphically describes consumer behavior under the influence of these factors. The article also provides information on per capita consumption and market prices of agricultural products in Azerbaijan. Proposals have been put forward to stimulate the development of consumer markets in Azerbaijan.

Key words: economic security, economic threats, financial policy, tax policy.

Той факт, що ринок є основним торговим інструментом впливу на розвиток національної економіки, зумовлює необхідність аналізу уроків усіх факторів, які впливатимуть на її розвиток. Споживчі ринки мають значну частку щоденного попиту. Тому в статті проаналізовано поведінку споживачів сільськогосподарської продукції. Описано фактори, які впливають на поведінку споживачів. Досліджено, що на поведінку споживачів впливають не лише фактори ціни та доходу, а і десятки зовнішніх факторів. Дослідження показують, що на вибір споживачів може впливати багато факторів, від соціальних до психологічних, а також графічно описано поведінку споживачів під впливом цих факторів. У статті також наводиться інформація про споживання на душу населення та ринкові ціни на сільськогосподарську продукцію в Азербайджані. Були висунуті пропозиції щодо стимулювання розвитку споживчих ринків в Азербайджані.

Ключові слова: економічна безпека, економічні загрози, фінансова політика, податкова політика.

The concept of economic security is complex in terms of both theoretical and practical genesis. Although, on one hand, economic security seems to be very similar to other types of security, the existence of a certain degree of danger in all market-related activities makes it almost impossible to obtain an economically reliable source of reference. There are a number of reasons why there is a difference between a comprehensive analysis of economic security and other types of security:

– distrust in issues related to an economy is not always perceived negatively. Competition at all levels of the social hierarchy creates distrust. However, this should not always be taken adversely, as this in turn can be a factor in activism;

– the economic conditions of military security, the defense economy and the like cannot always be directly linked to economic security;

– in a broad sense, the concept of security indicates that economic activity and security are connected with other fields. Traditional security areas can be expressed as ranging from the security of computer systems and information transmission to information security, which encompasses the political, social, economic and military consequences of global disruptions in information systems;

– with the introduction of the concept of economic security in related areas such as international relations, security measures, peace research, discussions in this area have shifted

from state-centered economic security to the individual level, and living conditions have come to the fore as a key element of personal security.

Theoretical aspects of the content of economic security. The essence and content of economic security is determined by criteria and indicators that express its quantitative and qualitative characteristics. The criteria, in turn, are expressed through indicators of economic security. Indicators are quantitative and qualitative features of any economic process or event. In this sense, the study and assessment of economic security from the point of view of criteria covers the following aspects:

- natural, material, human resource potential of the country, its current state and level of development, quantitative and qualitative features and comparison of this potential, the level of its use with the current level of developed countries, bringing it to this level;
- territorial integrity of the country and a single economic space;
- competitiveness of the economy;
- ability to continue and repel external influences at the expense of internal potential;
- socio-economic stability in the country, lack of social tension, etc.

Muller stressed that the long-term economic security and development of households depended largely on savings and wealth accumulation. The potential of individuals or households is a measure of economic security in these terms. In terms of economic security, it is more important to protect households from the negative effects of the environment in the first place. Indicators such as working capacity, health, prevention of human loss, protection of solvency must be provided in the first place. Issues such as quality recreation, comfortable living environment, health insurance, and the growth of the pension fund are also important, but can be secondary [5].

Morris and Deprez analyzed the financial resources, living standards, and competitiveness of women of working age in the U.S. labor market. It has been found that their views on economic security are simple and are generally understood as the ability of an individual to take care of herself. According to them, economic security is determined by the financial situation, which allows you to provide any lifestyle [6]. Quinn and Cahill analyzed the impact of various economic shortcomings on individual economic security in general. According to them, economic security is determined by financial opportunities, social welfare, purchasing power and resilience to external shocks [7].

Makštutis described economic security as a state in which the economic and state institutions

of a country, regardless of internal and external influences, protect national interests and ensure balance and social development throughout the country. He noted the conditions of economic security as follows:

- economic resilience and ability to finance defense needs;
- provision of strategic products (energy, food, etc.);
- diversification of foreign trade;
- to act independently from the leading participants of the international economy;
- to be protected from economic espionage;
- macroeconomic indicators being at a positive level;
- security of property;
- social security for a certain standard of living;
- job security;
- efficiency of economic activity [4].

Glantina analyzed modern economic security categories and put forward the following ideas:

- economic security is an important element for the state and statehood;
- the concept of economic security is a very complex and ambiguous category;
- without ensuring economic security, the state cannot solve the problems it faces at the domestic and international levels;
- to assess the economic security of the country, it is necessary to determine the conditions of economic security: differences in national interests, public resource opportunities, competition and trade conditions for local products, increased competitiveness of other countries, assessment of the country's national interests as a threat by others;
- economic security of the state is a socio-economic concept of protection from internal and external threats, along with changes in the material conditions of production in the country's economy [3].

As can be seen, a general direction is determined on the basis of economic security criteria. These criteria determine the step-by-step solution of socio-economic processes and stipulate the selection and determination of indicators that reflect the state of economic security. Of course, the main thing here is to determine the prices and limits of the selected indicators, or rather, to determine the threshold prices, limits and specify the threshold prices. Because deviations from these prices lead to the formation of negative trends against the economic security circumstances. When the threshold values of these indicators are at the permissible level, it is possible to achieve the national economic security of the country.

There are different approaches to the specification of economic security indicators. According to a number of authors, the program of provision of economic security should reflect the following features.

- the subject of economic security determined by its associates;
- the components of the parameters of this object that are closest to the boundaries of the safety zone;
- the main threats and their consequences for the desired state of the system;
- types of security strategies that are relevant to be developed and implemented for security components;
- composition of basic security strategies and measures that constitute them [2].

Budget-tax and monetary-credit mechanisms of economic security. Fiscal policy is a central activity in the implementation of economic policy of the state using budget-financial and monetary-credit mechanisms. Financial policy includes budget-tax policies. This is closely related to monetary-credit, price and currency policies. Public finance plays an important role in the pace of economic growth, ensuring the development of leading industries, the reconstruction of industries that accelerate scientific and technological progress. Public finances are crucial in the formation of a healthy national economy and the application of technologies that allow to produce competitive products. The general threat in the financial sphere affects all areas. In the field of financial circulation, this manifests itself mainly in the following forms:

- increased payment;
- deterioration of the structure of funds;
- limitation of money supply;
- violation of price equilibrium, etc.

The threat to the banking system is greater. Thus, the instability of financial institutions is growing, the number of bankrupt banks is increasing. The fictitious nature of the authorized capital, the predominance of fraudulent transactions, the inefficient operation of many banking structures, the declining level of corporate borrowing, and a number of other factors pose a threat to the country's financial system. The general threat in the financial sector has a serious impact not only on the financial circulation and the banking sector, but also on the situation in the stock markets. The lack of funding in the country can lead to a crisis in the structure of the stock market and further strengthen the reputation of foreign investors. This can lead to the country becoming dependent on foreign investors, resulting in the production structure not in line with national interests, but simply in the

interests of foreign investors. In such a situation, it is difficult to control foreign capital. As a result, foreign financial companies are increasingly resorting to this abuse.

The general threat in the financial sphere also creates difficulties for the establishment of foreign economic relations in the national interest. This is reflected in the increase in the country's foreign debt, the increase in the use of foreign currency in the domestic economy, the weakening of control over the export of important strategic raw materials, the illegal export of banned goods, the aggressive policy of foreign companies to dominate the domestic market, dependence on imports and other negative circumstances.

There is a connection between the exchange rate policy and the structure of the domestic financial system. The stability of a stable exchange rate against speculative effects is based on the strength of relations between domestic and foreign financial markets. Similarly, the sustainability of a stable exchange rate depends on the strength of the domestic financial system. The functioning of a normal and floating exchange rate is also closely linked to the development of the domestic financial system, as domestic financial institutions are important players in influencing the exchange rate in the foreign exchange market. Protection against the risks of costs associated with uncertainties in the floating exchange rate depends on the availability of financial instruments [8].

Taxes and tax policy in the country's economic and financial security system objectively include the following:

- taxes are a resource factor in the hands of the state;
- it is a means of influencing the economic and social process;
- it is a factor that shows the dependence of the state on taxpayers and regions [1].

Tax policy can have both positive and negative effects on the economic and financial security of the state. Thus, a tax policy based on unreasonable, subjective factors can endanger the country, while a well-calculated, realistic, fair tax policy has a positive impact on the country's economic and financial security. The role of the tax, which is one of the factors of economic security, depends on the specific conditions, the characteristics of the stage of economic development, the nature of the economic policy pursued, the stability of government. The crisis of the state and the economy, mistakes in economic policy and the general weakness of the state apparatus, inevitably lead to a crisis in the tax system as well. Due to the inability to establish tax autonomy, its suffering depends on the level of

economic development and political structure of the state as a whole [9].

It is necessary to distinguish between objective and subjective tendencies of tax policy. Objective tendency means real tax relations and the number of real indicators of the tax system. Subjective tendency means conditions, goals, results of the tax policy pursued by the state. In addition, there is a possibility of internal and external threats to the objective process, the tax system and tax policy of the state. The objective tendency of the tax system may also contradict subjective factors. This is reflected in the fact that tax policy is less optimal and relatively inefficient in ensuring economic security, and vice versa. The following are examples of factors that threaten the security of the tax system:

- failure to pay taxes on time in a particular sector of the economy contributes to the deepening of the general financial crisis;
- avoidance of tax payment and concealment of income;
- non-responsibility of economic entities before the law and unstable and weak activity of the state government in taxation and its collection.

The crisis of the tax system will continue until the financial condition of its enterprises improves. For the effective functioning of the tax system, first of all, it is necessary to achieve the development of private entrepreneurship, employment of the able-bodied population and increase in the level of wages.

This point of view we analyzed the data of the State Statistics Committee. As can be seen, in the same period of 2022, compared to the first 4 months of 2021, the total volume of tax revenues was 55.2 percent. When the share of this indicator was determined by the non-oil sector, the result we obtained was quite high. Thus, the result in the corresponding period of 2022 was an increase of approximately 49.7 percent. The expected increase in the overall indicator is 50.5 percent. The indicator of growth in the non-oil sector was 33.5 percent.

The financial condition of the enterprise is one of the main factors in the formation of the tax base. There are various forms of financial crisis in an enterprise, and the following are examples:

- Working at a loss;
- Loss of working capital;
- Deliberately hiding funds from the account, evading tax control;
- Misappropriation of funds by officials;
- Delaying the payment of wages en masse, etc.

One of the factors negatively affecting the tax base is the expansion of barter and non-cash transactions during economic relations between

enterprises. Promissory notes, mutual accounts are of this kind. In such cases, businesses stay out of paying taxes. One of the reasons for the instability in the tax system is the low level of lucrativeness and profitability of enterprises. This factor means the weakening of the tax base, because in this case such enterprises are exempt from some taxes, and first of all from income taxes. Thus, difficulties in the financial condition of the enterprise can lead to shortcomings in the provision of public expenditures, threatening the financial condition of the state. This indirectly poses a risk to national economic security.

As the state budget plays a key role in ensuring the economic and financial security of the country and improving credit relations, its revenue and expenditure structure needs to be revised and improved every year.

After paying attention to the general indicators of revenues from the oil and non-oil sector, we decided that there is a need to analyze the adjustments in tax revenues for all sectors. So, while this indicator for 2021 was 20,037.0 million manats, in 2021 this indicator was 19,181.9 million manats. In the past period, the expression of growth in relative quantity was 6.8 percent. Compared to the base year, the relative expression of growth in industry was 20.8 percent, in construction 5.6 percent. Compared to the same year, the volume of revenues from the transport sector was 1,740.1 million, which represents an increase of 20.5 percent compared to the corresponding period of last year [11].

This increase in the social sphere was 20.8 percent, which is directly related to the development of the service sector. The growth of this figure is an important factor, especially in pandemic conditions. When looking at the field of information technologies, we can see that this quantity has increased by 14.7 percent. The fictitious expression of the increase in the mentioned area was 51.4 million manats [13].

Azerbaijan has faced many difficulties in the field of lending, and especially in certain sensitive periods, it has manifested itself in serious problems in many areas of the economy, along with the banking system. The results of the effective organization of the monetary, banking and budgetary-tax system in the formation of an effective structure of the national economy are revealed at a time when economic threats are growing.

This was evidenced by the devaluation process that took place in Azerbaijan in 2015 and the difficulties that arose after the sharp decline in global oil prices. However, non-economic risk factors also had a significant impact on the state of the national economy.

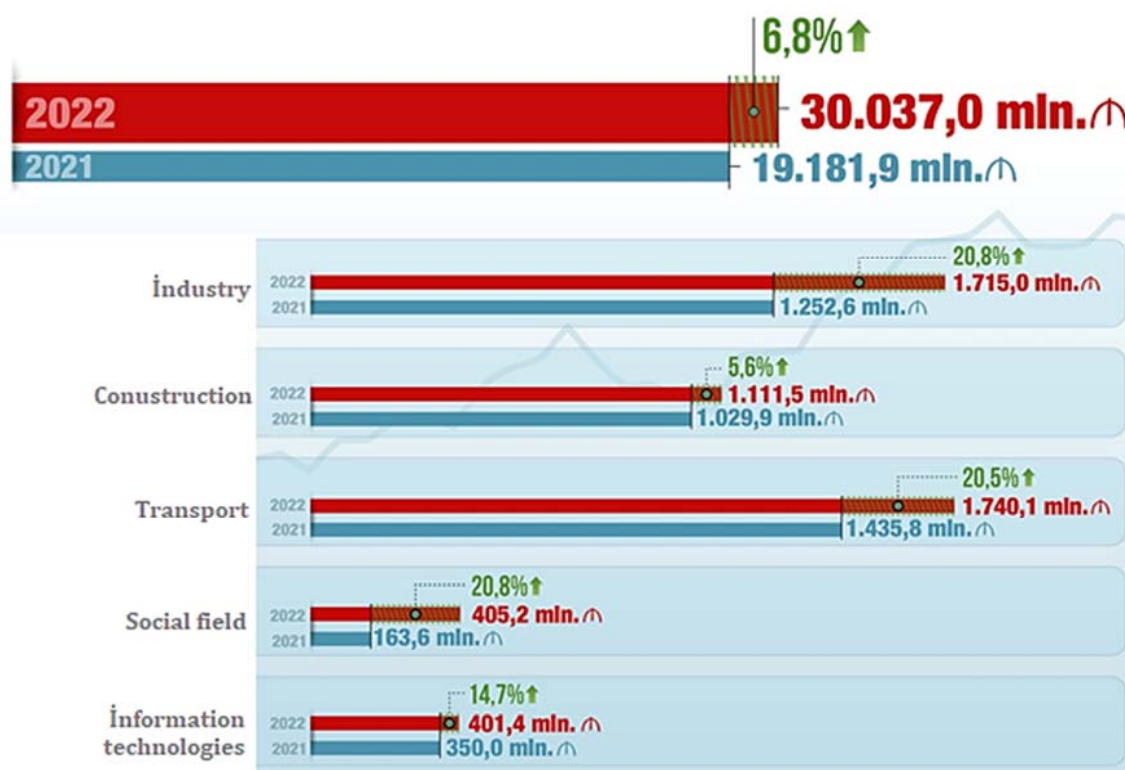


Figure 1. TAX revenue for non-oil and gas sector (in million manats)

Source: [11]

As can be seen from Figure 1, although there was a change in nominally increasing GDP in the post-2015 period, there was a decrease in 2020. Here, difficulties emerged due to the pandemic caused by Covid-19 were the main factor for the negative impact of global processes on the national economy, and led to setbacks in the economy of Azerbaijan, as in most countries around the world. In addition, the conditions of the war did not pass unnoticed in the country's economy, making it necessary to increase military spending and public spending to eliminate the consequences of the war.

In general, the dynamics of GDP change in the period under review was 11.1%, 16%, 13.7%, 2.4% increase and 11.3% decrease, respectively. The share of public debt in GDP was 19.8%, 20.4%, 22.8%, 19%, 17.3%, 19%. The share of budget deficit in GDP was 1.25%, 0.4%, 1.6%, 0.4%, 0.3%, 2.4%, respectively, which was accepted as 3%, which is below the critical threshold [12].

Decisions on the parameters of the interest rate corridor in 2020 served to maintain an optimal balance between the priority of supporting economic activity in the event of a pandemic and the need to maintain macroeconomic stability. In 2020, the parameters of the interest rate corridor were discussed 8 times, the discount rate was gradually reduced from 7.5% to 6.25% and the upper limit of the interest rate corridor from

9.25% to 6.75%. The lower limit of the interest rate corridor remained unchanged at 5.75% [13].

Overall, the discount rate has decreased 2.4 times (from 15%) since the beginning of 2018. The monetary base in manat increased by 7.1% from the beginning of the year. The main factor influencing the money supply during the year was the change in the single treasury account, which is formed depending on the revenues and expenditures of the state budget. The Central Bank's provision of the necessary point liquidity support to the economy in the event of the pandemic also affected the money supply [11].

The existing approaches are also multifaceted, as the analysis of the essence of economic security is based on various criteria. However, approaches to the level of coverage, components, provision elements and mechanisms, and influencing factors are attracting more attention. Although important at all levels, it should be noted that economic security is now the focus of more attention in the context of a country's economic security, and at other levels security is regulated with a functional connection to it. Taking into account the criteria set in the regulation of economic security, monetary and fiscal mechanisms are very important in terms of both control and development opportunities.

A number of measures can be effective to increase the efficiency of the use of monetary and

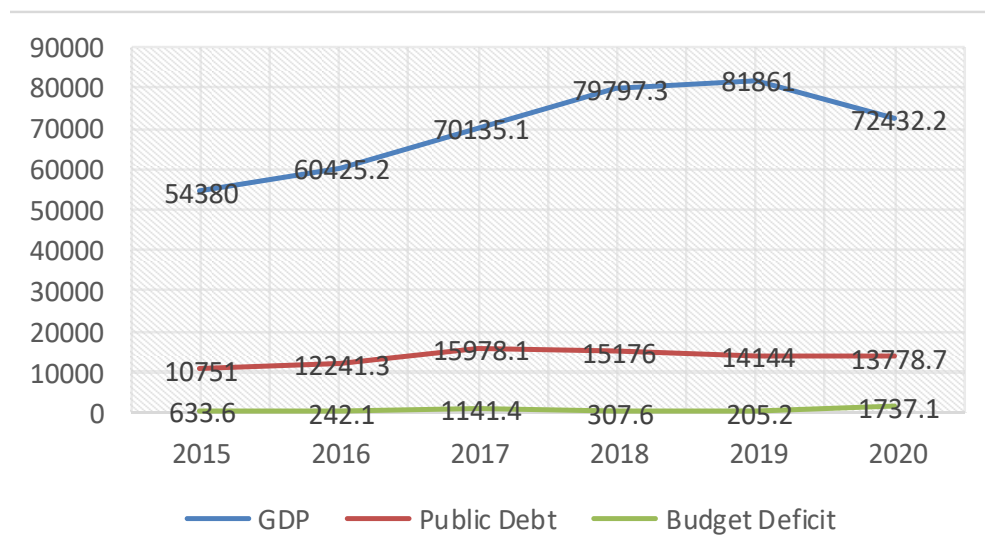


Figure 2. Indicators of GDP, public debt and budget deficit in Azerbaijan for 2015–2020 (in million manats)

Source: [13]

budgetary-tax mechanisms in ensuring economic security in our country:

- comparing the negative and positive effects of taxation on the economy with the receipt of income;
- taking into account strategic global trends as well as national economic potential in fiscal stimulation and monetary instruments;
- increasing the tendency of the lending process in the banking system to support the future structural development of the national economy rather than the current consumer market;

– development and application of simpler, more transparent and efficient methods of budget structure formation;

– expecting critical limits of foreign public debt, ensuring the optimal use of incoming debt in areas that can ensure strategic national interests and benefits;

– to increase the dynamism and efficiency of monetary and fiscal mechanisms in order to ensure intersectoral balance in the creation of GDP, etc.

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