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THE IMPORTANCE OF COMPETITION IN THE FORMATION OF A FAVORABLE BUSINESS ENVIRONMENT

Zaur Asadzade
Azerbaijan Cooperation University, Baku, Azerbaijan
ORCID ID: 0000-0002-8301-6061

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ABSTRACT

In the realm of economic theory and practice, competition stands as a cornerstone in shaping a conducive environment for businesses. This article delves into the paramount importance of competition in fostering innovation, efficiency, and ultimately, economic growth. By analyzing the multifaceted impact of competition on market dynamics, consumer welfare, and industry evolution, it becomes evident that competitive forces play a pivotal role in driving businesses towards excellence and sustainability. Furthermore, the article explores the regulatory frameworks and policies essential for maintaining fair competition, thereby ensuring a level playing field for all market participants. Each independent state, which is a part of the global economy, tries to form a favorable business environment within its borders. It is impossible to form a favorable business environment without forming a favorable competitive environment. Research shows that there is a reciprocal relationship between competition and business. Because a favorable competitive environment forms a favorable business environment, the absence of a favorable business environment results in a favorable competitive environment not being fully formed in that region. In this regard, the article talks about the interaction of both concepts, as well as the exceptional importance of competition in the formation of a favorable business environment. The author considers a favorable competitive environment as a trigger factor for a favorable business environment. In the article, a statistical table was formed with reference to the statistical indicators of the international economic form for the comparison of competitiveness at the global level by evaluating competition, interindustry and intra-industry from different aspects and competitiveness between countries was evaluated from different aspects.

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Introduction.

The leading position belongs to the private sector in modern times, when market relations prevail. Business structures operating in various fields are not only the main source of income (taxes) of the central budgets, but also are of particular importance in solving the socio-economic problems of the society (employment, etc.). Therefore, the organization, expansion and diversification of business activity in the modern era is a priority in individual national states. Competition becomes the main locomotive of development in the conditions of market relations, where the intervention of the state in economic processes is minimized. Competition, explained as a struggle for a better position in the market, makes individual business structures more combative and flexible. In this sense, a fair competition environment acts as a necessary condition for a favorable business environment. Effective use of resources, long-term profitable activity is possible only in a fair competitive environment. All these are the main indicators of a favorable business environment. Business thrives and society thrives in an environment where resources are used sparingly and with long-term profitability.

Review of literature.

Competition is widely recognized as a crucial factor in shaping the business environment and driving economic development. Numerous scholars and researchers have explored the significance of competition in fostering innovation, efficiency, and growth across various industries and economies.

Empirical studies have provided ample evidence of the positive relationship between competition and firm performance.

Research by economists such as Augustine and Elchaig has shown that competitive markets lead to greater efficiency, lower prices, and higher levels of innovation. Competitive pressures drive firms to invest in research and development, adopt new technologies, and explore novel business models to stay ahead of rivals (Augustine, 2019 and Elchaig, 2019).

By competition the total amount of supply is increased, and by increase of the supply a competition in the sale ensues, and this enables the consumer to buy at lower rates. Of all human powers operating on the affairs of mankind, none is greater than that of competition (M. Lanfranchi, 2019).

Moreover, competition plays a crucial role in promoting consumer welfare and choice. In competitive markets, consumers benefit from a wide range of options, competitive pricing, and improved product quality. Studies have demonstrated that increased competition leads to higher levels of customer satisfaction and enhances overall economic welfare (Jan Dvorsky, 2020).

Jürgen Janger's article is important in terms of linking competition to inflation. According to him, competition develops the economy of the country as a whole. In markets where there is unfair competition, giant enterprises crowd out small businesses and drive them out of the market. If those business subjects seem to have made a strong profit at first glance, this is considered a short-term profit. In the long term, unfair competition increases inflation in the country by damaging all structures of the economy (Jürgen Janger, 2010).

In the article "Competitiveness: a Dangerous Obsession", Paul Krugman talked about the extent to which human capital in economic entities affects the competitiveness of the enterprise. If we pay attention to the activities of competitive enterprises, we will see that they produce quality products along with implementing a marketing strategy suitable for the market. In addition to quality raw materials, "quality" human capital is also necessary for the production of quality products. Because in the end, no matter how new the technology is, it is human capital that makes it work (K.Paul, 2014).

Effective competition policy and regulatory frameworks are essential for creating a level playing field and preventing anti-competitive behavior. Governments and regulatory authorities play a critical role in enforcing antitrust laws, promoting fair competition, and protecting consumers from monopolistic practices (K. Paul, 2014).

Competition whose motive is merely to compete, to drive some other fellow out, never carries very far. The competitor to be feared is one who never bothers about you at all, but goes on making his own business better all the time. Businesses that grow by development and improvement do not die. But when a business ceases to be creative, when it believes it has reached perfection and needs to do nothing but produce-no improvement, no development-it is done (M. Patrick, 2013).

If we look at the article published by R Richardson in 2014, we can see that the researcher also talks about the importance of managerial issues of managers for the formation of a favorable business and competitive environment. Managers must be involved in almost every stage of the decision-making process. They should try to lead the team, not just manage it. Only leaders with strong leadership skills are able to move their teams forward and achieve their business goals more quickly (Richardson, 2014).

In conclusion, the existing literature underscores the importance of competition in shaping a favorable business environment. Competitive markets drive innovation, efficiency, and growth, benefiting both firms and consumers. Policymakers, business leaders, and other stakeholders should prioritize initiatives that promote competition, remove entry barriers, and foster a conducive environment for sustainable economic development.

Materials and Methods.

The purpose of the study - it consists of the importance of forming a favorable business environment for the purpose of ensuring the sustainable development of economic entities and the country's economy, and for this reason, developing directions for the development of competitiveness in production.

Methodology of the research - a systematic and complex approach, induction and deduction methods were used during the research, as well as the impact of production areas on economic development was comparatively analyzed from various aspects and relevant generalizations were made.

The applied importance of the research - the obtained results, proposed proposals and recommendations can be used in solving theoretical and practical problems, as well as in the development of production areas.

The originality and scientific novelty of the research - the article talks about the interaction between the concepts of a favorable competitive environment and a favorable business environment, and shows the extent to which the country's economy develops with the provision of competitive production in 11 countries. The substantiation of the necessity of competitiveness for sustainable development and the extensive analysis of competitive production as a condition for sustainable development represent the originality of the research.

The results of the research consist of the development of proposals and recommendations on ensuring competitive production, taking into account the realities of the modern world economy, the trends occurring in the global space and the economic capabilities of the country.

Results and Discussion.

Competition plays a pivotal role in shaping the business landscape and fostering a conducive environment for economic growth. A favorable business environment is essential for innovation, efficiency, and overall economic development. This paper explores the significance of competition in the formation of such an environment. Competition is a driving force behind the formation of a favorable business environment, promoting innovation, efficiency, and consumer benefits. A well-regulated competitive landscape ensures fair practices and prevents market distortions. Governments, businesses, and regulatory bodies must work collaboratively to maintain a balance that encourages healthy competition, fostering sustained economic growth and prosperity.

Theoretical approaches to business environment and entrepreneurship.

Entrepreneurship and business are integral components of the market economy. Without these concepts, there can be no question of the existence and development of the market economy. The concept of entrepreneurship was introduced to the scientific circulation for the first time by the English economist R. Cantillon. According to the economist, the main aspect of entrepreneurship is its risk-taking and its main economic task is to adjust the supply to the demand in various commodity markets. Development of entrepreneurship and business activity is a historical process. The main driving force here is incentive, profit with risk. But this is not only a personal matter. From the point of view of the general economic progress of the society, it is necessary to look at private entrepreneurship with another criterion. At the time Adam Smith explained this with a precise expression and said that although private enterprise operates for the sake of direct profit, it simultaneously and unconsciously serves another necessary purpose that is not directly related to its operation, the general interest of society (for example, it also serves to increase not only production of goods but also increase its quality indicators, expand cultural trade services, modernization, etc.). Therefore, it can be concluded that private entrepreneurial activity is not only a matter of personal interest, but also a public issue. The German economist Werner Sombart also made an important contribution to the theory of entrepreneurship and described the entrepreneur as a trader who has risk, moral freedom, rich ideals, will and perseverance, who is able to convince people to sell his goods, and who arouses interest in them. Along with the mentioned features, one of the important attributes of entrepreneurship is economic freedom. Economic freedom includes the right of an entrepreneur to have economic resources and, on this basis, to organize the production of a certain product, to engage in various service areas, to conduct relevant financial, credit, investment operations, and so on (Augustine, 2019). The degree of economic freedom in the current country is determined by the nature of the social and political structure, the level of democracy, the mentality of the nation, and etc.

Entrepreneurship and business activities are possible with the participation of certain objects and subjects. In other words, entrepreneurship and business activities take place with the necessary material and economic resources and the combination of certain professional people. Although there are many similarities between the concepts of business and entrepreneurship, it is necessary to distinguish them from each other (Grossman, 2017). Business is a type of economic activity for profit and means "work". But business is more than just work. It is also a business relationship between people. Business is a set of business relationships between entrepreneurial people for the purpose of meeting the needs of consumers and making a profit. Business activities are carried out in all phases of the economy. The business is related to the delivery of the finished product to the final consumer on a trade-production-trade scheme. In other words, after obtaining raw materials to produce a product, the entrepreneur passes those raw materials through various production cycles and puts them in the form of a ready-made product for use by consumers. With a certain part of the income obtained from the sale of the last manufactured product, the entrepreneur starts the reproduction process by buying raw materials again. Entrepreneurs engaged in the production-oriented field of business continuously implement the 3 stages listed above (Oscars, 2019). In addition to all this, business is both a production activity and a commercial activity. Business as a commercial activity is the sale of finished products to various consumers. Here, 2 types of entrepreneurs (businessmen) appear. One of them is the entrepreneur who is engaged in the production of the product and sells it at the end, and the other is the entrepreneur who buys the finished product from the previous entrepreneur and sells it to consumers at a higher price. Of course, there may be other entrepreneurs in the market besides the mentioned entrepreneurs. Those entrepreneurs are also the ones who add a certain amount to the goods they get from the second type of entrepreneur that mentioned earlier and sell them. From the above-mentioned ideas, it can be concluded that every entrepreneur is engaged in commercial activities even if he is not engaged in production activities. So, this means any entrepreneur engages in commercial activities to deliver his final product to the consumer.

Everyone knows that there are enough theories in the economic literature about the creation of entrepreneurial opportunities. If we summarize all the mentioned information, we can observe that the entrepreneurial opportunities are formed in the following form (Jan Dvorsky, 2020):

- Searching for and finding more effective methods of meeting the current demand.
- Development of technologies and products to meet current demand.
- Use of legislation for effective implementation of business and along with imperfect market mechanism.

Competition acts as the driving force of the above-mentioned factors. Economic entities that sell two identical products in the market differ from each other by different types of competition methods. The competition between economic entities causes them to develop their products through new types of techniques and technologies, to satisfy the current demand in the market with more competent methods. Research shows that the concepts of business and competition are related to each other and therefore mutually are the concepts that affect the image. It is clear that ensuring competitiveness is one of the main conditions for the development of any economic entity. Because every entrepreneur knows that the more competitive the product he produces, the more it will differ from the products produced by other similar enterprises due to its positive characteristics, and as a result, the consumer segment of the product will expand, demand will increase, attract more buyers and market will have a more superior position. All these factors create favorable conditions for experiencing "profit booming", which is the main goal of every entrepreneur. In economic literature, concepts such as business and entrepreneurship are considered synonymous with each other, and they have the following characteristics:

➢ Freedom and independence – every entrepreneur is free to make decisions on any issue. Of course, within the framework of legal norms.

➢ Economic interest - the main goal of the entrepreneur is to obtain high profits. At the same time, the entrepreneur leads to the achievement of the public interest in order to achieve his personal goal. That is, by developing his economic entity, the entrepreneur creates new jobs, which results in the reduction of the state's social burden.

➢ Business risk and liability - uncertainty and risk remain in any accurate calculations, reasonable, thoughtful forecasts, management decisions. In other words, even if the work is predicted using any methods during the activity of business subjects, the risk does not decrease completely, even if a certain part of the risk remains. For this reason, it is impossible to imagine business without risk.

Adam Smith explained in more detail the ideas about entrepreneurship in business subjects - "although the entrepreneur acts for the purpose of making a profit, he at the same time, also involuntarily, does other necessary, important work that is not directly related to his property, for the general interest of society (for example, it serves the increase of product production and improvement of quality, efficient operation, cultural trade service, modernization of production, democratization of the economy, etc.) For example, an entrepreneur carries the social burden of the state with his economic activity. The main goal here is not to carry the social burden of the state or to minimize the level of unemployment in the country. The main task of every entrepreneur is to make a profit by achieving sustainable development of the economic entity. They use human capital with sufficient physical and mental skills to achieve this. Therefore, every business entity serves the state and society by performing its economic activity. In order to ensure the continuity of his economic activity and to ensure his competitiveness in the market, the entrepreneur must produce quality products while always looking for innovation. Entrepreneurs who consider the production of quality products as their priority will increase the competitiveness and attractiveness of the manufactured products. So, this will result in a direct increase in the company's profits, and all of these which are highly dependent on the business and competitive environment.

Competition factor in efficient business development.

There are different approaches to competition in the economic literature. But the general conclusion of all is that competition is the main mechanism as well as the driving force in the market. Throughout history, most of the achievements achieved by different generations have been formed on the basis of competition. Competition requires rational behavior as a condition of existence in the market and stimulates this rationality (Chen, 2012). In other words, competition is an intrinsic feature of commodity production and reflects its development method. The basis of competition or economic negotiation is that each person tries to get more profit for himself. Competition is primarily based on the existence of a large number of independent sellers and buyers in the market for each particular product, as well as the complete freedom of sellers and buyers to enter and leave this or that market as needed. Having a favorable competitive environment in the country directly determines the formation of a favorable business environment. In the markets where there is free competition, entrepreneurs intend to invest in this field with ease, in addition to seeing their business more secure. In markets with the opposite of the above, entrepreneurs face various difficulties in developing their business, and thus over time they are forced to leave the market or the efficiency indicators in their activities move in a negative trend.

In the conditions of the scientific and technical revolution, competition allows to accelerate the application of science and technology to production, to improve the quality of the manufactured product, to offer consumers different types of products of the same type, to increase labor productivity, and to make production cheaper. In other words, the application of new technologies in production lays the foundation for the transition of the economic subject from extensive development to intensive development. Thus, competitive product production makes an invaluable contribution both to the enterprise and, therefore, to the country's economy. Competition begins to operate with full force in a market economy dominated by commodity-money relations, where non-economic barriers to the free movement of goods, capital and labor are removed, and a single national market is established. In such conditions, competition becomes the main tool of blind-natural market regulation of the market economy. Free competition prevailed in pre-monopoly capitalism, and it existed in two main forms, inter-field competition and inter-sectorial competition (Jangler, 2010).

Inter-field or in other words cross-border competition is the competition between entrepreneurs operating in the same field for the purpose of obtaining additional profit from the sale of goods under more favorable conditions. Research shows that in each specific period there are differences in the technical equipment of commodity producers (enterprises, firms) operating in any field, in the levels of professional skills and labor productivity of workers. As a result of this, there are various differences in the prices of the products produced in those economic entities. In other words, the production of the same commodity costs different costs for different producers. However, in the same market, at the same time, it is impossible to sell the same goods at different prices, i.e. at prices corresponding to the individual production costs of each producer. The market has its own laws, and market prices are regulated by these laws (law of value, law of supply and demand, etc.). Thus, in intra-border competition, prices are not determined by individual labor costs, but by socially necessary labor costs.

Any producer who produces that commodity at a cost greater than the socially necessary labor costs loses, and if this continues for a long time, his activity may result in bankruptcy. Producers whose production costs are lower than average costs get additional profits. As a result of cross-border competition, producers with a higher level of technical equipment and higher productivity than average labor productivity generally receive additional profits. Technically and organizationally backward manufacturers, on the contrary, lose and go bankrupt. Thus, cross-border competition pushes manufacturers to scientific and technical progress, and as a result, to soon apply it to production. As a result, it contributes to the rapid development of productive forces in the society as a whole, the emergence of new technologies and their application to production (Richardson, 2014).

One type of competition between manufacturers, entrepreneurs, firms and companies is inter-sectorial competition. Inter-sectorial competition is conducted between enterprises operating in different fields to obtain a higher rate of profit for their capital. This is expressed in the form of the flow of capital from areas with a low rate of profit to areas with a high rate of profit. It is through inter-sectorial competition that the flow of capital from one sector to another is carried out and the reproduction proportions of social capital are ensured.

From the research conducted by the "World Economic Forum" among 141 countries in 2019, it can be concluded that the competitiveness of countries is constantly changing at the global level.

Table 1. Competitiveness of countries in 2019.

№	Countries	Score 0-100	Rank	Score for previous year
1	Singapore	84.8	+1	+1.3
2	USA	83.7	-1	-2.0
5	Switzerland	82.3	-1	-0.3
6	Japan	82.3	-1	-0.2
58	Azerbaijan	62.7	+11	+2.7
59	Greece	62.6	-2	+0.5
61	Turkey	62.1	-	+0.5
68	India	61.4	-10	-0.7
93	Egypt	54.5	+1	+1.0
110	Pakistan	51.4	-3	+0.3
141	Chad	35.1	-1	-0.4
Source:*https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf*				

If we look at the statistics published by the "World Economic Forum", we will see that in terms of competitiveness, Singapore leads the list, surpassing 140 countries. In 2018, Singapore's competitiveness indicators were 83.5 out of 100 points, and its place in the list was evaluated as the II place. In 2019, this indicator increased by 1.3 points to 84.8 points, and its place in the list increased by 1 place to the first place. Azerbaijan's competitiveness rating in this list was 60.7 points in 2018, and in 2019, the competitiveness indicator increased by 2.7 points to 62.7 points. According to competitiveness indicators, Azerbaijan's place in the list has increased by 11 places compared to 2018 and is the 58th place, ahead of Greece, Turkey, India, Egypt, Pakistan and other countries.

In the system of each market economy, at one time or another, separate areas and spheres of the economy differ from each other with unequal conditions of capital investments. In some areas, the rate of profit and the structure of capital members are high, while in others it is low, and in some areas, the rate of exploitation is higher than in others. These areas also differ from each other in terms of capital circulation patterns. As a result, the same amount of capital invested in different fields provides different profit rates (Patrick, 2013).

As it is known, the main goal of all entrepreneurs' activities in the market economy is to make as much profit as possible. Here he sees the profit rate as a compass that determines the direction of his capital's activities. For entrepreneurs, it doesn't matter in what field and what they spend their capital on, as long as this capital returns with as much profit as possible. Therefore, competition between industries causes capitalists to move from industries with a low rate of profit to industries with a high rate of profit (A. Philippe, 2015). As a result of this, because the profit rate is low, the production decreases in the areas where the capitals leave, the demand for manufactured products begins to exceed their supply, the market prices of these goods are higher than their value, and the profit rate in these areas rises to the average profit level. At the same time, due to the high rate of profit, intra-field competition begins to intensify in areas where a lot of capital is involved, production expands because the number of producers is greater than before, the supply of goods exceeds the demand for them, and as a result, market prices and the rate of profit begin to fall (Feenstra, 2017). The capitals freed up in the process of re-production go to areas with higher profit rates. Under conditions of free competition, the constant flow of capital from one sector to other leads to the equalization of sector profit rates and the formation of an average (in other words, total) profit rate and production price. According to the words of the famous German scientist Karl Marx, "by dividing itself between different spheres of production depending on the rise and fall of the rate of profit, capital creates such a ratio between supply and demand that the same average profit is formed in different spheres of production, and thanks to this, values become prices of production (Lanfranchi, 2019)."

It should be noted that both historically and logically, intra-border competition precedes inter-sectorial competition. Intra-border competition leads to the determination of equal market value and market price in each separate area of production. Accordingly, a single profit rate is formed within the framework of a production area. But at the same time, the deviation of individual profit norms from the average profit norm continues in scandal, which depends on the technical equipment of each capitalist's enterprise, the market structure and the differences in the profit norms per area. "... Only the competition of capitals in the various branches of production creates the price of production, which equalizes the rate of profit between the various branches" (Feenstra, 2017).

The more developed market economic relations are in the country, the fuller and freer the flow of capital from one area to another. The higher the level of development of transportation, means of communication and economic information, the more intensive the flow of capital from one area to another. The wide development of the listed factors makes it free and easy to move both money and productive capital from one area of production to another. More favorable conditions for inter-sectorial competition exist in pre-monopoly capitalism, where there are no natural or artificial barriers to the free flow of capital. The exception here is agriculture, where there is a monopoly of private ownership of land, which hinders the free flow of capital (Andrew Hubert, 2023). It is because of this monopoly that the part of the value of the agricultural product in excess of the production price is not distributed among other capitalists, but forms the absolute land rent, which is appropriated by the landowners.

A competitive economy plays an important role in the regulation of the economy by leading to the efficient use of the limited economic resources at the disposal of the society.

The development of competition in the market economy leads to the production of products according to demand in the cheapest way and to increase their quality. In other words, competition is the main concept that expresses the essence of market relations (Paul Harmon, 2019). There are numerous approaches to competition in the economic literature. We can classify those approaches in 3 directions.

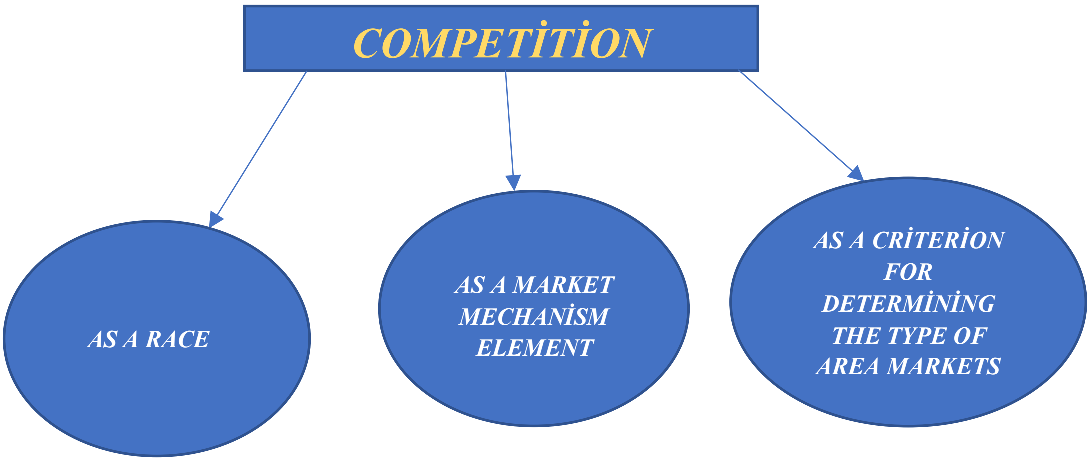

Figure 1. Note – Competitive Approaches.

In the first approach, competition is viewed as a race. This situation is also reflected in local legislative acts. According to this approach, economic entities compete with each other for the market, for the buyer. Each business entity competes with competitors to capture a wider market segment, sell more products, and earn more. As a result, consumers and the economy win. This approach is more consistent with the views of the great Austrian economist Schumpeter. The entrepreneur is always fighting to earn more, and the "entrepreneur's desire to earn more" eventually develops the society. In other words, society and consumers are the winners of the competition.

In the second case, competition is viewed as an element of the market mechanism that ensures the balance of supply and demand. This approach belongs to classical economic theory. According to this approach, the formation of prices, the formation of demand and supply occurs directly under the influence of competition. According to this approach, competition is characterized more as a force driving the market.

In the third approach, competition is taken as a criterion that determines the type of field markets. This approach was formed as a result of the development of economic theory in recent times. Although the development of the theory of competition and the clarification of its role in different types of markets took place, competition in general means the competition of economic subjects (Paul, 2014).

The famous English economist Alfred Marshall noted that competition refers to the competition of one person with another, including the competition to buy or sell something. By human, he meant a market subject. Indeed, competition is a struggle for the sale or purchase of material or non-material resources. Of course, this struggle ultimately benefits the consumer. If we think that there is a fertile competitive environment in the market and entrepreneurs try to minimize the price of the products they produce as a result of the competition, then as we mentioned, consumers will be profitable from the "competition game". Continuous competition in the business environment prompts business entities to innovate in the products they produce, stimulate sales prices, and take other steps to ensure competitiveness. It should also be noted that competitiveness can be formed in a fertile environment. No matter how competitive an economic entity is, there must be a fertile environment for the demonstration of those competitive products (Popp, 2020). For example, a good football player will not be able to show his game performance properly without a field. A football player needs a football field to show his full potential.

Conclusion.

In conclusion, if we look at the economic literature, we will see that the competitive factor is vital for the efficient operation and sustainable development of the economic entity. The competitive factor does not mean only the production of a competitive product, but also the presence of a favorable competitive environment. From the research, we come to the conclusion that competition forms a favorable business environment, but a favorable business environment itself is not without competition. A favorable business environment and a favorable competitive environment are directly and indirectly related to each other. Competition causes an economic entity to develop its product, to introduce new technologies in production, to adopt new marketing strategies, and thus to retain a loyal customer base, and to win a new customer base, which is the ultimate goal of every entrepreneur. Two economic subjects competing for products, without even realizing it, lead to the development of both their own economy and the economy of the country. Considering all the above, we can say that competition mainly benefits the consumer and the state. Because two companies in competition will have to take stimulating measures on sales prices. This causes the consumer to get a better-quality product at a cheaper price. As for the state factor of competition, that market becomes attractive for investors because there are potential opportunities for efficient activity of investors in markets where a favorable competitive environment is formed. Thus, the investments made in that field create a foundation for the continuous development of the economic power of the state along with the development of the field.

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