

Analysis of Methodological Approaches in the Economic Assessment of the Organization of Tourism in the Regions (in the Context of Azerbaijan's Tourism Industry)

Bölgelerde Turizm Organizasyonunun Ekonomik Değerlendirmesinde Metodolojik Yaklaşımların Analizi (Azerbaycan Turizm Endüstrisi Kapsamında)

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Abstract: In this study analyses socio-economic, innovative, and ecological approaches, which are one of the main directions of new methodological approaches in the development of tourism. The role of tourism in shaping regional policy, depending on the level of development of countries, has been identified and the impact on employment and GDP (2011-2028) has been shown at the international level. Along with the analysis of the impact of tourism development in Azerbaijan on the overall economic development and GDP, the role of the tourism industry in ensuring dynamic development is determined. The article analyses different models of regional development and the possibilities of their application in our country, as well as analyses various areas of tourism. Macro and micro-economic indicators of tourism in the country were analysed and their impact on employment and development of small and medium enterprises in the regions was identified. The positive macroeconomic effects involve an increase in the GDP share of the tourism sector and the provision of additional employment through the support of tourism.

Keywords: tourism, economic development, demand, supply, synthetic approach

Öz: Makale, turizmin geliştirilmesinde yeni metodolojik yaklaşımların ana yönlerinden biri olan sosyo-ekonomik, yenilikçi ve ekolojik yaklaşımları analiz etmektedir. Ülkelerin gelişmişlik düzeyine bağlı olarak turizmin bölgesel politikayı şekillendirmedeki rolü tespit edilmiş ve uluslararası düzeyde istihdam ve GSYİH üzerindeki etkisi gösterilmiştir. Azerbaycan'da turizm gelişiminin genel ekonomik kalkınma ve GSYİH üzerindeki etkisinin analizi ile birlikte, turizm endüstrisinin dinamik kalkınmanın sağlanmasındaki rolü belirlenmiştir. Makale, farklı bölgesel kalkınma modellerini ve bunların ülkemizde uygulanma olanaklarını analiz etmenin yanı sıra turizmin çeşitli alanlarını da incelemektedir. Ülkedeki turizmin makro ve mikro-ekonomik göstergeleri analiz edilmiş ve bunların istihdam ve bölgelerdeki küçük ve orta ölçekli işletmelerin gelişimi üzerindeki etkileri belirlenmiştir.

Anahtar Kelimeler: turizm, yatırım, ekonomik kalkınma, talep, arz, sentetik yaklaşım

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Geliş Tarihi/Received Date: 14.09.2022
Kabul Tarihi/Accepted Date: 15.09.2023
Yayımlanma Tarihi / Published Date: 08.12.2023

1. Introduction

Research on tourism and regional development is primarily focused on the role of tourism in regional development and its impact on balanced or unbalanced growth. The majority of research in the field of tourism and regional development aims to reduce regional inequalities and increase employment opportunities.

Studies indicate that while tourism is a significant driver of regional development, there are few theoretical frameworks that explain the relationship between regional development and tourism. This theoretical gap is evident in the divide between theoretical and empirical modeling in tourism and regional development research. Many of these studies rely on regional economic theories or consumer choice but do not develop theoretical frameworks or systematic theoretical perspectives to guide their analysis or provide theoretical support for their findings.

The development of tourism in rural or underdeveloped areas of a country implies a direction towards reducing economic imbalances between developed and undeveloped regions. The development of tourism in underdeveloped areas brings new resources to the region's economy, creates new jobs, and increases income in parallel with the overall economic growth of the region in every sector. In essence, the development and growth of tourism within a country help eliminate economic disparities between regions. However, expecting rapid development of tourism in underdeveloped areas is not a prudent approach. Negative factors such as lack of infrastructure, low capital accumulation, lack of entrepreneurial spirit, and lack of support for the sector through investment incentives pose significant obstacles to rapid progress in the tourism sector in these regions.

In this context, the accumulation of capital and resource transfer required for investment in these regions to obtain tourism capital is crucial. The more the development and growth of tourism in the region, the less capital and resource transfer are needed for the required investment. Therefore, choosing a balanced approach among alternative uses of national resources is essential.

2. Literature Analysis

Analysis of the literature on regional tourism development reveals that the primary approach in this area is directed towards ensuring the country's balanced development, increasing competitive opportunities, and utilizing resources efficiently. This sector, accepted as a regional development strategy, contributes to the development of underdeveloped and weakly developed regions, the restructuring of the economy, and ultimately provides comprehensive economic growth and development [8]. For example, for a region with a coastline that is either underdeveloped or developing, the development of coastal tourism (sea, sun, and sand) is crucial in terms of employment, national income, and the economic growth and development of that region.

Considering the absence of development resources such as rigid economic structures, financial capital, and knowledge in countries, the economic importance of tourism is better understood for these countries. Thus, it is possible to examine the economic importance or benefits of the tourism sector at two different levels: macro or national and micro or regional. From a macro perspective, the revenue generated from the tourism sector in a country and the subsequent currency conversion positively impact the economic development and growth efforts of that country. From a micro perspective, the effects of the tourism sector include the development of new employment opportunities in the tourism region, the redistribution of income, and the balancing of regional development. Therefore, when evaluating the role of tourism in regional development, it can be said that the tourism sector contributes not only to economic development but also to social, cultural, and ecological development structures. The impact of the tourism sector on the economic development of regions allows for the determination of a fundamental methodological approach, emphasizing the attraction of significant capital through investment promotion documents and prioritizing the implementation of innovative solutions in tourism. In modern approaches, the adoption of innovative solution models takes precedence, ensuring the participation of clusters in the tourism sector, supporting the investment promotion document by the state, and increasing the role of tourism in shaping budget revenues. This, in turn, enhances the microeconomic effects of tourism on regional economic development.

2. Materials and Methods

There are innovative methodological approaches in the economic assessment of tourism organizations. The dynamics of innovation in tourism can also be interpreted using innovation modelling efforts found in the economic literature and management sciences. Modelling expresses a certain approach to innovation, the forms in which it develops, and the forces that lead to simplified and formal change.

2.1. Synthetic approach

This method, known as the Barcet model, divides the sequential process that connects the customer and the service provider (from customer expectations to the tools and resources used by the provider) into four levels [Klein, et al., 2004]:

- Levels 1 and 2 represent the demand for services: innovation in the customer system (beyond the capabilities of providers) and “product-service” innovation. Here the focus is on customer expectations.
- Level 2, the overlap of demand and supply forms the basis of innovation.
- Levels 3 and 4 are the provision of services: Process innovation aimed at changing internal or customer/service provider relationships is often aimed at rationalizing internal working conditions or placing a particular service more strategically within the overall offer.

The Linear model of innovation dynamics is the oldest. It is the model that laid the foundation for Schumpeter's work. It goes directly from the tourism product to its marketing. This view is consistent with the perception of direct and irreversible progress (technical, economic and human) (Fig.1).

Figure 1. Application of the Linear model (Drucker, 2002)



With the application of various innovative models, tourism can be properly organized compared to other sectors. As mentioned earlier, this will lead to improved welfare in the country or region, increased employment and reduced unemployment, as well as the development of tourism and additional foreign exchange inflows into the country, and so on. [Drucker, 2002]

In fact, while tourism, as in developed countries, largely symbolizes economic effort, in developing countries, it is seen to spend leisure time. This consumption model stimulates the development and diversity of employment in the region, and thus tourism can have a positive impact on the economic structure of a marginally poor or underdeveloped region in terms of labour potential [Liu, 2006]. In this context, there is a serious need for human capital in tourism, which is a labour-intensive sector. Therefore, it diversifies the structure of employment in tourism due to its diversity. That is, the labour force in the tourism sector has mixed socio-economic and socio-demographic characteristics. In the tourism sector, people of different ages, professions, incomes and cultural groups can work in the same business. Also, many sub-professional groups created by the tourism sector do not require high skills (gardening, cleaning, procurement, logistics, etc.). In this sense, it is one of the most important and main sources of employment in rural or underdeveloped areas, which are suitable for tourism.

3. Literature Review

It is clear from the analysis of the literature on the development of regional tourism that the main approach in this area is aimed at ensuring the balanced development of the country, increasing competitiveness, and efficient use of resources. Accepted as a regional development strategy, this sector contributes to the development of underdeveloped and underdeveloped regions, economic restructuring, and, consequently, economic growth and development. For example, for a less developed or developing coastal region, the development of coastal tourism (sea, sun, and sand) is very important in terms of employment, national income, and, consequently, economic growth and development of the region [Tosun et al., 2003].

Given the fragile economic structures of countries, lack of development resources such as financial capital, and lack of knowledge, the economic importance of tourism for these countries is better understood. Thus, it is possible to study the economic importance or benefits of the tourism sector at two different levels. The first is macro or national, and the second is micro or regional. From a macro point of view, the income from the tourism sector in a country and the consequent inflow of currency have a positive impact on the economic development and growth efforts of that country. From a micro point of view, it has implications for the development of new employment in the tourism region, income redistribution, and balancing regional development. Therefore, when assessing the role of tourism in regional development, it can be said that the tourism sector contributes to the development of social, cultural, and environmental structures, as well as economics [Dargahov et al., 2021].

Another issue to be noted in this context is that tourism, as mentioned above, does not always create positive effects on national economies and regional development. The development of tourism in underdeveloped or developing regions with tourism potential can pose certain challenges. The gradual development of tourism also indicates that the benefits from tourism may decrease over time or lead to negative consequences. These conflicts include issues such as imports, regional inflation, the influx of foreign labor, the increase in public services (exceeding capacity), and the negative effects of foreign capital and technology [Bahar, O. and Kozak, M. (2006)]. Therefore, it is essential to examine the possible economic effects of tourism on regional development and explore the validity of these issues through empirical research in the future, which will be crucial for the economics of tourism.

4. Results and Discussion

Tourism offers more effective alternative opportunities for economic development in less developed or underdeveloped regions of the country than in other sectors of the economy. Because in such areas, people in occupations such as agriculture or animal husbandry could significantly increase their income by working in the tourism sector or by making a living from this sector. This also contributes to the development of agro-eco and community tourism. Additionally, attracting communities to the tourism sector, utilizing agricultural practices, showcasing artisanal examples, incorporating support products, and incorporating the cultural heritage of ethnic communities all impact the development of ecological and cultural tourism. The development of the tourism sector in such regions, local handicrafts, souvenirs, etc. will lead to the development of local activities and services. At the same time, it will provide a source of funding and incentives for the region and local people will have the opportunity to offer hotels, local goods and services in the region [Lyon et al., 2017]. Thus, the spread and development of similar activities make a significant contribution to the region's economy. As a result of the popularity and spread of tourism in a less developed region of a country, it allows the local population to earn more than in a more developed region [Bahar and Kozak, 2006].

The tourism sector also aims to minimize differences between regions in economic and social development. Regions that do not have sufficient resources and development opportunities in terms of agriculture and industry, but have rich tourism potential, achieve balanced development because of planned and effective tourism policy. Thus, the region's economies receive a share of international tourism revenues. Although tourism policy alone is not enough to realize economic development, especially foreign exchange earnings, it is also important in terms of accelerating development and complementary effects [Içöz and Kozak,

2002].

Another contribution of tourism to bridging regional development gaps is in terms of microfinance. Microfinance plays an essential role in development, especially in the mobilization of social capital. Social capital is a new economic concept with social content, aimed at revealing the impact of social life on the economic activities of countries. It seems to be a more abstract concept compared to physical and human capital. Social capital can be defined as "the ability to communicate based on trust between at least two people, with a broader definition, the characteristics of trust, the norms that increase the productivity of society, and communication networks" [Temple, 2000]. In the economic sense, social capital is perceived as a reflection of the relationship between individuals and institutions based on trust, economic efficiency, and production. Therefore, social capital is the least felt type of capital in the network of human relations [Duarte-Duarte, J.B., Talero-Sarmiento, L.H., Rodríguez-Padilla, D.C. (2021)].

The state's tourism policy in Azerbaijan consists of the effective use of the potential of the regions, increasing the income and employment of the population, strengthening investment promotion, and increasing the activity of business entities in this field [Serra et al., 2017]. The adoption of several state programs and strategic roadmaps for the development of tourism in the country, the preparation of tax incentives, investment promotion documents, and support programs for small entrepreneurs have given impetus to the development of tourism. To reduce dependence on oil and develop the non-oil sector, the government has developed and is currently implementing several government programs on tourism. Adoption of the Tourism Act in 1999 stimulated the development of infrastructure and the opening of tourism companies and accelerated the process of contributing the region's recreational resources to tourism [Ziyadin and Takhaeva, 2014; Grdzelishvili and Kvaratskhelia, 2021]. By the decree of the President of the Republic of Azerbaijan dated August 27, 2002, No. 1029, the "State Program on the Development of Tourism in the Republic of Azerbaijan for 2002-2005" was approved, and the conditions for the efficient use of tourism potential have been created. State Program on Tourism Development in the Republic of Azerbaijan for 2010-2014 (April 6, 2010), State Program on the Development of Resorts in the Republic of Azerbaijan for 2009- 2018 (February 6, 2009), and "Tourism Strategic Roadmap for Industrial Development" (December 6, 2016) aims to transform tourism into one of the leading sectors of the country's economy [Strategic Road Map of the Republic of Azerbaijan on the development of the specialized tourism industry, 2016].

At the same time, it is worth mentioning the presentation of a new national tourism brand in 2018 under the slogan "Take another look" presented by DTA, the holding of the National Spring Festival in Gadabay, music festival within the project "Head of the Mountains" in Khinalig State Historical, Architectural and Ethnographic Reserve, I Azerbaijan Grape and Wine Festival in Shamakhi, presentation of "Ali and Nino", "Polish traces in Azerbaijan" cultural tourism routes etc. The presentation of the promotion of the Azerbaijani tourism brand in the online voting of the competition organized by the Committee for International Tourism Film Festivals (CIFFT), the opening of official tourism offices of Azerbaijan in several countries can be considered part of the cultural tourism promotion. At present, tourism offices operate in Germany, Russia, China, India, Kazakhstan, the UAE, and Ukraine. In the future, the opening of such tourism offices in Turkey, the United Kingdom, Pakistan, South Korea, Saudi Arabia, Egypt, and Uzbekistan would provide opportunities to attract tourists.

State financial support consists of support of tourism projects, provision of consulting services, and study of existing experience in this field by KOBIA (The Small and Medium Business (SMB) Development Agency of the Republic of Azerbaijan). One of the main directions of SMB's support in the field of tourism is to aid community and agro-tourism farms. Currently, there are more than 30 such farms funded by SMB. These businesses receive preferential financial support from SMB by submitting their projects.

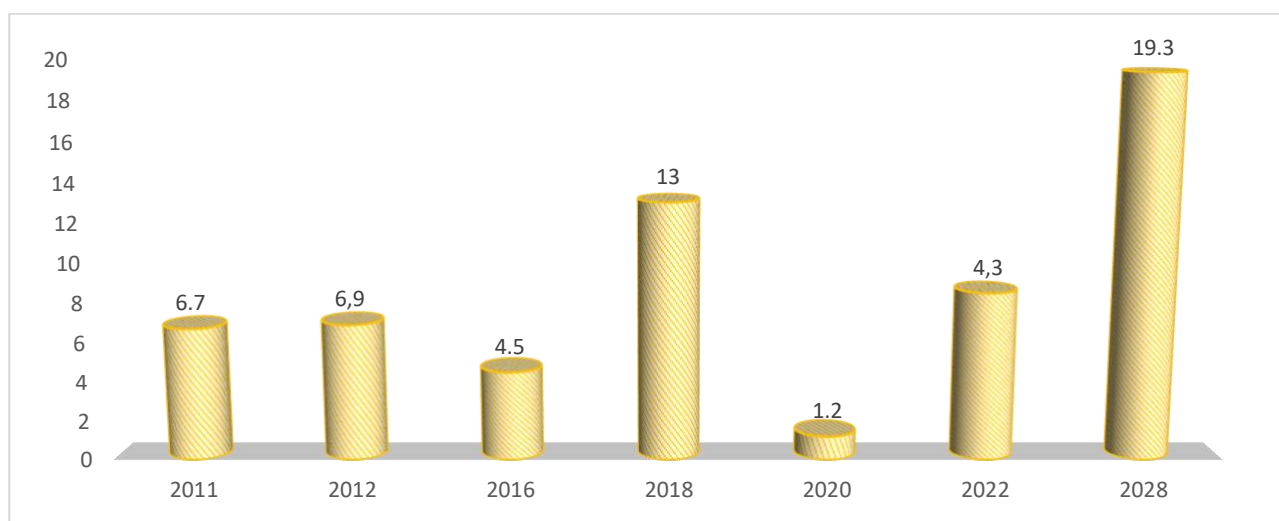
Structural and economic reforms implemented in our country have significantly influenced the development of tourism, as in other areas. The overall contribution of tourism to the economy has increased, positioning our country among the leading nations in terms of the development patterns and levels of the tourism sector. In terms of competitiveness in the tourism sector, our country has risen to the 39th place among 148 countries. The analysis of statistical indicators for the year 2019 reveals that during that year, our country welcomed approximately 3.17 million foreign visitors. The volume of tourism expenditures by foreign visitors

amounted to an estimated 2.97 billion manats [1].

As a logical consequence of all this work, the country's economy, including the tourism sector, has become more attractive to potential investors. At the same time, infrastructure projects implemented in the country, especially in the regions, under the Public Investment Program in recent years have provided additional incentives for private business to enter the field by increasing the attractiveness of the sector [Drucker, 2002].

According to the 2012 report of the World Tourism and Excursion Council, the total contribution of tourism in Azerbaijan to GDP (including the broad impact of investment, production chain and income) in 2011 amounted to 3,026.7 million manats (6.7% of GDP) and it is expected to increase by 7.3% in 2012 to AZN 3,247.9 million (6.9% of GDP). The share of the tourism industry in the country's GDP in 2016 was 4.5%. In 2020, due to a known reason, the share of tourism in GDP was 1.2%. In 2022, it is expected to be AZN 6,713.6 million (8.5% of GDP) with an annual growth of 7.5% [11] (Fig.2).

Figure 2. Direct contribution of the tourism sector to GDP in Azerbaijan in% (The share of tourism in GDP is given as a percentage.) (<https://dnd.com.pk/azerbaijans-economics-of-tourism/166779>)



In 2020, the placement of tourists and value-added production in the catering sector amounted to 821.1 million manat, which is 58.9% less than in 2019. As a result, the sector's share in GDP fell to 1.2%.

Another impact of tourism on interregional economic development is its impact on improving the welfare of the region's population. As a result of tourist movements to the region, high standards in public transport systems, electricity, water and other infrastructure services and facilities have a chance to reach a higher level. In this sense, tourism creates a favorable environment for the diversification of the economic structure and the development of other areas in the country by creating conditions for the reduction of unemployed unskilled human resources [Soltanova, 2015].

According to general economic indicators, the share of tourism in the regions of the country is 8.3% of the population's income, 5.2% of employment in the regions, 3.4% of investments from all sources, 2.6% of payments to the state budget. Although these indicators are low, the increase in the share of income and employment shows that this sector is becoming increasingly important in the economic development of the regions. At the same time, the analysis of the share of the tourism sector in economic development in individual regions shows that the share of the population in the formation of income and employment is high in Guba, Gusar and Gabala regions. Thus, in the mentioned regions, it reaches 8.2-10% in the formation of the population's income, and 10-12% in the provision of employment. Among the service sectors in the regions, tourism is the third largest after the trade and catering sectors. Due to the growth of paid services, it is higher

than in the above-mentioned areas. In addition, the development of the tourism sector has a direct impact on transport, catering, retail, and agriculture, which creates added value.

Another issue that needs to be addressed at this point is that tourism, as noted above, does not always have a positive impact on national economies and regional development. In an underdeveloped or developing region with tourism potential, some problems may arise in the development of tourism. The development of tourism over time also shows that the benefits of tourism will decrease or lead to negative consequences. These shortcomings are imports, regional inflation, foreign labour, increased public services (overcapacity), foreign capital and the negative effects of technology. Therefore, testing the possible economic impacts of tourism on regional development and examining its validity with future empirical research will be important for the tourism sector.

As a result, many developing countries with tourism potential prefer to make the most of this sector in the long run with tourism development plans and improve their economic development with its help. Therefore, although most developing countries have major challenges in ensuring efficiency in the international tourism market, many consider tourism to be an attractive development option. In fact, many countries make significant investments in tourism development for reasons such as types and sources of tourism, income redistribution, independence from commercial constraints, demand sustainability, development costs, employment, and image and product diversity.

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