Tourism and economic development: analysis and assessment of linkages

Abstract. The article deals with the linkages between the country’s economy and the tourism industry, as well as the extent to which the relevant positive and negative factors impact economic indicators. Special attention is paid to regularities of the most promising directions of the tourism sector development and problems existing in the field of tourism. Based on the analysis of the concept of tourism business development, the authors explore ways to increase the number of tourists coming to the country.

Keywords: Resource Base of Tourism in Azerbaijan; Economic Development; Hotel Complex; Tourism Industry

1. Introduction

The relevance of the issue under research demonstrates that the tourism industry in the Republic of Azerbaijan is a fairly promising sector of the economy, and it is one of the most important factors of socio-cultural development, contributing to the improvement of both the living standards and the quality of life.

Notably, the essence of tourism generally lies not only in travels and journeys, but also in the presentation of related services. Indeed, the modern tourism industry in the Republic of Azerbaijan combines a significant number of differentiated activity types with their implementation by enterprises operating in a fairly complex and extensive organisational structure. It suggests a certain impact on associated industries. This fact indicates that the tourism industry in the Republic of Azerbaijan rather actively affects the economy within a small region.

This fact is confirmed by the authorities’ desire to control the impact of tourism industry by ensuring the economic security of regions. Thus, the Strategic Road Map for the specialised tourism industry development was formed in the Republic of Azerbaijan and approved by President Ilham Aliyev on 6 December 2016.

Also, it should be mentioned that, based on the global economy statistics, the tourism industry was 10.7% in the sectoral government structure at the end of 2017. It is expected that by the end of 2018, it will have increased by another 0.3%.

All of the above allows us to accurately identify the linkage of the tourism industry with the country’s economy, including its impact on the latter.

2. Brief Literature Review

B. Savaş, A. Beşkaya and F. Şamiloğlu (2010) used quarterly data and two different indicators of the international tourism growth. The article was intended to investigate whether tourism sector was a driver of economic growth in Turkey. They used ARDL approach to cointegration. The results of the study showed support for the growth hypothesis due to the tourism in Turkey.

A. K. Alhowaish (2016) studied a causal connection between tourism and the economic growth in the Next-11 countries (N-11). It was concluded that there is a long-term relation between profits from tourism and gross domestic product (GDP). The study revealed that the arrival of tourists has a positive effect on GDP growth in the Next-11 countries.

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H. Kum, A. Aslan and M. Gungor (2015) analysed a connection between tourism and the economic growth for the Next-11 countries (N-11). It was concluded that there is a long-term relation between profits from tourism and gross domestic product (GDP). The study revealed that the arrival of tourists has a positive effect on GDP growth in the Next-11 countries.

N. Antonakakis, M. Draguni and G. Filis (2014) investigated dynamic relations between tourism growth and economic growth by using monthly data for 10 European countries over the 1995–2012 period. Their analysis reveals the following empirical regularities: the relationship between tourism and economic growth is unstable over time; the abovementioned relationship is also highly dependent on economic events.
determined that there is a one-sided relation between tourism revenues and GDP. Such a result indicates that economic growth has a positive effect on tourism. According to the findings, it was determined that a 1% increase in GDP led to an increase of almost 4.2% in tourism revenues during the period under review.

Y. M. Makhmudov studied notes of travellers, merchants, poets and writers such as Herodotus, Marco Polo, Abu-Jalid, Wilhelm Rubruk, Gonzales Clavijo, Hans Schiltberger, Aphanasy Nikitin, Katerino Zeno, Adam Oleari, Ovilia Celebi, Antonio Jenkinson, Jan Streis, Alexander Dumas (father) and others who visited Azerbaijan. In their notes, they gratefully recall the hospitality of Azerbaijanis.

Regions with developed tourism traditions in have been actively explored by leading scientists of relevant educational and scientific institutions. For example, J. A. Mamedov and B. A. Bilalov considered both theoretical and applied components in development of inbound tourism in Azerbaijan.

As we can see, the Republic of Azerbaijan has rich resources for the development of the tourism industry. First of all, this is due to the country’s favourable geographical location, unique natural-climatic features, diverse and rich fauna, thermal and mineral springs, rich history and presence of the ancient cultures. It is noted that the republic has hotels, recreation areas and catering establishments, meeting all requirements of the international standards, which are able to receive foreign tourists at the highest level.

A. G. Alirzaev and S. I. Sultanly examined the indicators of tourism potential, possibilities of tourism services, as well as tourism facilities and financial resources for the organisation of all tourism activities in Azerbaijan. Based on their work, we see how tourism entities can obtain additional income distributed between the owners and local organisations at the expense of land, natural and local resources. The book by A. Alirzaev and S. Aslanova defines the socio-economic role of tourism development and its place in the economic and social development of Azerbaijan. The authors evaluated the main economic and financial aspects of tourism development and defined basic parameters and socio-economic consequences of the tourist model. Also, conditions of tourism as a sphere and the involvement ways of resource potential in its organization to the economic turnover are substantiated.

3. The object of study and its technological audit
The object of study is the resource base of tourism in Azerbaijan. It is important to note that Azerbaijan possesses significant cultural, historical and natural resources. According to experts, the region is quite promising in relation to the development of the tourism industry. In the Republic of Azerbaijan, it is planned to develop the following tourism sectors: rural, health, ecological, cultural, social, sports, religious and others.

In order to substantiate this statement, it is necessary to examine and evaluate the tourist and recreation potential in Azerbaijan, which will help us understand how to implement tourist products in this area. Azerbaijan has a favourable geographical location, as it is located at the junction of Europe and Asia. Also, there is a variety of natural conditions including the Caspian Sea coast, a forest zone with rich flora and fauna, the endemics, the mountainous terrain, lakes and mineral resources. The historical and cultural significance of Azerbaijan is no less important, since this region is rich in a significant number of historical monuments. The culture of the local population can also be a matter of tourist interest. Unique Azerbaijani cuisine makes it possible to organise gastronomic tours.

All of the foregoing suggests that the development of the tourism industry is no less important for the region than other economic sectors.

The development of infrastructure in the field of tourism should not be limited only to the existing hotel complexes. Especially, it is important not only to construct new accommodation facilities but also to create related infrastructure, including transport connections, entertainment facilities, catering, etc.

To create a new tourist facility, it is required to take into consideration three most important components - the region, the infrastructure and enterprises of the related industries. The most important component is the region, because its territorial attractiveness contributes to the formation of demand and supply. As mentioned before, the Republic of Azerbaijan has fairly high tourist potential and a significant degree of tourist attractiveness.

4. Purpose
The purpose of the study is to analyse the main ways to develop tourism in Azerbaijan and to define the role and place of this sector in the country’s economic development.

To achieve this, it is necessary to perform the following tasks:
- to analyse the peculiarities in the country’s tourist sector;
- to highlight advantages and disadvantages of tourism development in the country;
- to develop recommendations to improve the situation.

5. A survey of existing solutions to the problem
To study the existing problem we have analysed various sources and examined tourism in the Republic of Azerbaijan.

Here, we used the Strategic Road Map for development of specialized tourism industry in the Republic of Azerbaijan as the most reliable and preferred source [15]. Prior directions of the development of tourism industry in this region are highlighted according to this source, which may contribute to further prosperity of not only the industry but also the republic. Special emphasis is on fact that the government will be able to position itself not only as a successful exporter of the energy raw materials, but also as the one belonging to a country with a high rate of tourist attractiveness. Also, the developed strategy allows us to identify the existing problems in the industry, as well as some of the negative factors of its impact.

Also, we should mention source [16] allows talking about tourism resources in Azerbaijan and possible prerequisites for its development in certain regions. The study focuses on types of tourist activities which already attract a large number of guests. Yet, they are not fully implemented due to various factors, including the lack of infrastructure.

We also refer to source [17], whereby paying attention to the growth dynamics of the main economic indicators for the industry.

6. Research methods
The most important to note is that the authors present the following scientific methods:
- the analysis method to study theoretical peculiarities of the tourist sector;
- the method of statistical analysis to provide the practical part.

7. Research results
First of all, it is necessary to highlight the impact of the tourism industry on GDP of the Republic of Azerbaijan (Figure 1).
It should be noted that, despite the relatively low percentage, the growth of this indicator has a certain upward trend. This proves the unconditional nature of fact that the country’s tourism industry has high development potential.

A study of the current state of the tourism industry in Azerbaijan shows that in 2013-2017 tourism industry enjoyed stable economic growth. First of all, this fact is confirmed by the extension of all services. This fact can be affirmed by the analysis of tourists’ visits to the region (Figure 2).

As it shown in Figure 2, the indicators are quite high and they tend to increase. In order to support rapid development of the tourism industry in this region, the State Program for the Development of Tourism in the Republic of Azerbaijan 2010-2014 was developed, the main goal of which is to create favourable conditions for the development of the tourism industry, to form the opportunities to access the international tourism market and to maintain the competitiveness of the national tourist complex.

Rapidly growing demand for services in tourist business within the country causes construction of small hotel complexes, mostly by regional resort associations. Also, we can observe an increasing number of world motel chains in Baku. In addition, Azerbaijani hotel brands are being formed. There are such hotels as Boulevard Hotel Baku Autograph Collection, Caucasus Sports Hotel and others.

In order to visually display the growth of the hotel industry in this region and a growing number of beds at hosting enterprises, we present Figure 3.

As shown in the figure, the number of beds in hotels in Azerbaijan increased by 16% as of 2017, if compared to 2013. For the given period of time, the legal principles and standards of work in the tourism sector in Azerbaijan were equal to the standards and principles of the world law [3]. Currently, they are being harmonized with the EU legal framework and the laws of developed countries in the relation of the tourism business.

Considering the characteristics of the resource base of Azerbaijan’s tourism sector and the state of infrastructure, the following areas are of the highest priority in tourism (Figure 4).

The Absheron Peninsula, Mardakan villages, Zagulba, Shuvelan, Turkan and Bilga, where there is a large number of private and wild beaches, family entertainment complexes, 4 to 5-star hotels, are suitable for beach holidays. Khachmaz, Nabran, Yalama, Masalli and Lankaran are famous for their unique nature that will create all conditions to enjoy rest by the Caspian Sea or in the forest. Also, there are many tourist centres, entertainment centres, hotels and houses of local residents, which are rented for the summer season.

Rural tourism is one of new areas in tourism developing in our country, which is also called agro-tourism or «green» tourism. Currently, rural tourism has been actively developing in the world, and it has good prospects in Azerbaijan. Gakh district is one of the most attractive new areas in the development of the tourism industry. An important positive factor in this field is the need of local population to exercise good governance on their own estates, forming comfort and the desired level of all services. It will provide demand for the development of businesses in different settlements, improve the quality of service in terms of trade, enhance lifestyle and facilitate engineering and medicine.

The biggest tourist interest in terms of the development of ethno-tourism have areas located in the North-West of Azerbaijan on the route of the Silk Road, such as Sheki, Shamakhi, Gabala, Ismayilli and others. They have a large number of historical monuments and many distant villages that have preserved their traditional way of life, among which there are NIC, Lahij and others. Also, high travel demand is observed in Guba district with its unique village of Xinaliq and the village of Krasnaya Sloboda. Vyacheslav Sapunov, famous journalist and blogger, gives more information about village of Xinaliq.

The organisation of tourist business in villages helps to maintain effective management, normalise the sanitary
condition of territories, including estates and recreation areas. At the same time, the employment in rural areas has been growing and production has been increasing.

The adverse impact of tourist business may often be caused by its spontaneity, lack of readiness and predictability. In such conditions, it is hard for local residents to adapt to changes.

Conflict of the interests can serve as an example of a negative proportion of business and leisure in tourism: the local population is opposed to visitors in the case when their presence has a negative impact on nature, for instance, fishing or hunting in forests.

In some countries, profit of the local population who work in the tourism sector is much higher than that of those who are employed in other areas. For example, a traveller instantly gives the messenger some money as a tip for baggage delivery, whereas the messenger’s father may have to work more time to obtain the same money. Such moment forms a social conflict, giving rise to illusory sensations in terms of earning «easy» money.

Medical tourism is one of the most interesting directions in Azerbaijan. There is a wide range of services. One of the most popular medical resorts in Azerbaijan is Naftalan city, which is located 50 km from the ancient city of Ganja on territory of Pine Park and on the shore of the artificial lake. The history of Naftalan Spas dates back to 1873, when naphthalene was mined manually from shallow wells. More than 140 different diseases are treated there. The next popular choice in terms of taking treatment is Istisu. Hot springs of Lankaran have been known since ancient times.

Also, except direct impacts of tourism investments on regional development, it is an indirect effect. The profit of tourism enterprises is their profit from sales of goods and services to tourists, however the profit of the region is tax received from this activity.

The budget of travellers begins to work fully on the economic component in the area when a relevant company purchases regional products and services. Obtaining money from travellers, sellers of goods and services pay wages to their own employees, who also spend money on products, pay for applications, etc. Yet, when the working population spend their earnings to purchase imported products or rest abroad, the cycle is closed and funds drain from the region.

The combination of direct and indirect effects of travellers’ costs generally determines their local impact. Also it should be kept in mind that a certain proportion of revenue is spent outside the region.

The ability to retain profits from tourists within regional boundaries depends on the economic closeness of the regional association and the autonomy of the regional economy when it can reproduce goods and services of great demand among travellers. Conversely, if more products are imported from other areas, the overall result will be poorer.

A prosperous and competitive tourism business in the market and various ambitious plans to increase travellers’ interest are viewed to be the most considerable trend in the development of the international tourism sector. This, however, may cause a glut of similar offers.

In order to either maintain or strengthen the position of a particular country in the international market sector, the planning of tourist area has to be based on principles of gradual progress relating to continuous investments in this area. We can state that role of the government’s policy regarding tourism development in general has increased, as well as objective development of certain goods in this business on Azerbaijan and world markets.

In Azerbaijan, it is necessary for relevant organisations to apply catchy slogans every year, as well as to extensively use the abilities of advanced information technologies as a means of communication with customers.
Despite the interest of local and foreign tourists in Tehran, Khafan Turb, Ashba-Kaf, the tombs of Yusif ibn-Kuseyr and Karabaghlar, Buzhana monument, Khan Palace, the 18-century Sarnam baths, the Nakhchivan economic region hasn’t yet realised its tourism potential. This region is a recognised example of cultural and historical heritage. Yet, highways and railways are not accessible to domestic tourists. The development of cultural and historical tourism requires creation of alternative transport facilities in the Nakhchivan economic region.

8. SWOT analysis of research results

The strengths of the research object include:
- availability of tourist resources;
- state of the ecology;
- geographical location and climate.

The weaknesses of the object in study include:
- lack of financial and other resources;
- a small number of accommodation facilities;
- a small variety of offered tours;
- low profit;
- a narrow range of goods and services;
- insufficient qualification of personnel;
- a lack of incentive programs.

The prospects of the object of study include:
- expanding the range of products (tours, services);
- provision of low prices;
- differentiation of a tourist product;
- government support.

The threats to the object of study include:
- the currency environment;
- changing consumer needs and tastes of;
- slow growth of the market;
- economic downturn;
- environmental problems;
- unfavourable tax policies;
- terrorist attacks.

9. Conclusions

Based on the above, we can determine the main directions objectives relating to tourism development in Azerbaijan. They include development of the main entertainment centres in tourism, adequate attitude to nature, establishment of cooperation with bordering regions and international organisations.

The situation analysis makes it possible to provide a number of grounded proposals to increase number of tourists, visiting the country namely:
- to consider the elimination of seasonality in tourist areas, the increase in number of days in tourism;
- to take into account the importance of reducing high inflation and the presence of fluctuations in the impact of economic crises in bordering countries on emerging exchange rates;
- to continue and establish partnerships with the entertainment centres of travel agencies, museums and the educational institutions;
- to take measures to bring the existing legal framework base in line with the international standards and to expand cooperation with number of countries in order to promote mutual visa regime;
- to take into account solution of problems and the expansion of cooperation in main objective areas of the international institutions formation. Many international political memberships lead to development of country’s economy;
- to intensify cooperation with international organizations that are directly or indirectly connected with the tourism sector and use their experience.

References


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