

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

WAYS TO IMPROVE STATE REGULATION OF TOURISM SECTOR IN AZERBAIJAN

Speciality: 5312.01 – Field economics

Field of science: 53-Economic sciences

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BAKU–2024

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INTRODUCTION

Relevance and development of the topic. In the recent period, the deepening of the globalization process, the expansion of inter-country relations and the formation of the world economic system, as well as scientific and technical development and the reduction of transport costs, have given impetus to the expansion of tourism as a field of economic activity. is the creation of too much free time.

At present, many countries of the world treat the tourism industry as a strategic priority area, developing long-term programs for its development and using various mechanisms to stimulate the growth of competitiveness in this area. In tourism, unlike other areas of economic activity, there is a greater need for state regulation and interstate agreements. Because in tourism activities there is a need for people with different societies, cultures, traditions and social levels to communicate. The completion of such meetings with mutual respect and respect and ensuring the economic benefit of each party is considered an important issue.

By regulating tourism activities, the state pursues several goals, including the constitutional right of citizens to ensure their right to rest. Thus, in modern conditions, foreign investment plays an important role in the economic development of countries, creating a “source of investment” tourism, as it ensures the arrival of foreign citizens in the country and foreign currency spending in the country. That is why tourism on entering the country has a positive impact on the balance of payments and a negative impact on its exit from the country. Taking this into account, it implements a policy towards reducing the number of tourists leaving each country and increasing the number of tourists arriving.

The main stage of state regulation of the tourism sector is the adoption of laws, regulatory and legal acts on its development. The state can also make certain interventions such as licensing, standardization and certification in tourism activities, contributing to the promotion of tourism products to domestic and foreign markets. On the other hand, by establishing the rules regarding the entry and exit of foreign citizens into the country, the state seriously affects tourism

activities. It should be emphasized that the state provides tax benefits to enterprises engaged in tourism activities, creating an opportunity for even more efficient placement of investments directed to them. Security within the country for tourists arriving in the country, the creation of an environment of free movement are included in the direct functions of the state.

These days, the state in the country regulates the development of tourism by various regulatory and legal acts, laws, state programs and strategies. In this direction “strategic road map on the development of specialized tourism industry in the Republic of Azerbaijan“, ”Azerbaijan 2030: national priorities for socio-economic development“, ”state program on the development of tourism in the Republic of Azerbaijan in 2002-2005“, State program on the development of tourism in the Republic of Azerbaijan in 2010-2014”, state program “socio-economic development of the regions of it can be shown.

It is important to create favorable conditions for business entities engaged in tourism activities, which, first of all, should be regulated by regulatory acts of the state. However, despite all the positive aspects, the problems in the field of tourism still remain, and their elimination will create the basis for ensuring the socio-economic development of the country as a whole.

Thus, separate problems of Tourism Development were reflected in the studies of Azerbaijani scientists, among which N.M.Imanov, Sh.M.Muradov, A.X.Nuriyev, T.N.Aliyev, R.S.Sultanova, G.Z.Yuzbashiyeva, P.F.Rakhmanov, M.Gulaliyev, L.A.Allahverdieva and others can be cited.

From foreign scientists Bull A., Ueierman K., Patmore J., Coccossis H., Tsartas P., Honey M., Lee C., Eadington W., Monge-González R., Tosun C., Ross G., Biagi B., Murphy P., Tang C., Croes R., Dupeyras A., Pablo-Romero M., Balaguer J. and others have studied various aspects of the tourism economy.

Looking at the research of the above-mentioned scientists and emphasizing their essence, it should be noted that here the problem of improving the state regulation of the tourism sector did not become an

object of study, and the dissertation work is being studied for the first time.

The object and the subject of the research. The object of the study is the tourism sector in Azerbaijan.

The subject of the study is the improvement of the mechanism of state support to the tourism sector in Azerbaijan.

The purpose and objectives of the study. The purpose of the dissertation work is to evaluate the state regulation of the tourism sector in Azerbaijan and develop suggestions and recommendations for its improvement.

To achieve this goal, the solution of the following tasks is appropriate:

- determining the main determinants of state regulation in the tourism sector;
- selection of methods of assessment of state regulation of the tourism sector;
- study of the world experience of state regulation in tourism;
- investigation of state regulation of the tourism sector in the country;
- Calculation of the demand function of tourism in Azerbaijan based on the method of simultaneous equations;
- Evaluation of Azerbaijan's position on the Travel and Tourism Competitiveness Index on the "Environment Affordability" and "Travel and Tourism Policy Affordability" indicators;
- showing superior and weak positions on various sub-indices in improving the competitiveness of the tourism sector;
- Determining the directions of the state support mechanism for the tourism sector in Azerbaijan.

Research methods. Econometric methods, including multivariate regression analysis, two-level least squares method, were used in the dissertation work. Using panel analysis, cross-sectoral analysis and time series analysis, the effects of tourism on economic growth and some macroeconomic indicators were quantitatively assessed. During the evaluations, comparisons were also made with the results of studies conducted on behalf of other countries. In the study, the Travel and

Tourism Competitiveness Index was used during the quantitative assessment of the state regulation of the tourism sector.

The principal theses of the defense

- State intervention in the tourism sector can only be effective in cases where the tourism market has failed. Therefore, the problem of state intervention in the tourism sector should be started from the study of possible failures of the tourism market and the main reasons for such failures should be studied;

- The demand function of tourist trips to Azerbaijan varies depending on the income level of tourists in their own country and the price level in Azerbaijan;

-The comparative analysis of the empirical results of the dependence of tourism revenues on the competitiveness of tourism on the example of different countries suggests that as competitiveness increases, tourism revenues also increase. Thus, according to the cross analysis, there is a strict linear relationship between the logarithm of tourism income of the countries and the TTCI composite index;

-Azerbaijan's position on "Nature and culture" sub-indices is not satisfactory. "Natural resources" is one of the sub-indicators that has a serious impact on Azerbaijan's position on the TTCI composite index and weakens this position. Considering this, there is a need to develop its indicators;

- Azerbaijan's position on the "international openness" sub-index of the TTCI competitiveness index is somewhat weak compared to other sub-indices;

- Despite the improvement of the position of Azerbaijan in the sub-indicators of "air transport infrastructure", "ground transport and port infrastructure" and "land and sea infrastructure", the position of our country in "tourism infrastructure" has somewhat weakened;

Scientific novelty of the research:

The scientific novelty of the dissertation consists of the following:

- The main determinants of state regulation in the tourism sector of Azerbaijan have been determined;

- methods of assessment of state regulation in the tourism sector are indicated;

- state regulation in tourism was studied based on world experience;
- the state regulation of the tourism sector in the country was analyzed based on a comprehensive analysis;
- Calculation of the demand function in the tourism sector of the Republic of Azerbaijan based on the method of simultaneous equations is given;
- Azerbaijan's position on the Travel and Tourism Competitiveness Index was evaluated on the basis of the "Environment Affordability" and "Travel and Tourism Policy Affordability" indicators;
- in improving the competitiveness of the tourism sector, the superior and weak positions on individual sub-indices were revealed;
- The directions of state regulation in the tourism sector of Azerbaijan have been substantiated.

Theoretical and practical significance of the study.

Theoretical and practical significance of research. Theoretical and practical significance of research. The theoretical significance of the results obtained in the study consists in the scientific justification of the effect of institutional reforms on the state regulation on the demand function of tourism. The results obtained in the dissertation work can be used to increase the competitiveness of the tourism sector in Azerbaijan and to develop the enterprises operating here.

The theoretical and methodological basis of the research - The methods and practical recommendations proposed in the dissertation basis of the study is the laws, state Program, Strategy, normative-legal acts of the Cabinet of Ministers, The National Council and materials of the State Statistical Committee of the Republic of Azerbaijan on the activity and management of tourism sector in different countries, as well as development of tourism sector in the Republic of Azerbaijan.

Approbation and application of research results. The empirical results obtained in the dissertation work, the main propositions presented for defense, theoretical generalizations, practical results and recommendations were published in various scientific journals, including one journal included in the SCOPUS database, the Republic and 4 international conferences, two of which were included in the

RINC database. Among them - the materials of the international scientific-practical conference "Economic growth and public welfare" dedicated to the 60th anniversary of ANAS Institute of Economics (Baku, 2018); International scientific and practical conference on the topic: "Strategy for the development of the economy of Belarus: challenges, tools for implementation and prospects" (Minsk, Belarus, 2019); WSEAS Transactions on business and economics SCOUPS (Greece, 2021); VII International Scientific and Practical Conference on the topic: "Technologies of social work in various spheres of life" (Makhachkala, Russia, 2022); Republican scientific conference "Global challenges and perspectives in economic development" dedicated to the 99th anniversary of the birth of national leader Heydar Aliyev (Baku, Western Caspian University, 2022); VIII International Scientific and Practical Conference on the topic: "Technologies of social work in various spheres of life" (Makhachkala, Russia, 2023); The republican scientific conference dedicated to the 100th anniversary of the birth of the national leader Heydar Aliyev called "Global Challenges and Perspectives in Economic Development" (Baku, Western Caspian University, 2023) was presented at the republican and international scientific-practical conferences held on the mentioned dates.

The total volume on the results of the dissertation works -145 p. the 13 articles were published in various journals and conference materials.

Dissertation work was carried out in the Department of Economy of the Service Sphere of the Institute of Economics of the Ministry of Science and Education of Azerbaijan.

Scope and overall structure of the dissertation. The dissertation consists of 3 chapters and 9 paragraphs, introduction, conclusion and proposals. Chapter I has 71766 characters, Chapter II has 83108 characters, Chapter III has 71648 characters, results and suggestions have characters, the list of references used in 145 titles, and the list of abbreviations, totals 263511

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The main provisions submitted to the defense

THE MAIN PROVISIONS PRESENTED TO THE DEFENSE

The first provision: State intervention in the tourism sector can be effective only in cases where the tourism market has failed. Therefore, the problem of state interference in the tourism sector should begin with a study of the possible failures of the tourism market and find out the main reasons for such failures.

The study shows that in the economic literature they attribute the failure of the tourism market mainly to four factors. The first is the predominance of public goods in the country. Secondly, market failure can occur with the effects of external factors caused by tourism. The third is the existence of a monopoly in my tourism market. The fourth is the inaccuracy of information.

It is known from economic theory that public goods have two characteristics: 1) public goods are non-competitive goods for consumption. That is, the consumption of such goods by any individual does not affect the consumption by others; 2) public goods are equally available for use by all faces of society. On the other hand, the use of public goods by any consumer cannot exclude its use by others. Public goods that are available to one individual must also be available to others. On the other hand, if the marginal social costs of consumption are greater than the marginal private costs of consumption, then there is a "burden" on public goods. When this happens, market failure can occur. So, the market is having difficulty in providing the offer according to the demand.

Thus, the tourism market, like other markets, can fail for some reasons, including externalities and the inability to produce public goods. In this case, it is important to make state intervention in the tourism activity.

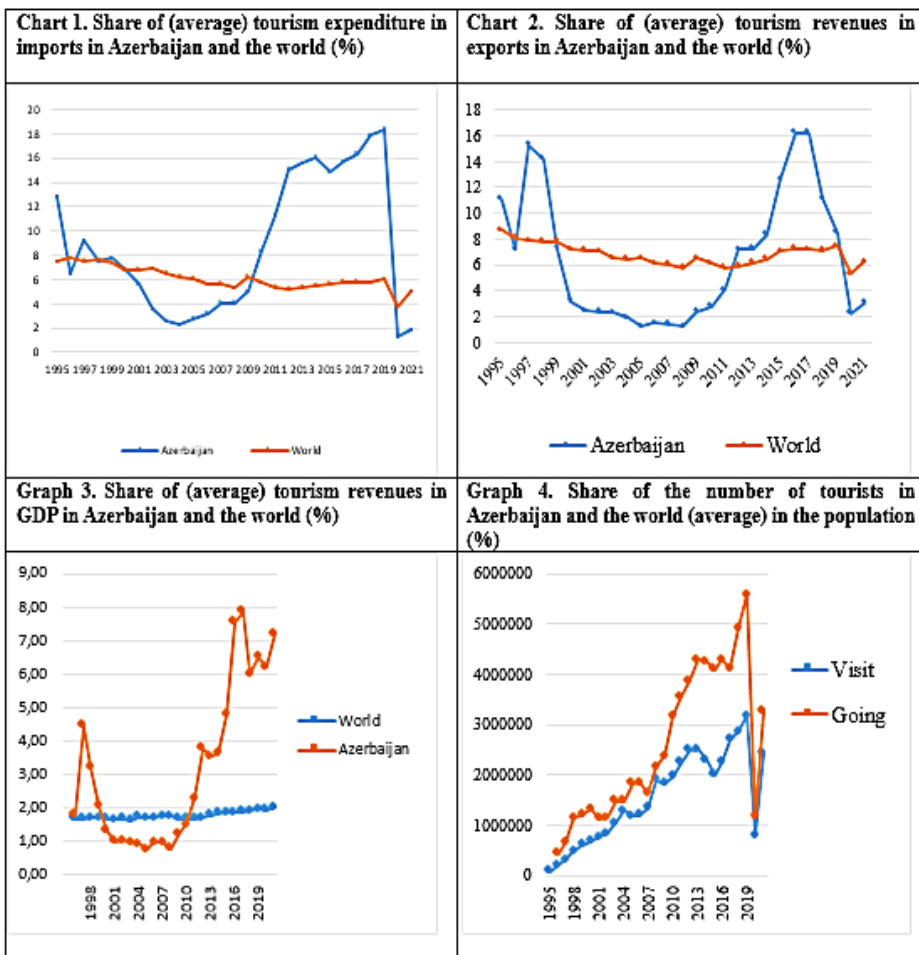
The second provision: the demand function of tourist trips to Azerbaijan varies depending on the level of income of tourists in their country and the price level in Azerbaijan.

Since the beginning of 2020, the widespread spread of the COVID-19 pandemic has seriously hit the tourism industry, but there is no doubt that it is the most promising area of economic activity in

the future. Because tourism is closely related to the well-being of people. People try to consume more, spend less time at work, integrate more with nature, get acquainted with the material and spiritual cultures of other countries. All this motivates people to visit other countries as tourists. Any economic, epidemiological, military, natural, and so on events can limit tourist activity in this or that country for a short period of time. But such restrictions can be of a short-term nature. Although the Covid-19 pandemic also limited cross-country relations for some time, such restrictions are expected to be short-term, and tourism activity is expanding again after vaccination is carried out on a global scale.

The main turning point in the development of tourism in Azerbaijan began in 2012. Until this period, Azerbaijan has lagged behind the world average on the main indicators related to the development of tourism. Starting from this year, there was a sharp increase in the number of tourists coming to the country and the amount of income and expenses from tourism. Thus, in Azerbaijan, in terms of "share of tourism costs in imports" and "share of tourism costs in exports", "share of income from tourism in GDP", "share of the number of tourists coming to the country in the population" indicators, Azerbaijan is above the average world indicators in the period until 2012. was lagging behind. (see graph1-4).

Despite the rapid development of the tourism industry in Azerbaijan in recent years, the number of travel agencies and tour operators offering these services is still very small. The number of such companies was 96 in 2006, but increased continuously in the following years and reached 432 in 2019. After the end of the COVID-19 pandemic, there has been a significant decrease in the number of travel agencies and tour operators. So, in 2021, it reached 150, and in 2022, it reached 240. However, compared to countries with a developed tourism industry, this is considered very little. Only two of them are state-owned, and the rest are private companies. There are various reasons for the small number of travel agencies and tour operator companies in Azerbaijan, which can be attributed to the low demand.

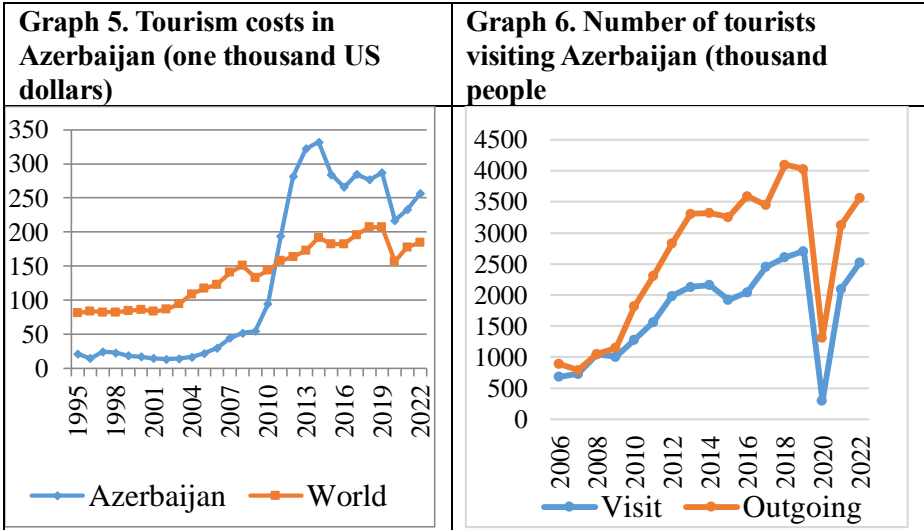


Note : prepared by the author.

In fact, there is a serious disproportion between the number of tourists coming to the country and the number of such companies. Few of the domestic and incoming tourists use the services of travel agencies and tour operator companies.

It should be taken into account that the number of tourists coming to Azerbaijan in the last 20 years is much less than the number

of tourists leaving Azerbaijan (see graph 6). Such differences create a negative balance in Azerbaijan's tourism market and have caused Azerbaijan's tourism costs to increase year by year (graph 5).



Note : prepared by the author.

Despite the fact that the dynamics of the number of tourists received and placed by tour operators with the dynamics of the number of foreign citizens arriving in the country for different purposes had the same trend during the period under study (i.e. 2007-2022), it is more expedient to take not the number of tourists received by tour operators or travel. The study shows that the bulk of foreign tourists visiting the country are considered free tourists. Thus, an important part of tourists visiting Azerbaijan in 2022 is Russia (5434 people), UAE (3929 people), Saudi Arabia (3890 people), Kazakhstan (3227 people), Israel (2937 people) and other countries. The main reason for the absence of citizens from Georgia, Turkey and Iran in the top five is the closure of land borders with neighboring countries for 4 years. Tourists entering from these countries are citizens who come for various purposes. It should be borne in mind that since there are no communication problems for people from Russia, Turkey, Georgia,

Iran and Ukraine, in most cases they do not use the services of tour operators and prefer to travel freely. The number of tourists coming from OEC and further distance is very small.

The third provision: a comparative analysis of the empirical results of the dependence of tourism revenues on the competitiveness of tourism on the example of different countries suggests that as competitiveness increases, tourism revenues also increase. Thus, according to the cross-analysis, there is a strict linear relationship between the logarithm of tourism revenues of countries and the TTCI Composite Index.

The dependence of tourism activity on the “Economic Freedom” Index can be assessed using a panel analysis based on the indicators of three countries. Thus, in 2004-2020, the data on both indicators were calculated on the basis of the data of the World Bank and relevant results were obtained. Based on the results of the Panel analysis, a high degree of dependence of Tourism per capita income on the “Economic Freedom” Index can be shown. In other words, an increase in the level of economic freedom in the country, in turn, leads to an increase in revenues in the field of tourism in the country (see Table 1).

Table 1

Sample: 2004 2020
 Periods included: 17
 Cross-sections included: 3
 Total panel (balanced) observations: 51

Variable	Coefficient	Std. Error	t-Statistic	Prob.
EF	148.6835	28.74068	5.173277	0.0000
C	-765.1676	199.9333	-3.827115	0.0004
R-squared	0.353245	Mean dependent var		262.5270
Adjusted R-squared	0.340046	S.D. dependent var		198.4702
S.E. of regression	161.2324	Akaike info criterion		13.04200
Sum squared resid	1273799.	Schwarz criterion		13.11775
Log likelihood	-330.5709	Hannan-Quinn criter.		13.07095
F-statistic	26.76280	Durbin-Watson stat		0.535697
Prob(F-statistic)	0.000004			

Note: calculated by the author through the EViews software package.

We can build a model of the impact of the” Economic Freedom ” Index on tourism per capita income in Azerbaijan, Turkey and Georgia

using the method of time order analysis. In this case, we will use the pair regression equations:

$$TR_{it} = \beta_1 + \beta_2 * EF_{it} + \vartheta_{it} \quad (1)$$

Here, TR_{it} it is the per capita income from tourism activities in the i th country, EF_{it} it is the “index of economic freedom” in the i th country, β_1 and β_2 are the coefficients of the model for the i th country, and ϑ_{it} are the random errors of the model for the i th country. The results of solving regression equation (1) for Azerbaijan, Turkey and Georgia are given in table 2.

Table 2

Dependence of per capita income from tourism activity (TR_{it}) on the “Economic Freedom” Index (EF_{it}) in the republics of Azerbaijan, Turkey and Georgia

	Azerbaijan	Turkey	Georgia
R^2	0.510226	0.312237	0.722357
Number of observations	17	17	17
β_1			
coefficient	-1863.062	-489.8414	-6066.645
Default error	507.3329	301.5061	1027.913
t-Statistics	-3.672268	-1.624648	-5.901904
P-price	0.0023	0.1251	0.0000
β_2			
coefficient	328.2164	116.5036	814.0028
Default error	83.02935	44.64484	130.3011
t-Statistics	3.953017	2.609565	6.247089
P-price	0.0013	0.0197	0.0000
Binocular-Watson coefficient	0.414050	1.900769	1.057728

Note: calculated by the author through the EViews software package.

As can be seen from table 2, the result of the dependence of tourism income on the index of "economic freedom" shows that there is a high degree of correlation between these indicators in all three countries. Usually, when there is autocorrelation in the model, that is, when the

Durbin-Watson coefficient is not 2, it is necessary to remove the autocorrelation. The analysis shows that the model between these two indicators is more adequate and the relationship is stronger in Georgia. In all cases, the presence of a high degree of correlation between these two indicators once again confirms that there is a need to increase the level of economic freedom in order to increase the income from tourism activities in the country. It should be emphasized that tourism income does not depend only on the level of economic freedom and depends on the influence of other factors on this indicator. However, the obtained results prove that the level of economic freedom has an important effect on the increase of tourism income.

The fourth provision: the position of Azerbaijan on the sub-indexes" nature and culture " is unsatisfactory. "Natural Resources" is one of the sub-indicators that have a significant impact on Azerbaijan's position on the TTCI Composite Index and weaken this position. With this in mind, there is a need to develop its indicators.

It should be noted that the competitiveness of the tourism sectors of the countries is also assessed on the basis of a sub-index called "Natural Resources". These include sub-indicators" number of places registered in the World Heritage Organization "and" number of known natural species in the country", "share of protected areas in total area", "digital demand of natural tourism "and" attraction of natural assets". The possible impacts of each of these sub-indicators on the tourism sector were analyzed in the study.

The analysis showed that the position of Azerbaijan in the sub-index" nature and culture " was significantly weakened and in 2021 it was in 1.6th place with 99 points. The position of Azerbaijan on both sub-indicators of this sub-index-"Natural Resources" and cultural resources and business travel"-was unsatisfactory, and in 2017, Azerbaijan ranked 2.38 out of 136 countries with 109 points, and in 2019-2.2 out of 123 points. However, all indicators of Azerbaijan in this sub-indicator were weak. In particular, "number of registered places in the World Heritage Organization" (86th position); "number of known natural species in the country" (78th position), "share of

protected areas in total area” (83rd position); “digital demand of natural tourism” (0-100 points, 100 Best) (129th position); “attraction of natural assets” (73rd position). It is “natural resources” as one of the sub-indicators that has a significant impact on Azerbaijan's position on the TTCI Composite Index and weakens it. With this in mind, its indicators need to be developed.

Fifth point: Azerbaijan's position on the “international openness” sub-index of the TTCI Competitiveness Index is slightly weaker compared to other sub-indices.

The study shows that the sub-indicators’ international openness “and” environmental sustainability “included in the composite sub-index” sustainability and tourism policy ” are unsatisfactory, negatively affecting the position of Azerbaijan and lowering it. Thus , Azerbaijan's position on “international openness” in 2017, which was in 77th place in 2019 and 83rd place in 2021, was in 82nd place and its position on “environmental sustainability” was in 96th place (see table 3).

Table 3

Scores and positions of sub-indicators on the “international openness” sub-index of the TTCI of Azerbaijan (2021)

	bal	rank
International openness 1-7 (best)	2.9	82
1) visa requirements (1-100 points. 100 Best);	7.0	27
2) bilateral air service openness number of contracts;	7.5	100
3) number of regional trade agreements in force	6.0	86
4) degree of financial openness	0.5	72

Note: Compiled by the author on the basis of the reports (2021) of the World Economic Forum TTCI.

Of the sub-indicators of this sub-index, our country's position on the “number of regional trade agreements in force” was weak, which in 2019 in Azerbaijan with a score of 4.0, ranked 141th among 91 countries, and in 2021-117 among 86 countries. Thus, it is important to improve the position on the sub-indicator, and Azerbaijan's position on

the “international openness” sub-index of the TTCI Competitiveness Index weakened in 2021 compared to other years.

Sixth provision: despite the improvement of Azerbaijan's position on the sub-indicators” Air Transport Infrastructure“,” ground transport and port infrastructure “and” land and sea infrastructure”, the position of our country on” tourism infrastructure ” has somewhat weakened;

Focusing on the sub-indicators of this sub-index in terms of improving the position of our country on air transport infrastructure, it can be concluded that in 2021 only the position of our country on the indicator “quality of air transport infrastructure” was satisfactory. So, according to other sub-indicators, namely “the volume of seats *kilometers available on domestic flights” (0.4-77th position), “the volume of seats*kilometers available on foreign flights” (95.9-80th position), “the number of aircraft flights per 1000 people” (1.9-83rd position), the number of airports per million people” (0.9-72nd position), 72nd position) significantly weakened compared to developed countries (see table 4).

Table 4

Scores and positions on the "Air transport infrastructure" sub-index of TTC of Azerbaijan (2021)

	bal	rank
Transport infrastructure 1-7 (best)	3.3	68
Air transport infrastructure	3.0	72
1) efficiency of air transport services 1-7 (best);.	5.1	46
2)volume of available seats* kilometers per week (million);		85
3) the number of operating airlines		61
4) airport connection score;	6.9	75

Note: Prepared by the author on the basis of the reports (2021) of the World Economic Forum TFCI.

In the 2017 ranking of 141 countries in the “air transport infrastructure” sub-index of developed countries, including Canada, this country was in the 1st position with 6.76 points. In the same year, the quality of the country's air transport infrastructure differed significantly from Azerbaijan, and the differences in the number of domestic and foreign flights were quite large. The emergence of such differences is primarily due to the size of the area of countries. It is clear that the territory of Azerbaijan is quite small compared to Canada, and travel from one city to another in the country is carried out by car, thus avoiding the need for air transport.

It should be noted that despite the small size of the territory of Austria, local flights were regularly operated here 12 times more than in Azerbaijan. Thus, in 2019, Austria ranked 140th among 3.89 countries in the “quality of Air Transport Infrastructure” sub-index. And this indicates the low cost of local flights. One of the important aspects that impede the use of air traffic throughout the country is related to the congestion of airports. Until recently, only the presence of airports in Ganja, Nakhchivan, Gabala, Zagatala and Lankaran had a negative impact on the number of domestic flights. Carrying out reconstruction work in the liberated regions after the 44-day Patriotic War will further increase our position on the air transport sub-index, which will have a positive impact on the development of the country in general. Thus, the opening of international airports in Fizuli in 2021, Zangilan in 2022 and the completion of the construction of the Lachin International Airport, which is planned for 2024, will have a significant impact on the number of flights both domestic and foreign. It should be emphasized that in Azerbaijan, compared with foreign countries, mainly Georgia and Turkey, flight prices are significantly higher, which, in turn, has led to a decrease in domestic flights. Thus, using its regulatory role, the state must achieve a flight price reduction and the launch of a mechanism for state support. This, in turn, will affect the regular operation of domestic and foreign flights and create conditions for the entry of foreign currency into the country in the future.

CONCLUSION AND SUGGESTIONS

The main results of the dissertation work can be grouped as follows:

1. In the research work, the dependence of the demand function of tourism on some economic factors on the example of different countries is given and some factors are of a relatively objective nature in relation to state institutions, the importance of state intervention in their change is reduced. However, there are indicators that for the demand function of Tourism, their change in a favorable direction for both the short and long term is possible only with state intervention.

2. As a result of the analysis, it was established that depending on the nature of the country's economy and national security, in particular, how important tourism is for the economy, government intervention in this sector is envisaged. However, such an intervention does not always give a positive result. Rather, when the intervention approaches the optimal limit, the likelihood that the result will be positive increases even more. Among such interference, there are many interventions of general nature.

3. Econometric calculations show that the demand function of tourist trips to Azerbaijan varies directly depending on the level of income of tourists in their country and the price level in Azerbaijan.

4. The analysis shows that Azerbaijan is not in such a bad position in the rating of the favourability of the business environment. Thus, the composite index "Economic Freedom", developed by the Fraser Institute, carried out calculations based on the sub-indices "size of government", "legal system and property law", "monetary strength", "freedom of international trade" and "regulation". It should be noted that Azerbaijan is currently competing in tourism with Georgia and Turkey in the region. It is the two countries that attract potential consumers of Azerbaijan's domestic tourism, causing a large volume of foreign currency to flow out of the country. The emergence of such a deplorable situation has a negative impact on the development of tourism in the country, and the implementation of appropriate measures in this direction is considered inevitable.

5. The weak position of Azerbaijan on the business environment affordability sub-index is also observed in the sub-index “impacts of Foreign Direct Investment Management on Business”. The absence of reforms in the country for the management of FDI in the last 5 years suggests that there have been no significant changes in Azerbaijan's position on this indicator. Noting the importance of constant improvement of other sub-indices under the sub-index” business environment affordability”, it should be noted that the current situation on this sub-index as a whole, with some exceptions, is satisfactory. The scores and position of Azerbaijan on the sub-indicators of the TTCI sub-index “business environment affordability” for 2021 are satisfactory, with the exception of some sub-indicators.

6. In the dissertation, the main difference between the ranking of the TTCI index and other rankings, such as the ranking of Doing Business or the Fraser Institute, is that there are few or no two-pole indicators between the sub-indices or sub-indices of this composite index. The main problem that arises during the preparation of ratings on a two-pole indicator is associated with the selection of the optimal indicator for one or another country. The impact of these indicators on economic growth or well-being depends on the economic situation of countries and a large number of other factors. In this case, it is necessary to select the optimal option for each country. However, most of the sub-indices and sub-indices included in the TTCI Composite Index are not Bi-Polar, the impact of this indicator on economic growth, tourism sector revenues and other macroeconomic indicators can be analyzed as a linear dependence.

7. The study shows that the nature of the relationship between the share of tourism revenues in GDP in Azerbaijan differs significantly from the nature of the relationship between the logarithm of tourism revenues and the TTCI index. Thus, the share of tourism revenues in GDP does not increase at all. The TTCI has a certain price interval, in which the share of tourism revenues in GDP reaches its maximum. At first glance, this means that for TTCI there is an interval in which the share of tourism revenues in GDP is maximum. In a large number of countries with high tourism competitiveness, the share of tourism

revenues in GDP is not so high. All this shows that a steady increase in the share of tourism revenues in GDP should not be a goal for every country. It is more expedient to increase the absolute price of income. The positive relationship between tourism revenues and Tourism Competitiveness suggests that for each country it is of great importance to develop and increase the competitiveness of industries that can affect the tourism sector to one degree or another.

8. In recent years, increased attention to the development of the tourism industry in Azerbaijan has affected a certain part of Azerbaijan's indicators on the TTCI index. However, in general, in the period from 2008 to 2021, the indicators of TTCI and TTDI of Azerbaijan improved somewhat.

9. Azerbaijan's position on the "nature and culture" sub-index has significantly weakened. So, in 2021, Azerbaijan ranked 1.6th with 99 points. Azerbaijan's position on both sub-indices of this sub-index - "Natural Resources" and "cultural resources and business and business travel" - is considered unsatisfactory. A study of Azerbaijan's positions on the five sub-indexes included in the "environmental affordability" column shows that most of the sub-indexes included in these sub-indexes are relatively positive compared to developed countries. However, there are some sub-indicators, the development of which will lead to further strengthening the competitiveness of tourism in Azerbaijan.

10. The State plays an important role in planning tourism activities. Thus, the issue of predicting and minimizing the possible negative effects of tourism expansion on the environment and the social sphere, as well as achieving that the construction of tourist facilities meets modern standards and environmental requirements, is impossible without the participation of the state.

11. With an increase in the level of competitiveness, tourism revenues also increase. In view of this, taking necessary measures to increase the TTCI index in Azerbaijan is of great importance for two reasons. Firstly, an increase in the level of competitiveness means the development of industries related to various aspects of the country's economy and has a positive impact on the economy as a whole.

Secondly, the comparative assignment as a composite index of the level of competitiveness increases healthy competition between countries. Each country must identify its weak aspects in the TTCI index and achieve its development in the future in order to increase its image at the global level.

12. Bi-directional or uni-directional effects of FDI on tourism revenues, number of tourists and, in general, the development of the tourism industry, as well as tourism development on the volume of FDI are possible. The presence of two- or one-way cause-and-effect relationships depends on the country's economic situation. Considering these results, it is necessary to mention the need to improve investment management in each country, including Azerbaijan.

13. Azerbaijan's scores and positions on the "human resources and labor market" sub-index in 2017-2019 and 2021 can be considered satisfactory compared to developed countries. However, the low scores of the "human resources and labor market" sub-index on three sub-indicators are a worrying issue, and if these sub-indicators improve, Azerbaijan's position will rise even higher.

14. The development of infrastructure in Baku alone is not enough to increase the competitiveness of tourism in Azerbaijan. The regions of Azerbaijan have a unique potential for the development of various types of Tourism.

15. One of the important aspects that impede the use of air traffic throughout the country is related to the congestion of airports. Until recently, only the presence of airports in Ganja, Nakhchivan, Gabala, Zagatala and Lankaran had a negative impact on the number of domestic flights. Carrying out reconstruction work in the liberated regions after the 44-day Patriotic War will further increase our position on the air transport sub-index, which will have a positive impact on the development of the country in general. Thus, the opening of international airports in Fizuli in 2021, Zangilan in 2022 and the completion of the construction of the Lachin International Airport, which is planned for 2024, will have a significant impact on the number of flights both domestic and foreign. It should also be emphasized that in Azerbaijan, compared with foreign countries, mainly Georgia and

Turkey, flight prices are much higher, which, in turn, has led to a decrease in domestic flights. Thus, using its regulatory role, the state must achieve a flight price reduction and the launch of a mechanism for state support. This, in turn, will affect the regular operation of domestic and foreign flights and create conditions for the entry of foreign currency into the country in the future.

16. The settlement of the population in the liberated territories and, in parallel, the creation of tourism infrastructure is currently considered a priority issue. The imminent fulfillment of these two different but related tasks will stimulate the rapid development of the regions.

The main provisions of the dissertation, obtained results and recommendations are reflected in the following published articles and theses of the author:

1. Mammadova U.I. Assessment of the economic efficiency of the tourism sector in Azerbaijan // - materials of the international scientific-practical conference “economic growth and public welfare” dedicated to the 60th anniversary of the Institute of economics of Anas. Baku City-2018. s. 487-492.

2. Mammadova U.I. Determining the demand function of tourism in Azerbaijan by the method of simultaneous equations // - Baku: Azerbaijan National Academy of Sciences, Institute of Economics, Journal of Economic Growth and Public Welfare, - 2021. No. 2, - p.157-165.

3. Mammadova U.I. Increasing the competitiveness of Azerbaijan in the tourism sector // - Baku: Azerbaijan National Academy of Sciences, Institute of Economics, Journal of Economic Growth and Public Welfare, - 2023. No. 1, - p. 152-160.

4. Mammadova U.I. The demand function of tourism and its determinants // - Baku: News of the Azerbaijan National Academy of Sciences, Economy series, - 2020. No. 5, - p. 92-98.

5. Mammadova U.I. International experience in the field of state regulation of the tourism sector // - Baku: Institute of Economics,

Scientific Works of the Azerbaijan National Academy of Sciences, - 2019. No. 3, - p. 112-118.

6. Mammadova U.I. The main economic factors necessitating state regulation of the tourism sector // - Baku: News of the Azerbaijan National Academy of Sciences, Economy series, - 2019. No. 3, - p. 56-63.

7. Mammadova U.I. The role of state regulation in the competitiveness of the tourism sector // - Baku: Institute of Economics of the Azerbaijan National Academy of Sciences, Scientific Works, - 2019. No. 5, - p. 271-279.

8. Mamedova, U.I. Determination of the demand function for tourism in Azerbaijan using the method of synchronous equations // VII International Scientific and Practical Conference "Technologies of Social Work in Various Spheres of Life", International scientific and practical conference at RINC base, Makhachkala, 2022, pp. 32-41.

9. Sultanova, R.S., Mamedova, U.I. Methods for assessing the competitiveness of the tourism sector of the International Scientific and Practical Conference // Proceedings of the International Scientific and Practical Conference "Strategy for the Development of the Economy of Belarus: Challenges, Implementation Tools and Prospects" Institute of Economics of the National Academy of Sciences of Belarus, Belarus: - December 3, - 2019, - Volume 1, - p. 104-108.

10. Mammadova U. Estimation of Tourism Demand and Supply Functions for Azerbaijan: 2SLS Approach /// WSEAS Transactions on business and economics, - 2021. Volume 18.

11. Mammadova U.I. "Innovation-based development directions of companies operating in the field of tourism", national scientific conference "Global challenges and perspectives in economic development" dedicated to the 99th anniversary of the birth of national leader Heydar Aliyev, Baku, Western Caspian University, May 11, 2022

12. Mamedova, U.I. "The current state of state regulation of the tourism sector and the tourism industry in Azerbaijan. VIII:

“Technologies of social work in various spheres of life” International scientific and practical conference at RINC base Russian, 11 may 2023

13. Mammadova U.I. "State regulation of the tourism sector in Azerbaijan and its current state" Republican scientific conference "Global challenges and perspectives in economic development" dedicated to the 100th anniversary of the birth of national leader Heydar Aliyev, Baku, Western Caspian University, May 11, 2023

The defense of the dissertation will be held on May 03 2024 at the 11⁰⁰ meeting of the Dissertation Council ED 1.10 of Azerbaijan operating at Institute of Economics of the Ministry of Science and Education of Azerbaijan

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The dissertation is available in the Library of the Institute of Economics of the Ministry of Science and Education of Azerbaijan

Electronic versions of dissertation and its abstract are available on the official website (*economics.org.az*) of the Institute of Economics of the Ministry of Science and Education of Azerbaijan

Abstract was sent to the required addresses on March 29 2024

Signed for print:28.03.2024

Paper format: A5

Volume: 47027

Number of hard copies: 20