

REPUBLIC OF AZERBAIJAN

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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

**ASSESSMENT OF THE IMPACT OF THE CULTURAL
SECTOR ON THE ECONOMY IN THE
REPUBLIC OF AZERBAIJAN**

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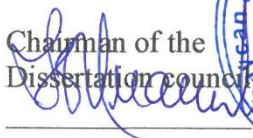
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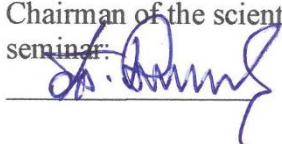
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GENERAL CHARACTERISTICS OF THE RESEARCH

Relevance and degree of elaboration of the topic. Culture, as one of the non-traditional sectors of the economy, serves as a key driver of socio-economic development in a number of developed countries. It is therefore not surprising that, when examining the role of the cultural sector in the socio-economic sphere, it can be observed that economically developed countries are generally at the forefront and attach particular importance to the development of culture. Examples of such countries include the United States, the United Kingdom, France, Spain, Italy, South Korea, India, and Türkiye.

It should be noted that the development of the cultural sector affects employment and economic growth both directly and indirectly. In addition, the cultural sector also serves as an instrument of political influence for many developed countries. This can take various forms, including the promotion of a country's culture in other countries, the dissemination of political ideology abroad, and, consequently, the enhancement of that country's influence over other states.

An examination of international experience demonstrates that the cultural sector can have a significant impact on the economy. In the United Kingdom, one of the world's leading countries in the cultural sector, the creative industries generated £124 billion (approximately more than US\$154 billion) in Gross Value Added (GVA) in 2023. This accounted for 5.2% of the total GVA of the United Kingdom's economy¹.

In South Korea, which has gained considerable international recognition in recent years for its creative industries, particularly music, television series, films, and other cultural products, the Gross Domestic Product (GDP) generated by the cultural sector amounted to approximately KRW 43.76 trillion (approximately US\$30.27 billion) in 2023².

In Azerbaijan, however, obtaining statistical data to determine the impact of the cultural sector on the economy is challenging. The

¹ House of Lords Library, Creative Industries: Growth, Jobs and Productivity, 2025

² Statista.com, Gross domestic product (GDP) from the cultural and other service sector in South Korea from 2011 to 2023

main reason for this is that separate statistical indicators are not developed for individual areas of culture. In publications of the State Statistical Committee of the Republic of Azerbaijan, culture is generally presented together with recreation, entertainment, and sports, which makes it difficult to determine the role of the cultural sector in the economy. According to statistical data for 2024, the share of activities in the fields of recreation, entertainment, and arts in GDP amounted to only 0.8%³.

In recent years, however, it has been possible to observe increasing government attention to the development of the cultural sector in our country. As a country that has initiated projects such as the Baku International Culture Forum and the Silk Road initiatives, Azerbaijan demonstrates its commitment to the preservation and promotion of culture. There are considerable opportunities in Azerbaijan to utilize cultural resources in order to stimulate economic growth. However, the contribution of the cultural sectors to the economy has not yet been adequately studied in our country. The primary objective of this research is therefore to address this gap.

At the same time, another important factor necessitating this research is its significance both for the Government of Azerbaijan, which aims to diversify the economy, and for researchers. Considering the numerous problems existing in Azerbaijan's cultural sectors, the importance of conducting this research is further reinforced. These problems include fragmented cultural policies; financial shortages that hinder the development of cultural sectors (it should be noted that most cultural sectors in the country operate primarily through state subsidies); barriers limiting interaction between the private entrepreneurship sector and cultural sectors; low levels of cultural literacy among the population; ineffective management in the cultural sphere; underdeveloped marketing; inadequate quality of education in this field; and other related issues.

The dissertation analyzes the current state of development of the cultural sector in Azerbaijan and identifies its development prospects and the reforms that need to be implemented in the future.

³ National Accounts of Azerbaijan, Baku, 2025, p. 34

Some scholars and researchers have conducted studies on the impact of the cultural sectors on economic development in the Republic of Azerbaijan. These include N. Muzaffarli (Imanov) and T.N. Aliyev, authors of the analytical review entitled *“Economics of Culture in Azerbaijan: Realities and Prospects for Development”*; T.A. Pasha, author of *“Socio-Economic Impacts of Tangible Cultural Heritage”*; R.S. Abdullayeva and A.N. Muradov, authors of the textbook *“Economics of the Social Sphere”*; K. Imanov, author of *“Creative Economy and the Development of the Azerbaijani Economy”*; A.G. Alirzayev, author of the textbook *“Economics and Management of the Social Sphere”*; F.P. Rahmanov, author of the textbook *“Social Sphere and Social Policy”*; and Z.F. Mammadov, author of *“Wedding Economics”*. At the international scientific-practical conference *“Economics of Culture: Development Impulses from Shusha”*, many Azerbaijani scholars and researchers presented scientific papers on various areas of culture in the country. The articles by researchers such as Y. Mammadov, N. Ahmadov, and J. Taghiyev can be cited as examples. Among international scholars, Hendrik van der Pol, Christiaan De Beukelaer and Kim-Marie Spence, Paul de Gay and Michael Pryke, Thomas B. Lawrence and Nelson William Phillips, Bruno S. Frey, and August Einarson have conducted research on the economic aspects of the cultural sector.

The scientific research conducted by international scholars on the economic dimensions and development of cultural sectors provides a scientific foundation for studying these sectors in Azerbaijan.

The relevance of addressing the problems existing in the functioning of the cultural sector in the territory of the Republic of Azerbaijan determines the choice of the dissertation topic, research object and subject, as well as the formulation of the research aim and objectives.

Research Object and Subject. The object of the research is the cultural sector operating in the Republic of Azerbaijan. The subject of the research comprises the theoretical, methodological, and practical aspects of economic phenomena and processes related to assessing the impact of the cultural sector on economic development in the Republic of Azerbaijan.

Aim and Objectives of the Research. The main aim of the research is to examine the impact of the cultural sector on the economy of the Republic of Azerbaijan and to identify ways to address existing problems. The main objectives set for the research are as follows:

- To examine the essence of the cultural sector and its role in economic development;
- To analyze the theoretical foundations of the state's cultural policy;
- To determine the importance of marketing and management in the development of the cultural sector;
- To conduct an econometric assessment of the socio-economic factors affecting cultural participation;
- To examine the activities of the sub-sectors of culture in the Republic of Azerbaijan, including music, theatre, cinema, film, museums, visual arts, and others, and to identify existing problems;
- To determine the possibilities of applying progressive international experience in the development of the cultural sector in Azerbaijan;
- To identify the necessary reforms aimed at addressing existing economic problems in the cultural sector of the Republic of Azerbaijan;
- To determine directions for improving the financial provision of the cultural sector;
- To identify the development prospects of the cultural sector in the liberated territories.

Research Methods. The research employed methods of logical generalization, survey, comparative and systematic analysis, analytical-statistical analysis, correlation, and regression.

Main Provisions Submitted for Defence. The following scientific provisions have been submitted for defence:

- The economic potential of the cultural sector in the Republic of Azerbaijan has not been fully realised, and its development is important for economic diversification;

- The cultural sector in Azerbaijan is influenced by various social, economic, institutional and other factors;
- Improving the economic efficiency of the cultural sector in Azerbaijan requires strengthening institutional coordination, professional management and financial accountability;
- The development of Azerbaijan's music sector requires wider use of innovative solutions and digital platforms;
- There is scope for increasing revenues in Azerbaijan's film and theatre sectors, and their development is linked to improvements in distribution, audience engagement and marketing;
- There is a need to improve professional training for the cultural sector in Azerbaijan;
- Financing the cultural sector in Azerbaijan requires the targeted use of state support and the expansion of alternative funding sources;
- The restoration of cultural heritage and the development of cultural tourism and creative activities in the territories liberated from occupation can support regional economic diversification.

Scientific Novelty of the Research.

The main scientific novelties of the research are as follows:

- Data and classification problems limiting the assessment of the cultural sector's contribution to Azerbaijan's economy have been identified;
- Institutional constraints in the management of Azerbaijan's cultural sector have been systematised on the basis of subsector analyses;
- The relationship between cultural participation and socio-demographic and economic indicators has been assessed using a multiple regression model based on individual-level survey data;
- A three-point score based on visit frequency has been applied to empirically assess respondents' cultural participation;

- A phased approach to increasing funding for the cultural sector in Azerbaijan and diversifying its funding sources has been proposed;
- Specific institutional and economic pathways for adapting advanced international practices to Azerbaijan's economic conditions have been identified;
- Differentiated development pathways have been identified, taking into account the specific characteristics of cultural subsectors;
- Phased pathways for culture-led regional development in the territories liberated from occupation have been formulated, taking into account the cultural sector's comparative advantage.

Theoretical and Practical Significance of the Research. The theoretical significance of the research lies in identifying the economic foundations of the cultural sector. The practical significance of the research is that the results of the dissertation can be used in the future by decision-making institutions in the cultural sector, particularly the Ministry of Culture, the Culture Committee of the Milli Majlis of the Republic of Azerbaijan, the State Tourism Agency, and the State Service for Protection, Development and Restoration of Cultural Heritage, in developing relevant concepts and may also serve as a basis for future scientific research.

Approbation and Application. The main provisions and results of the dissertation were presented and discussed at international and national scientific-practical conferences.

The results obtained in the research were published in the proceedings of three international and one national-level conference. These include the proceedings of the International Scientific Conference *“Economics of Culture: Development Impulses from Shusha”* (pp. 181–194, 2022), the Proceedings of the XVI International Scientific Research Conference (pp. 51–54, 2023), the *Proceeding Book of the 12th Baskent Congress on Social Humanities, Administrative, and Educational Sciences* (pp. 637–649, 2024), and

articles and theses published in the Proceedings of the VII Republican Scientific Conference of Young Researchers (pp. 231–233, 2024).

Five scientific articles have been published on the dissertation topic. One of them was published in the scientific journal *Bulletin of the Atyrau University* of Atyrau University in Kazakhstan, while four were published in scientific journals recommended by the Higher Attestation Commission under the President of the Republic of Azerbaijan.

Name of the Organization Where the Dissertation Was Conducted. The dissertation was carried out at the Department of “Inclusive Social Development” of the Institute of Economics under the Ministry of Science and Education of the Republic of Azerbaijan.

Total Volume of the Dissertation, Including the Volume of Its Individual Structural Sections. The dissertation consists of an introduction (10,115 characters), three chapters (Chapter I – 57,176 characters; Chapter II – 112,230 characters; Chapter III – 60,234 characters), a conclusion (10,170 characters), and a bibliography comprising 136 sources. The dissertation contains 2 figures, 24 graphs, and 11 tables. The total volume of the dissertation is 179 pages, comprising 252,078 characters.

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MAIN CONTENT OF THE RESEARCH

The “**Introduction**” section of the dissertation presents the relevance of the research and the degree to which the topic has been studied, the subject and object of the research, its aims and objectives, the scientific provisions submitted for defense, the scientific novelty, the theoretical and practical significance of the research, as well as the approbation of the main provisions of the dissertation.

The first chapter, entitled “**Theoretical Foundations of the Role of the Cultural Sector in Economic Development,**” examines the essence and classification of the cultural sector, addresses its socio-economic significance, identifies the scientific and theoretical foundations of state cultural policy, and studies the methods of management, marketing, and financing of the sector.

The cultural sector has now become an economic and cultural entity receiving particular attention internationally, with many countries and international organizations developing specific policies in this field. The UNESCO Institute for Statistics defines the cultural sector as follows: “*The cultural sector comprises organized activities whose main objective is the production or reproduction, promotion, distribution or commercialization of goods, services and activities of a cultural, artistic or heritage nature*”⁴. This approach, by focusing on cultural, artistic, and heritage-related products, services, and activities, emphasizes that they originate either from the past or from contemporary human creativity. Furthermore, according to this definition, the cultural sector is not limited solely to the products of human creativity and the reproduction of cultural industries; it also encompasses other areas of activity that contribute to the creation and dissemination of cultural and creative products.

In addition, the dissertation provides extensive information on the distinctions between the concepts of the cultural sector and creative industries, as well as the historical development of the use of the concept of the cultural sector in economic literature.

⁴ Unesco.org, What do we mean by Cultural and Creative Industries?

When it comes to measuring the social and economic impacts of culture, it is first necessary to distinguish between the cultural and creative sectors. However, this is not the only challenge that arises in assessing them. For example, obtaining statistical data on the cultural sector in developing countries is one of the major challenges faced by UNESCO. This, in turn, makes it difficult to assess the current state of the cultural and creative industries in these countries, and Azerbaijan is also among the countries that can be included in this category. For this reason, different approaches need to be applied when conducting analyses in developed and developing countries.

Another issue addressed in the dissertation is the concept of cultural policy.

The cultural policy pursued by each country may vary depending on the culture, traditions, and customs of its population. In general, four different approaches to state cultural policy can be identified:

1. Cultural policy is integrated into overall planning;
2. The state considers itself responsible for culture based on the obligations it has assumed toward the public, and, in order to fulfill this responsibility successfully, it regards it as its duty to replace private initiatives that are unable to fully perform this function;
3. Given the risk that centralized and direct government management of the cultural sector may lead to uniformity in cultural activities and the neutralization of controversial elements in the arts, the state prefers to limit its role to providing financial assistance;
4. In some developing societies, the importance of state intervention in the development of the cultural sectors is emphasized in order to strengthen national consciousness and thereby contribute to the development of an original culture that responds both to the spiritual values of the population and to the requirements of the modern world⁵.

⁵ Unecdoc.unesco.org, Cultural policy a preliminary study, published by UNESCO, Paris, 1969

Analyses and studies have been conducted to identify sources of financing in the cultural sector, examine new trends in financing mechanisms, and assess the role of marketing in the cultural sector and its various directions.

Overall, gaps in the management of the cultural sector in Azerbaijan, the lack of adequate attention to this field for many years, and the limited interest of the population in such areas have resulted in the underdevelopment or even disappearance of certain types of cultural industries. At the same time, some areas of culture have been unable to develop in our country due to the lack of proper promotion and a favorable business environment. One of the major gaps in this regard is the absence of an adequately developed education system. In addition, issues related to national mentality can, in some cases, act as one of the main factors hindering the development of certain cultural sectors, such as the pop music industry and fashion industry.

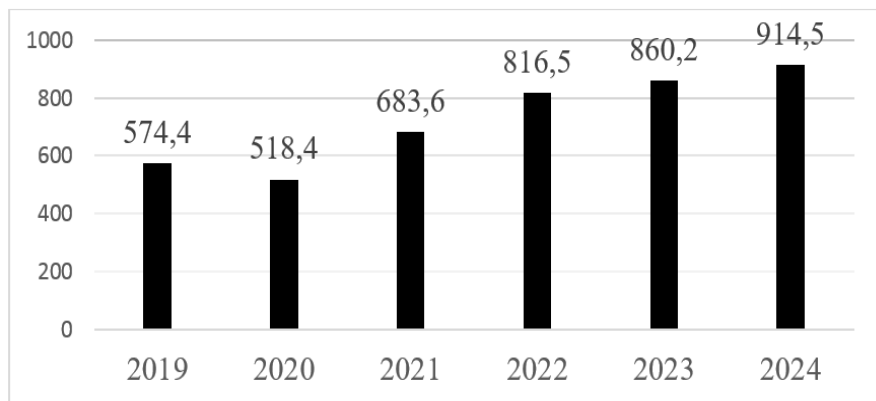
The second chapter, entitled **“Assessment of the Current State of the Cultural Sector in Azerbaijan,”** examines the existing problems in the country's cultural sectors, analyzes the population's attitudes toward these sectors based on a conducted survey, addresses the development trends and economic efficiency of the music industry, assesses the current state of economic efficiency in the film and theatre sectors, and analyzes the profitability of libraries and museums.

The formulation of cultural policy and its effective management play an exceptional role in the development of both the spiritual and socio-economic dimensions of a country's culture. Taking this into consideration, it is necessary to determine the impact of the cultural sectors on the economy through several dimensions. These dimensions were identified in the *“Culture for Development Indicators – Analytical Report on Azerbaijan”*, prepared in 2018 with the support of the European Union's Eastern Partnership Culture and Creativity Programme, in terms of three forms of the cultural sector's contribution to the economy:

- The value added by cultural institutions to GDP;
- Employment in the cultural sector;

- Household expenditure on culture⁶.

The main source that can be consulted to determine the impact of the cultural sector on GDP in our country is the System of National Accounts compiled by the State Statistical Committee. However, separate indicators for the cultural sector are not provided; instead, they are presented together with the arts and entertainment sectors. In the 2024 edition of the National Accounts of Azerbaijan, the gross domestic product generated by the arts and entertainment sectors is presented in the following graph (Graph 1).



Graph 1. Gross Domestic Product Generated by the Recreation, Entertainment, and Arts Sectors, at Current Prices, million AZN

Source: Compiled by the author based on *National Accounts of Azerbaijan – Baku – 2025 – p. 34.*

As can be seen from the graph, a slight increase and decrease in the share of the recreation, entertainment, and arts sectors in GDP was recorded during 2019–2021; however, a significant increase was observed in 2022. The lowest indicator was recorded in 2020, which can be associated with the COVID-19 pandemic. It should also be noted that, despite the continuation of the pandemic in 2021, the indicator for these activities was 19% higher than the pre-pandemic level. The

⁶ Measuring the economic contribution of cultural industries, A review and assessment of current methodological approaches, 2009 Framework for cultural statistics Handbook - No 1, Montreal, 2012

indicator for 2022 was 19.4% higher than that of the previous year and 42.2% higher than the 2019 level. The indicator for 2024 was 6.3% higher compared with 2023. In addition, total GDP production by economic activity amounted to AZN 113,973.9 million in 2024. It should be noted that the share of the recreation, entertainment, and arts sectors in this indicator was 0.8%.

The population's attitude toward the cultural sector in the Republic of Azerbaijan has not been uniform; in general, population groups distinguished by higher levels of education and cultural awareness have made greater use of cultural services. This trend continues today. In particular, the concentration of both higher education institutions and cultural institutions in large cities, especially in the capital Baku, has been reflected in the population's attitudes toward cultural institutions. Such factors also have an impact on the cultural level of the population in the regions.

In order to determine the population's attitude toward the cultural sector in our country, we conducted a survey. A total of 568 people from different economic regions of the country participated in the survey. The survey included residents of thirteen of the fourteen existing economic regions.

The first model we developed to determine the population's participation in cultural activities in the country is called the “Cultural Participation and Cultural Consumption Index Model.” The main objectives of developing the model are to determine the level of participation of the population in cultural activities, identify cultural consumption trends, and measure the social potential of the cultural sector. The survey includes information on the frequency of visits to cultural institutions, cultural leisure expenditure, choice of cultural activities, attitudes toward pricing policy, as well as education and age indicators. Taking all this information into account, we can construct the Cultural Participation Index (CPI). In order to establish an academically grounded approach to interpreting the index results, the following CPI scoring system can be applied.

The participation indicator was coded on a scale of 1–3 points: 1 point – respondents who never visit cultural institutions; 2 points – those who visit occasionally; and 3 points – those who visit frequently.

Accordingly, the possible values of the CPI range from 1.00 to 3.00. For evaluation purposes, 1.00–1.66 was classified as a low level of participation, 1.67–2.33 as a medium level of participation, and 2.34–3.00 as a high level of participation.

According to the survey results, out of 568 respondents, 89 people (15.7%) reported that they frequently visited cultural institutions, 334 people (58.8%) visited occasionally, while 145 people (25.5%) reported that they did not visit cultural institutions at all.

The Cultural Participation Index was calculated using the following formula:

$$CPI = \frac{\sum (W_i \times M_i)}{M}$$

Where (W_i) represents the score assigned to the participation level, (M_i) represents the number of respondents at that participation level, and (M) represents the total number of respondents.

$$CPI = \frac{(3 \times 89) + (2 \times 334) + (1 \times 145)}{568}$$

$$= 1.9014 \approx 1.90$$

Thus, the CPI was 1.90, and since it falls within the 1.67–2.33 interval, the population's level of cultural participation was assessed as medium.

Analysis of the Factors Affecting Cultural Participation Based on the Survey

Within the framework of the research, the results of a respondent survey were analyzed in order to determine the level of participation of the population in cultural activities and to assess the main factors affecting such participation. A statistical and econometric approach was used to evaluate the survey results in a more systematic manner. The main objective of the analysis was to identify the social and economic factors shaping respondents' interest in cultural institutions.

The respondents were asked questions regarding the frequency with which they visited theatres, museums, exhibitions, concerts, and other cultural institutions. Based on the responses obtained, an indicator reflecting the level of cultural participation of the respondents was developed. For the purposes of statistical analysis, the responses were assigned numerical scores. Accordingly, respondents who reported that they did not visit cultural institutions were assigned a score of “1”,

those who reported occasional participation were assigned a score of “2”, and respondents who reported frequent participation were assigned a score of “3.” This approach made it possible to comparatively assess the level of cultural participation among respondents.

The respondents' level of education, age, expenditure on cultural activities, attitudes toward pricing policy, and level of satisfaction with the performance of cultural institutions were included in the analysis as factors that could potentially affect cultural participation. In selecting the variables, consideration was given to the fact that cultural participation is associated with both socio-demographic and economic factors.

In the analysis, the respondents' level of cultural participation was treated as the dependent variable, while the other indicators were included in the model as independent variables. The direction and magnitude of the relationships between the variables were evaluated during the analysis. For this purpose, a multiple regression approach was employed.

The following model was used within the framework of the research:

$$\text{Participation} = \beta_0 + \beta_1 \text{Expenditure} + \beta_2 \text{Education} + \beta_3 \text{Age} + \beta_4 \text{Price Satisfaction} + \beta_5 \text{Institution Satisfaction} + \varepsilon$$

Here, the participation indicator represents the respondents' level of participation in cultural activities, while the other variables represent factors that may affect such participation.

The calculations for the model were performed using the Ordinary Least Squares (OLS) method. During the calculations, the responses provided by the respondents were coded numerically, and the direction and magnitude of the relationships between the variables were determined using statistical software. The regression coefficients indicated the strength of the effect of the variables on cultural participation. Statistical significance was assessed based on the p-value. In the analysis, results with $p < 0.05$ were considered statistically significant.

Table 1.

**Results of the Multiple Regression Model on the Factors
Affecting Cultural Participation**

Independent Variables	B	Std. Error	t	p-value
Expenditure on Cultural Activities	0.061	0.063	0.967	0.334
Education Level	0.111	0.043	2.585	0.010
Age	0.089	0.044	2.019	0.044
Satisfaction with Pricing Policy	0.062	0.048	1.295	0.196
Satisfaction with the Performance of Cultural Institutions	0.092	0.051	1.803	0.072

As can be seen from Table 1, education level and age had a positive and statistically significant relationship with cultural participation. The regression coefficient for education level was 0.111 ($p = 0.010$), while that for age was 0.089 ($p = 0.044$).

Although the effect of satisfaction with the performance of cultural institutions was positive, it was not statistically significant at the 5% significance level ($B = 0.092$; $p = 0.072$). No statistically significant results were obtained for the variables of expenditure on cultural activities and satisfaction with pricing policy either.

The model yielded $R^2 = 0.057$, indicating that 5.7% of the variation in cultural participation is explained by the variables included in the model. The overall model was statistically significant ($F(5; 562) = 6.794$; $p < 0.001$).

Overall, the analysis demonstrated that socio-demographic factors play a particularly important role in shaping the level of public participation in cultural activities in Azerbaijan. In particular, education level and age emerge as key determinants of cultural participation. In this regard, when implementing cultural policy, it is important to take into account awareness-raising and educational measures, as well as social factors influencing the cultural behavior of the population.

The dissertation analyzes the digital transformation of the Azerbaijani music industry and evaluates the impact of online platforms on the market.

The film industry, together with the music and fashion industries, is one of the most profitable sectors within the cultural sphere. Both film and theatre are collaborative forms of production that encompass a wide range of professional fields. Actors, directors, screenwriters, lighting technicians, makeup artists, costume designers and stylists, sound engineers, producers, and other professionals are involved in both sectors. Taking these factors into consideration, particular attention was devoted to the film sector in the dissertation, and analyses were conducted based on reports of the State Statistical Committee.

In addition to the film industry, the activities of theatres and libraries were also investigated, and the results of these analyses were examined.

The final chapter, entitled **“Directions for the Development of the Cultural Sector in Azerbaijan,”** consists of three sections. It identifies directions for the development of the cultural sector in Azerbaijan based on international experience, examines ways to improve the financial provision of the cultural sector, and addresses trends in the development of the cultural sector in the liberated territories.

Determining the impact of the cultural sector on the economy based on international experience is of particular importance. Studying international experience in this field may contribute to the establishment and development of a national cultural economy model. Currently, developed countries such as the United Kingdom, the United States, France, Italy, and South Korea, as well as newly industrialized countries such as Türkiye, Brazil, and India, are considered among the leading countries in this field. However, it should be noted that, as mentioned above, the cultural sector encompasses a wide range of areas. Consequently, the countries listed above have also specialized in one or several specific areas of culture and are regarded among the most developed countries in the world in those respective fields. For example, the United States, the United Kingdom, and South Korea hold

leading positions due to the development of their film and music industries, while the first two countries, together with Italy and France, have achieved significant development in the fashion industry. Türkiye, Brazil, and India occupy prominent positions due to the development of their film and television series industries. In recent years, several developing countries have also begun to join this group.

An examination of the current state of individual subsectors of culture in the Republic of Azerbaijan reveals numerous gaps, including development trends in cultural activities that fall outside international standards, a relatively low level of management at the governmental, public, and individual levels, and many other related factors. The main problems encountered in studying the current state of the cultural sector in Azerbaijan can be grouped as follows:

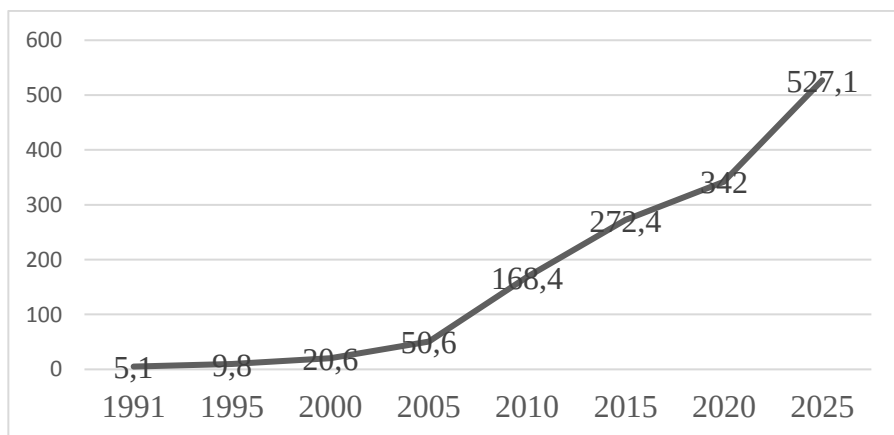
- The absence of a distinct state cultural policy for the development of the cultural sector and the existence of a fragmented management system in this area;
- The low quality of education in the field of culture in the country, resulting in a shortage of specialists in these areas;
- The low level of management and marketing services in the aforementioned fields;
- The development of most areas of the cultural sector being largely dependent on the state budget, resulting in various financing problems;
- Low levels of profitability;
- A low level of cultural literacy among the population and declining public interest in these areas;
- The limited use of innovative solutions in the development of the cultural sector, among other issues.

The dissertation identifies directions for the development of the cultural sector in Azerbaijan based on an analysis of the experience of several countries, with particular emphasis on the South Korean model.

The dissertation also addresses the financial sources used in the operation of the cultural sector.

As noted above, the state remains the principal source of support for financing the cultural sector in the country. As part of measures aimed at supporting and developing the cultural sector, the state

provides annual allocations from the state budget and various allocations from the Reserve Fund of the President. Such financial assistance and subsidies are primarily provided through the Ministry of Culture of the Republic of Azerbaijan, which is responsible for the implementation of cultural policy in the country. Unfortunately, statistical data on funds allocated to the cultural sector in the country are not presented separately by cultural subsector; instead, they are provided under the statistical category entitled “State Budget Expenditures on Culture, Arts, Information, Physical Education and Activities Not Classified Elsewhere.” This makes it difficult to obtain accurate statistical information on the amounts allocated to different subsectors of culture and to conduct a comprehensive analysis of these allocations. At the State Statistical Committee of the Republic of Azerbaijan, the aforementioned category serves as the only statistical source for analyzing funds allocated to the cultural sector. Let us examine the funds allocated to the cultural sector during the period of independence in Azerbaijan (Graph 2).



Graph 2. State Budget Expenditures on Culture, Arts, Information, Physical Education, and Activities Not Classified Elsewhere, million AZN

Source: Compiled by the author based on data from the State Statistical Committee of the Republic of Azerbaijan (<https://www.stat.gov.az/source/education/>)

As is evident from the graph, government expenditures on the aforementioned areas have increased year by year. It is noteworthy that government expenditures under this category increased from AZN 5.1 million during the period of restoration of independence to AZN 527.1 million in 2025. It should be noted that total state budget expenditures in 2025 amounted to AZN 38,604.6 million. It can therefore be concluded that, in that year, state budget expenditures on culture, arts, information, physical education, and activities not classified elsewhere accounted for 1.4% of total expenditures. However, it should be emphasized that this figure does not represent expenditures on the cultural sector alone, but also covers several other areas included in the category, such as information, physical education, and other activities. Therefore, it can be estimated that actual expenditures on the cultural sector were below 1%.

With regard to international experience in financing the cultural sector, particularly the experience of developed countries, it can be observed that the funds allocated to cultural sectors generally range between 0.5% and 4% of total government expenditures. For example, in 2022, expenditure on culture in the countries of the European Union amounted to EUR 74.9 billion (approximately USD 78 billion), accounting for 0.9% of total government expenditures and 0.5% of GDP⁷. In countries such as Estonia, Latvia, Hungary, and Malta, this figure accounted for 2.2% of total government expenditures. In the Republic of Türkiye, meanwhile, expenditure on the cultural sector amounted to TRY 177.6 billion in 2023 (approximately USD 5 billion), corresponding to 64.3% of expenditures allocated to cultural sectors⁸. According to the Organisation for Economic Co-operation and Development (OECD) report published in 2022 entitled *“Development of Local Economies and Employment – Culture Adjustment: Creative People, Places and Industries,”* expenditure on culture in these countries accounted, on average, for 1.2% of total government expenditures. However, it should also be noted that expenditure levels

⁷ Ec.europa.eu, Government expenditure on cultural, broadcasting, and publishing services, 2025

⁸ Türkiye Today, Türkiye’s culture sector nearly doubles expenditures in 2023 – 2024

vary across these countries. For example, while government expenditure on cultural sectors in Scandinavian countries is generally within the range of 1.5–2%, the corresponding figure in the United States is 0.5%. The main reason for this difference is that the cultural sector in the United States is financed predominantly through private-sector and individual funding⁹.

Based on all the information presented above, it is possible, at least to some extent, to determine an optimal approach to financing the cultural sector in Azerbaijan. It should be noted that, in developing countries, allocating up to 1% of total government expenditures to cultural sectors is considered desirable. Although Azerbaijan is also included among developing countries, it should be taken into account that the strength and revenue-generating capacity of the Azerbaijani economy cannot be directly compared with those of certain less-developed countries. Considering all these factors, as well as the importance of developing the cultural sector in Azerbaijan, it is recommended that the target be set to increase state budget expenditures on cultural sectors to 1% over the next five years and to at least 1.5% over the subsequent five-year period.

The dissertation also addresses directions for the development of the cultural sector in the liberated territories. A number of steps should be taken to develop the cultural sector in the Karabakh and East Zangezur economic regions. The fact that a significant part of these territories became subject to Armenian vandalism and that the administration of the Republic of Azerbaijan was absent from these areas for approximately 30 years has created new realities. Therefore, the first obligation facing the government should be the re-inventory and assessment of historical and cultural sites. This could help determine the number of existing cultural monuments, establish an accurate record of monuments that were damaged or destroyed during the war, and assess their current condition. These measures could constitute an initial stage in planning the subsequent activities.

⁹ OECD, Local Economic and Employment Development (LEED), The Culture Fix, CREATIVE PEOPLE, PLACES AND INDUSTRIES, 2022

The work currently being carried out by the Government of Azerbaijan demonstrates that measures are already being implemented in this direction. Another phase of the initial stage should be the restoration of security in the territories. A major factor creating the need for this is, naturally, the contamination of the territories with landmines by the opposing side. Mine clearance is one of the important prerequisites for establishing a safe cultural environment. This is not only essential for creating an appropriate cultural environment but is also a crucial factor in ensuring the overall conditions necessary for settlement and life in the territories. Another important factor at the initial stage is the restoration of infrastructure. This includes the restoration and construction of communication networks, roads, and other facilities necessary for the operation of cultural institutions, including theatres, museums, libraries, concert venues, and other cultural facilities.

The measures to be implemented in the medium and long term will require considerably more time and financial resources. During this process, the restoration and reconstruction of destroyed cultural monuments should be carried out. The involvement of international experts in implementing these processes is an important factor. At present, a number of cultural monuments in the region, particularly in the cities of Shusha and Aghdam, have been restored by Italian architects and specialists from other countries at the initiative of First Vice-President of the Republic of Azerbaijan Mehriban Aliyeva and with the support of the Heydar Aliyev Foundation, while reconstruction works on other monuments are still ongoing. However, considering the vast geographical area, it is evident that many more monuments requiring restoration remain. In this process, it would be appropriate to attract financial support from local and foreign companies.

The subsequent stage should involve the establishment and organization of new cultural institutions in the region. During this period, modern institutions meeting international standards should be established, while the activities of existing cultural facilities should be revitalized. Such institutions, including theatres, museums, concert venues, cinemas, and others, could contribute significantly to the development of cultural life in the region.

The subsequent stage should focus on promoting and raising awareness of the region's cultural heritage. The cultural heritage of the liberated territories should be promoted both domestically and internationally. To this end, it is necessary to produce films reflecting the culture, cultural monuments, customs, and traditions of the region; promote the region's cultural heritage through various exhibitions; and implement a range of projects aimed at presenting and preserving its cultural identity.

CONCLUSION

Based on the research conducted, the following conclusions were reached:

1. It was established that the cultural sector in the modern economic system is not limited solely to social and spiritual functions but has significant potential in terms of employment generation, value creation, human capital development, and contribution to economic growth. An analysis of international experience demonstrated that developed and newly industrialized countries make broader use of the economic potential of cultural and creative sectors. In Azerbaijan, however, it was determined that this potential has not yet been fully realized within the economy;
2. It was established that many individuals operating in Azerbaijan and engaged in cultural activities are not registered as individual entrepreneurs or in other legal forms and predominantly operate independently without paying taxes in a formalized manner. As a result, it is not possible to maintain accurate statistical records, which negatively affects the assessment of the impact of the cultural sectors on the economy;
3. It was determined that one of the main limitations in quantitatively assessing the impact of the cultural sector on the economy in Azerbaijan is the insufficient systematization of the statistical information base. In official statistics, cultural sectors are in some cases presented together with recreation,

entertainment, and arts, making it difficult to assess culture as a distinct area of economic activity. According to the available statistical data, GDP generated by the recreation, entertainment, and arts sectors amounted to AZN 860.2 million in 2023;

4. It was established that the levels of development of individual areas of the cultural sector—including music, theatre, film, museums, libraries, and visual arts—differ from one another. The analysis demonstrated that the cultural activities most frequently attended by the population are primarily concerts and cinemas, whereas participation and demand in libraries, theatres, and certain areas of visual arts are relatively lower. This situation was associated with the quality, accessibility, and attractiveness of cultural products and services, as well as the cultural needs of the population;
5. Based on the survey conducted, the Cultural Participation Index (CPI) was calculated to assess the level of cultural participation among the population. The calculations yielded a CPI value of 1.90, indicating a medium level of cultural participation among the population. This result demonstrates that there is a certain level of interest in cultural activities in Azerbaijan, while there remains further potential for increasing the level of cultural participation;
6. The econometric assessment of the socio-economic factors affecting cultural participation established that education level and age are the main determinants of cultural participation. A statistically significant positive relationship was identified between education level and cultural participation, as well as a positive relationship between age and cultural participation. The effect of satisfaction with the performance of cultural institutions was relatively weak, while the effects of expenditure on cultural activities and attitudes toward pricing policy were weaker;

7. Based on the results of the multiple regression model, the coefficient of determination was found to be $R^2 = 0.057$. This result indicates that cultural participation is shaped not only by the economic variables included in the model but also by other socio-demographic and behavioral factors;
8. It was established that institutional coordination, the use of modern management and marketing tools, and the adaptation of cultural products to market demand are important for the management of the cultural sector. The analysis of the current situation demonstrated the need to strengthen a unified and systematic approach to the development of cultural sectors. In this regard, the realization of the economic potential of the cultural sector depends on the improvement of management mechanisms;
9. It was established that the state budget constitutes the primary source of financing for the cultural sector in Azerbaijan, while alternative sources of financing remain insufficiently developed. At the same time, it was determined that there is a need to allocate public funds directed toward the cultural sector more efficiently, taking into account long-term development objectives, the economic potential of individual sectors, and their social significance;
10. It was established that there are opportunities to expand the financial provision of the cultural sector through the development of cooperation between the public and private sectors, as well as through the attraction of private investment and other alternative financing mechanisms;
11. A comparative analysis of international experience demonstrated that, alongside public policy, the private sector, digital technologies, human capital, creative entrepreneurship, and mechanisms for accessing international markets play important roles in the development of cultural and creative sectors. Adapting this experience to the conditions of

Azerbaijan creates opportunities to enhance the economic potential of the cultural sector. The dissertation specifically examines the experiences of the United Kingdom, the United States, France, Italy, South Korea, and Türkiye;

12. Taking into account the rich historical and cultural heritage and creative potential of the liberated territories, it was established that the development of the cultural sector in these territories could become one of the directions of regional economic diversification. To this end, the opportunities for the inventory and restoration of cultural heritage, establishment of modern cultural institutions, development of cultural tourism, formation of creative industries, and provision of qualified human resources were substantiated.

SUGGESTIONS AND RECOMMENDATIONS

- Considering that cultural sectors are internationally recognized as industries, we consider it appropriate to replace the term “cultural sector” with the expression “cultural sphere” in the economic context in Azerbaijan;
- The formulation of a cultural policy based on international experience and encompassing all areas of culture with development potential in Azerbaijan could help determine their future development directions and facilitate fundamental reforms in this area. For this purpose, it would be appropriate to develop state programs or strategic roadmaps aimed at the development of cultural (or creative) industries;
- The development of cultural sectors within the shadow economy should be prevented. By registering individuals engaged in cultural activities and generating income from them as individual entrepreneurs, it would be possible both to increase state budget revenues and to ensure the systematic registration and accounting of individuals employed in the cultural sector;

- Joint efforts by the Ministry of Culture, the State Statistical Committee, and the State Tax Service are necessary to ensure the collection and preparation of accurate statistical data in this field;
- It would be appropriate to conduct separate studies on individual areas of culture. Specialists in the respective cultural fields should independently examine their level of development in Azerbaijan, historical development, potential contribution to the economy, management methods, and financing conditions, and develop specific development concepts on this basis;
- The quality of education in the field of culture should be improved. Currently, there are three higher education institutions providing education in the cultural sector. Although education in areas such as music and theatre is relatively more effective, the quality of education in other cultural fields, as well as in many disciplines related to the development of cultural sectors, remains relatively low. Therefore, new teaching methods should be introduced in educational institutions and new specializations should be established;
- Higher education institutions specializing in culture should be transferred from the jurisdiction of the Ministry of Science and Education to the jurisdiction of the Ministry of Culture. Currently, one of the country's universities providing education in these fields, the Azerbaijan State University of Culture and Arts, operates under the Ministry of Science and Education. Transferring this university to the jurisdiction of the Ministry of Culture could contribute positively to aligning cultural education with the needs of the sector in Azerbaijan and strengthening management in this area;
- Public-private cooperation should be developed to identify new sources of financing for the cultural sector. Currently, the financing of the cultural sector in Azerbaijan is primarily provided through state budget funds. This increases public expenditure and contributes to the sector's dependence on the state. To prevent this, it is necessary to attract the attention of the private sector to cultural institutions. In this regard, the state should cooperate with the private sector and, together

with major business entities, implement initiatives aimed at developing cultural sectors, including the establishment of production companies and other related enterprises;

- The government should introduce incentives for the private sector in order to expand the sources of financing for the cultural sector;

- The establishment of new institutions or agencies aimed at developing the cultural industry could contribute to revitalizing the sector. These institutions and agencies could be responsible for promoting cultural sectors, supporting their development, and implementing relevant development initiatives;

- Continuous promotional and awareness-raising activities should be implemented to increase public interest in cultural sectors. Such measures could include introducing children to the role and importance of culture from an early age, organizing various free cultural events to stimulate interest among the adult population, providing discounts at cultural venues, and implementing similar initiatives;

- It is necessary to establish a regional development model based on cultural and creative industries in the Karabakh and East Zangezur economic regions. This model should take into account, in an integrated manner, the participation of local communities, preservation of cultural heritage, tourism, creative entrepreneurship, education, and employment;

- In order to realize the economic potential of the cultural sector more effectively, it would be appropriate to strengthen cooperation mechanisms among government institutions, the private sector, cultural institutions, educational institutions, creative professionals, and local communities.

The main propositions, findings, and recommendations of the dissertation are reflected in the following publications by the author.

1. Jamaladdin P.M., Parviz S.H., Cultural Development Based on Economic Efficiency in Post-Conflict Territories // Baku-Shusha, Proceedings of the “International Scientific-Practical Conference” “Economics of Culture: Development Impulses from Shusha”, 2022, pp. 181-194 // [susa_konfrans2022.pdf](#)

2. Jamaladdin P.M., Museums in Azerbaijan as an Integral Part of the Economy // Baku: News of ANAS, Economics Series, 2022, No. 2, pp. 70-79 // https://economics.org.az/images/fotos/xeberler_pdf/2022_2/7.Camaladdin.pdf.

3. Jamaladdin P.M., The Fashion Industry in the Republic of Azerbaijan as a Subsector of the Cultural Industries // Baku, Scientific News of Western Caspian University, Series of Social and Technical Sciences, 2023, No. 4, ISSN 2789-4614, pp. 232-239 // <https://doi.org/10.54414/AUKF8186>.

4. Jamaladdin P.M., The Cultural Industry as a Non-Traditional Sector of the Economy // Baku, Proceedings of the XVI International Scientific Research Conference, 2023, ISSN 2663-4619, pp. 51-54 // <https://doi.org/10.36719/2663-4619/2023/XVI>.

5. Jamaladdin P.M., The Role of Cinemas in Cultural and Economic Development // Baku, Journal of Economic Growth and Social Welfare, 2024, No. 1, ISSN 2707-9309, pp. 91-98 // <https://doi.org/10.36719/2707-9317/01/91-98>.

6. Jamaladdin P.M., The Film Industry as a Subsector of the Economy and Its Level of Development in Azerbaijan // Baku, Council of Young Scientists and Specialists of ANAS, Young Researcher Scientific-Practical Journal, 2024, No. 2, pp. 80-86 // <https://doi.org/10.59849/2409-4838.2024.2.80>.

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8. Jamaladdin P.M., Theaters as a sub-sector of cultural industry and their activity in Azerbaijan // Ankara, 12th International “Baskent” Congress on Social Humanities, Administrative, and Educational Sciences Proceedings Book, 2024, p. 637-649 // 10.5281/zenodo.11194274.

9. Jamaladdin P.M., Parviz S.H., Economic aspects of cultural industries in Azerbaijan // Atyrau, Bulletin of the Atyrau University, 2024, No. 3, ISSN 2790-332X, p. 179-192 // 10.47649/vau.24.v74.i3.16.



The defense of the dissertation will be held on November 06 2026 at 11⁰⁰ at the meeting of the Dissertation Council FD 1.10 of Supreme Attestation Commission operating under the Institute of Economics of the Ministry of Science and Education of the Republic of Azerbaijan.

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Electronic version of the abstract is available on the official website of the Institute of Economics of the Ministry of Science and Education of the Republic of Azerbaijan (economics.org.az).

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