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ABSTRACT

of the dissertation for the degree of Doctor of Philosophy

«STRENGTHENING THE CONTRIBUTION OF INTERNATIONAL TOURISM TO THE SOCIO-ECONOMIC DEVELOPMENT OF AZERBAIJAN»

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GENERAL CHARACTERISTICS OF THE STUDY

Relevance of the Research. In the context of globalization and the increasing mobility of the world's population, the development of international tourism can serve as one of the key drivers of economic growth, contributing significantly to the socio-economic development of a country. The successful integration of the Republic of Azerbaijan into the global economy may be facilitated through the development of international tourism, thereby promoting the growth of the non-oil sector and supporting economic diversification.

Since the second half of the twentieth century, the role of international tourism worldwide has continuously increased, owing to the high profitability of the sector and its capacity to generate numerous backward and forward linkages across various branches of the economy. The economic significance of international tourism is determined not only by its direct revenues but also by its indirect impact on such sectors as transportation, communications, public catering, handicrafts, the food industry, and other related industries.

The social significance of international tourism development is reflected in increased employment opportunities and higher income levels among the population. Furthermore, the expansion of international tourism enhances cultural exchange between countries, contributes to the formation of a positive national image, and creates broader opportunities for promoting national culture on the international stage.

The development of international tourism also plays an important role in strengthening infrastructure sectors by contributing to the improvement of territorial amenities, the development and modernization of transport networks, the enhancement of transport services, and the advancement of communication and digital technologies. In addition, the development of international tourism in the regions of the country contributes to improving living standards and reducing regional disparities.

Particularly important is the attraction of tourists to the regions of Azerbaijan where the potential for the development of large industrial enterprises and agricultural activities is limited. International tourism

may also facilitate the attraction of foreign investment, promote the establishment of joint ventures with foreign capital, and stimulate broader economic cooperation.

In Azerbaijan, international tourism began to develop in the 2000s. Considering that the country possesses substantial untapped tourism potential, the government adopted measures aimed at promoting the development of the sector. Thus, the Law of the Republic of Azerbaijan “On Tourism” was adopted in 1999. This Law defined the legal foundations of tourism activities, the principles of state policy in the field of tourism development, and other related issues. The Law served as the basis for the formation of the tourism industry.

Taking into account the changing conditions, a new Law “On Tourism” was adopted in 2021, which addressed issues related to the sustainability of tourism development, the establishment of tourism and recreational zones, the protection of the country’s natural and social heritage, tourist safety, and other matters.

To support tourism development, 2011 was declared the Year of Tourism in the country. Furthermore, the State Programme for Tourism Development for 2010–2014 was adopted in Azerbaijan. The objective of the Programme was to transform tourism into a leading sector of the Azerbaijani economy, establish the country’s tourism brand, construct hotels and tourism complexes, develop human resources for the sector, and achieve other related goals.

Tourism development became an important direction of the Strategic Road Map for the Socio-Economic Development of the Republic of Azerbaijan adopted in 2016. In 2018, the State Tourism Agency was established in the country. In addition, the hosting of various international sporting events, such as the European Games and the Formula One Grand Prix, contributed to the promotion of the country and the attraction of foreign tourists.

As a result of the active policy pursued in this sector, tourism development indicators increased. However, the COVID-19 pandemic had a highly adverse impact on the sector. At present, international tourism is one of the rapidly developing sectors of the economy.

A long-term Tourism Development Programme for 2026–2030 has been adopted in Azerbaijan, which defines the main objectives of tourism development for the future. The country possesses significant underutilized tourism potential, which makes the issue of international tourism development in Azerbaijan highly relevant.

Degree of Elaboration of the Research Problem. The issue under consideration has been examined by a number of foreign scholars, including Sinclair and Stabler, Riddrerstad and Krouse, Eugenio-Martin, Morales and Scarpa, Algieri, Lee and Chang, Sequeira and Nunes, Fayissa, Cortes-Jimenez, and others.

Within the post-Soviet academic space, issues related to international tourism have been studied by such researchers as I.T. Balabanov, A.D. Kaurov, R.I. Khasbulatov, E.G. Yasin, and others.

In Azerbaijan, various aspects of tourism development have been investigated by B.A. Badalov (tourism regulation), F.P. Rahmanov, V.S. Dargyahov (recreational tourism), A.G. Alirzayev (socio-economic problems of tourism), L. Allahverdiyeva (tourism competitiveness), while different aspects of the tourism market have been examined in the works of R.M. Gasimov, A.A. Salmanov, and I.R. Rzaev.

Without diminishing the contributions of the above-mentioned scholars, it should be noted that the rapidly changing global environment necessitates further research into the development of international tourism and the enhancement of its impact on the socio-economic development of the Republic of Azerbaijan.

The object of the research is international tourism, specifically inbound tourism in the Republic of Azerbaijan.

The subject of the research is the impact of international (inbound) tourism on the socio-economic development of the Republic of Azerbaijan.

The aim of the research is to analyse and assess the impact of international (inbound) tourism on the socio-economic development of Azerbaijan.

To achieve the stated objective, the following tasks were set:

- to examine the essence of international tourism and its impact on the national economy;

- to study the conceptual foundations of international tourism;
- to consider the system of regulation of the global international tourism market;
- to analyse and assess the main indicators of international tourism in Azerbaijan;
- to evaluate the impact of international (inbound) tourism development on related sectors;
- to analyse and assess the impact of international (inbound) tourism on key macroeconomic indicators;
- to assess the impact of international (inbound) tourism on the sustainable development of the sector;
- to identify the main strategic directions of tourism development policy;
- to determine the priority directions for the development of international (inbound) tourism.

The theoretical and methodological basis of the research is grounded in both general scientific theoretical and methodological approaches, as well as specific comparative-analytical and mathematical-statistical methods.

Research methods. The study employs methods of analysis and synthesis, comparative analysis, regression analysis, and sociological survey.

Information base of the research. The information base of the study consists of materials from the World Tourism Organization, data from the State Statistical Committee of the Republic of Azerbaijan, the State Tourism Agency of the Republic of Azerbaijan, as well as data from a sociological survey conducted among tourists who participated in the Formula 1 Grand Prix in Baku in 2023.

Main Provisions Submitted for Defense:

- Theoretical approaches to international tourism and its impact on the socio-economic situation of a country have been generalized. Concepts of international tourism and their evolution, as well as issues of international tourism regulation, have been systematized.
- It has been revealed that international tourism is a sector highly dependent on external socio-economic, geopolitical, and

environmental factors, such as various crises; therefore, its indicators are subject to significant fluctuations.

- The results of the analysis and assessment of the main indicators of international tourism in Azerbaijan are presented, and significant disproportions in favour of outbound tourism have been identified.
- The results of the analysis and assessment of the impact of international tourism development on key macroeconomic indicators of the country, such as GDP and employment, are presented. The economic and social significance of investments in tourism has also been calculated. The impact of international tourism development on related sectors has been identified.
- It has been found that despite the significant potential for inbound tourism development in the Republic of Azerbaijan, it remains underutilized, which has a limited impact on the country's economic and social indicators.
- The multiplier effect of international tourism revenues on household income has been calculated.
- An uneven distribution of foreign tourist arrivals has been identified, with the majority of visits concentrated in the city of Baku, which has a limited impact on the socio-economic development of the country's regions.
- The results of a sociological survey among foreign tourists regarding the attractiveness of Azerbaijan as a destination have been processed.
- Recommendations have been developed for diversifying inbound tourism and attracting tourists from different countries to Azerbaijan.

Scientific Novelty of the Study:

1. The impact of international (inbound) tourism on key macroeconomic indicators such as GDP and employment has been examined, revealing that tourism development has a relatively weak effect on them.
2. The economic and social efficiency of investments in tourism has been calculated.
3. The multiplier effect of inbound tourism on household income has been estimated.

4. Inbound tourism development has been analysed from the perspective of sustainable development.
5. A SWOT analysis of international (inbound) tourism development has been conducted.
6. The results of a survey conducted among foreign tourists visiting the Formula 1 Grand Prix have been processed, revealing that Azerbaijan is perceived as a highly attractive destination, although its existing potential is underutilized.
7. Specific recommendations have been developed regarding the diversification of tourist source markets, active marketing policy, attraction of tourists to the liberated territories, and the creation of country-focused target groups, among others.

Practical Significance of the Research. The results of the dissertation can be used to improve policies for the development of international tourism, particularly its inbound component. The dissertation provides a set of practical recommendations aimed at stimulating inbound tourism, developing new directions and routes for foreign visitors. In addition, the materials of the dissertation may be used in teaching courses related to tourism, as well as by researchers studying tourism development in Azerbaijan.

Approbation and Implementation of Results. The results of the dissertation research are reflected in publications and presentations at scientific conferences.

Structure of the Dissertation. The dissertation consists of an introduction, three chapters comprising nine subsections, a conclusion, recommendations, and a list of references containing 125 sources. The introduction comprises 11,285 characters, the first chapter 37,367 characters, the second chapter 64,180 characters, the third chapter 57,327 characters, and the conclusion 8,717 characters. The total volume of the dissertation (excluding tables, figures, and the list of references) amounts to 205,412 characters.

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MAIN CONTENT OF THE DISSERTATION

In the introduction, the relevance of the research topic is substantiated, the degree of its elaboration is presented, the object and subject of the study are defined, the aim and objectives of the dissertation are outlined, and the research methods, scientific novelty, as well as the theoretical and practical significance of the dissertation are described.

In the first chapter, devoted to the study of the theoretical and methodological foundations of international tourism, the essence of international tourism, its conceptual foundations, and the system of regulation of the international tourism market are examined.

In general, the macroeconomic environment, according to international financial and other institutions, serves as a useful source for short- and medium-term forecasting and for understanding how the tourism industry responds to global-scale events occurring in a constantly changing dynamic economic environment. This, in turn, helps to determine the role of tourism in the international economy.

Based on the analysis by Papatheodorou and Song, and UNWTO data on the evolution of time series in tourism, specifically real per capita international tourism receipts (RPCITR) at global and regional levels, it can be argued that RPCITR is a key statistical indicator in tourism economics.¹

The 2008 financial crisis and the 2020 pandemic led to a paradigm shift in tourism development. In this context, several aspects should be highlighted.

1. The role of environmentally sustainable tourism is increasingly important due to the widespread implementation of the international sustainable development agenda.

2. During the G20 Heads of State meeting in September 2009, a new global economic order was outlined. Many developing and developed countries were formally recognized as important pillars of the global financial system. In this context, outbound tourism from

¹ A.Papatheodorou, and H.Song. "International Tourism Forecasts: A Time Series Analysis of World and Regional Data." / *Tourism Economics* // 2015, p.11-24

developing countries could play an important role in restoring reciprocity and stability in global trade.

3. Since tourism is structurally intertwined with the concept of peace, its development may have a positive long-term impact on international business travel. In this regard, it is important to note that intergovernmental organizations such as the WTO contribute to the development of tourism as a factor of socio-cultural significance and as a driver of societal welfare.

In recent decades, the relationship between economic growth and tourism development in both developed and developing countries has been intensively studied. Research indicates the existence of a causal relationship between tourism and economic growth.

Sinclair argued that the most evident difference between developed and developing economies is that, under existing conditions, an increase in tourism expenditure in developing economies has a more substantial impact.²

Eugenio-Martin, Morales, and Scarpa³ examined the relationship between tourism and economic growth using data from 1985 and 1998 for 21 Latin American countries. In these countries, tourism revenues were reflected in per capita income levels. Using the Arellano–Bond econometric model, the researchers demonstrated that tourism development contributes to economic growth in low- and middle-income countries, whereas this effect is not observed in developed countries.

In the first chapter, the evolution of tourism development is examined.⁴

² A.Papatheodorou, J.Rossell, H.Xiao, “Global economic crisis and tourism: Consequences and perspectives” / *Journal of Travel Research* // 2010, p.39-45

³ J.L.Eugenio-Martin, N.M.Morales, R.Scarpa, “Tourism and economic growth in Latin American countries” / *A panel data approach. Social Science Research Network Electronic Paper* // 2004, p.1-28

⁴ R.Sharpley, J.Telfer David, “Tourism and Development Concepts and Issues” / *Channel View Publications published* // 2002, p.35-80

Table 1. Evolution of the Concept of Tourism Development

Period	Stage of Development	Stage of Development	Key Concepts and Strategies
1950-1960	Модернизация	Levels	Society passes through similar stages of development (Western countries)
		Diffusion	Diffusion of growth impulses from developed regions: state intervention, regional economic development
1950-1960	Зависимость	Neocolonialism	Underdevelopment caused by exploitation by developed countries; influence of Western culture
		Dualism	Poverty as an inherent part of global economic growth; regional inequality
		Structuralism	National markets, import substitution, social reforms, protectionism, state intervention
Ср.1970 и 1980 гг.	Экономический неолиберализм	Free Market	Supply-side economics, free competitive market, privatization
		Structural Adjustment	Emphasis on market forces and export competitiveness
		One World	New global financial system, deregulation, internationalization of production
Ранний 1970– 1980 гг.		Basic Needs	Priorities in food, housing, water, health, and education
		Spontaneous Needs	Human-centered development, local control of decision-making processes, empowerment
		Gender Identity	Role of women in social development, empowerment and strengthening of rights
		Sustainable Development	Environmental management, consideration of the needs of future generations
1990-2000 до наст. вр.		Post-industrial society	Ecotourism, green economy
2000 до наст.вр		Inclusive capitalism	Neurotourism

The first chapter further describes the system of regulation of the international tourism market. Attempts to establish a universal international tourism system were undertaken within the framework of the League of Nations in the first half of the 20th century. However, the instruments used by the League of Nations were not sufficiently effective for regulating international tourism.

In 1954, under the auspices of the United Nations, a Conference on Customs Formalities was held, where three agreements directly addressing issues of international tourism were adopted. Subsequently,

in 1963, the United Nations Conference on Tourism and Travel was held in Rome. This conference laid the foundation for the UN's involvement in practical decision-making regarding the legal aspects of international tourism. The main UN bodies involved in international tourism are the United Nations General Assembly, the Economic and Social Council (ECOSOC), and the UN Secretariat.

In the second chapter, devoted to the analysis and assessment of international tourism development, the dynamics of the main tourism indicators in Azerbaijan are examined. The study period from 2006 to 2024 allows the identification of existing trends in the sector.

The analysis shows that all indicators have significantly increased compared to the base year. At the same time, outbound tourism dominates the development of international tourism, and the ratio of inbound to outbound tourist flows is in favor of Azerbaijani citizens travelling abroad. Thus, in 2006, 98.7% of sold travel packages accounted for Azerbaijani citizens travelling abroad, while only 1.3% were attributed to foreign citizens visiting the country. It was only in 2022 that the share of packages sold to foreign tourists visiting the country reached its highest level of 26.2%.

The geographical structure of tourists visiting Azerbaijan indicates that a significant share is concentrated in a limited number of countries. Thus, in the base year of 2014, 39.3% of the total number of tourists visiting Azerbaijan were from Russia, while 39.2% were from Türkiye. In 2024, the largest share belonged to the Russian Federation (36.5%), followed by Saudi Arabia (13.6%), while the indicators for other countries did not exceed the 10% level.

Foreign tourists mainly limit their visits to the capital city. During the period from 2006 to 2016, 100% of tour packages purchased by foreign visitors were concentrated in Baku. By 2024, the share of visits to Baku decreased to 47.0%. Positive shifts in favor of regional visitation indicate improvements in this area. In addition, it should be noted that the number of tourists travelling to the regions may be higher, as some visitors do so without purchasing organized tour packages.

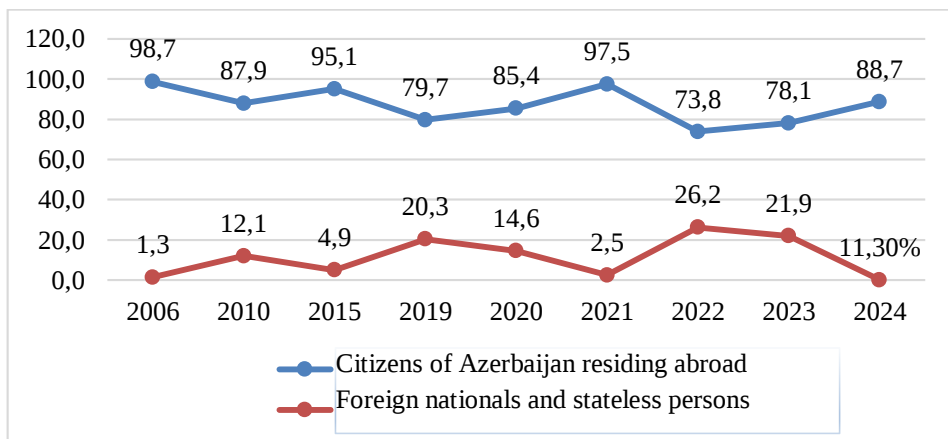


Diagram 1. Ratio of the number of travel vouchers sold to Azerbaijani citizens and foreigners

Source: Tourism in Azerbaijan 2023, p. 14.

When analyzing the purposes of visits by foreign citizens, it should be noted that the predominant share is attributed to leisure and business tourism, whereas a relatively small proportion is associated with medical and religious tourism.

Tourism represents one of the economic sectors that generates strong intersectoral linkages with other branches of the economy. In a summarized form, the key indicators of sectors providing tourism-related services are presented in Table 2.

As evidenced by Table 2, during the period 2009–2024, the number of persons employed in tourism-related sectors increased by a factor of 2.2 [15, p. 197], while value added increased by 2.9 times. The share of value added generated in these sectors in GDP fluctuated between a minimum of 1.9% in 2020 and a maximum of 4.7% in 2024. High levels of investment activity were observed in 2010, 2011, and 2014, when tourism was designated as a priority area for the development of the non-oil sector and the Tourism Development Program was adopted, as well as in 2021 and 2023.

Table 2. Dynamics of indicators characteristic of the tourism industry for the period 2009–2024 in the Republic of Azerbaijan

	Number of employed in tourism-related sectors (persons)	Annual growth rates (%)	Value added created in tourism- related sectors (million manats)	Annual growth rates (%)	Share of value added created in tourism-related sectors in GDP (%)	Investments in tourism-related sectors (million manats)	Annual growth rates (%)
2009	36 103		-		-	527,8	
2010	36 899	102	-		-	949,2	179,8
2011	37 600	102	-		-	1 407,80	148,3
2012	38 839	103	-		-	1 478,20	105
2013	40 892	105	2 080,2		3,6	1 371,00	92,7
2014	41 886	102	2 404,2	115,6	4,1	2 204,00	160,8
2015	49 449	118	2 437,3	101,4	4,5	1 063,90	48,3
2016	43 477	88	2 746,1	112,7	4,3	363	34,1
2017	46 837	108	3 151,0	114,7	4,5	267,3	73,6
2018	53 222	114	3 464,3	109,9	4,3	229,7	85,9
2019	58 972	111	3 704,9	106,9	4,5	133,7	58,2
2020	49 019	83	1 386,7	37,4	1,9	79,3	59,3
2021	53 717	110	1 939,7	148,7	2,2	242,4	305,7
2022	63 109	117,5	3 917,8	202,0	2,9	100,5	41,0
2023	71 063	112,6	5 062,8	129,2	4,1	630,7	627,5
2024	79 924	112,47	5 973,8	117,99	4,7	479,0	75,95
Growth (%)	2.2 times	-	2.9 times	-	-	90,8	-

Source: compiled and calculated by the author based on data from <https://www.stat.gov.az/> Tourism in Azerbaijan 2024, p. 19.

Tourism is associated with the activities of travel agencies, tour operators, and the hotel business, and its development has a positive impact on the functioning of the aforementioned entities. Over the period under study, the total number of hotels and hotel-type enterprises increased by 3.0 times. The number of private enterprises grew by 3.5 times, foreign and joint enterprises increased by 75.0%, whereas state-owned enterprises decreased by 10.8%.

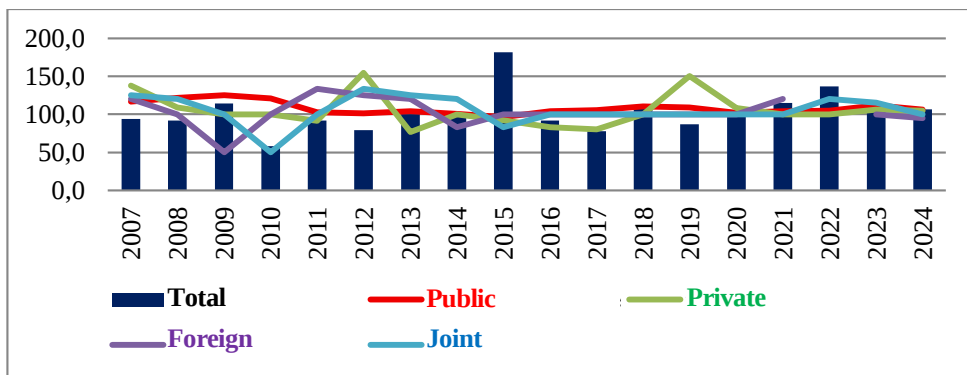


Diagram 2. Annual growth rates of the number of hotels and hotel-type enterprises by ownership forms (%)

The third part of Chapter Two discusses the impact of tourism development on key macroeconomic indicators. In this context, the country's balance of payments is considered.

The analysis of the dynamics of tourism services shows that, over the period 2006–2019, receipts from tourism services in the balance of payments of the Republic of Azerbaijan increased by 12.8 times, while payments grew by 5.7 times. In 2024, compared to 2006, receipts from tourism services increased by 17.5 times. Such a high growth rate is explained by the initially low level of tourism services in the base period.

Despite the high growth rates of both receipts and payments, the services balance recorded a negative saldo throughout the entire study period from 2006 to 2024, except for 2018, 2019, 2023, and 2024, when the balance was positive.

Table 3. Dynamics of the main indicators of foreign economic activity (thousand USD)

	2006	2010	2015	2017	2019	2020	2021	2022	2023	2024	Динамика (%)
Current account balance											
Receipts	14982769	30636939	22515303	22238523	26238775	18252106	28536582	52560636	39227309	37953188	253,3
Payments	11275164	15597351	22737798	20553964	21873889	18479674	20245002	29082555	30897941	33 282 080	295,2
Balance (saldo)	3707605	15039588	222495	1684559	4364886	227568	8291580	23478081	8329368	4 671 108	126,0
Foreign trade											
Receipts	13014633	26476026	1558652	15152059	19868261	12588158	21692281	40868584	29202114	25 992 028	199,7
Payments	5269338	6745603	9773629	9037316	11335316	10076564	10418668	13509216	16396551	17 167 084	325,8
Balance (saldo)	7745295	19730423	5812423	6114743	8532945	2511594	11273613	27359368	12805563	8 824 944	113,9
Balance of services											
Receipts	939884	2064928	4443986	4688439	3761480	2620595	3795384	6405505	6285240	8 120 879	864,0
Payments	2863261	3797816	8672851	806752	6377143	5461255	5918282	7765216	8619888	10 171 724	355,2
Balance (saldo)	1923377	1732888	4228865	3379313	2615663	2840660	2122898	1359711	-2334648	-2 050 845	-106,6
Tourism services											
Receipts	116939	352805	67695	31058	1791514	304185	312746	823264	1492155	2 047 148	1750,6
Payments	201358	380114	3930456	29760 06	1702493	411663	56160 8	892679	1149817	1 596 826	793,0
Balance (saldo)	84419	27309	3862761	2944948	89021	107478	248862	69415	342338	450 322	533,4

Source: <https://www.cbar.az/page-43/external-sector-statistics>

In the current account, receipts from tourism services accounted for only 0.8% in the base year 2006, increasing to 5.4% in 2024. Comparing tourism services with foreign trade indicators, it can be noted that in 2006 they represented 0.9% of foreign trade receipts, while in 2024 this share rose to 7.9% [14, p. 147].

Table 4. Share of tourism services in the balance of payments of the Republic of Azerbaijan (%)

	Current account		Foreign trade		Balance of services	
	Receipts	Payments	Receipts	Payments	Receipts	Payments
2006	0,8	3,8	0,9	7,0	12,4	7,0
2010	1,2	5,6	1,3	10,0	17,1	10,0
2015	0,3	40,2	0,4	45,3	1,5	45,3
2016	12,1	28,9	17,5	34,6	52,9	34,6
2017	0,1	32,9	0,2	36,9	0,7	36,9
2018	9,3	20,9	12,7	33,8	56,2	33,8
2019	6,8	15,0	9,0	26,7	47,6	26,7
2020	1,7	4,1	2,4	7,5	11,6	7,5
2021	1,1	5,4	1,4	9,5	8,2	9,5
2022	1,6	6,6	2,0	11,5	12,9	11,5
2023	3,8	3,7	5,1	7,0	23,7	13,3
2024	5,4	4,8	7,9	9,3	25,2	15,7

Source: <https://wxw.cbar.ag> page-4/external-sector-statistics

In the balance of services, the share of tourism services over 2006–2024 also fluctuated, ranging from a minimum of 0.7% to a maximum of 56.2% in 2018.

The level of development of international tourism, especially inbound tourism, can have a significant impact on the socio-economic development of the country.⁵

Let us consider the dynamics of gross output in the overall economy and in accommodation services for tourists and public catering.

⁵ Л.В.Баумгартен, «Стандартизация и сертификация в туризме» / Учебник // Москва, Изд.-торговая корпорация "Дашков и К" -2010, стр. 90-110

**Table 5. Dynamics of gross output in the overall economy
and in tourism accommodation and food service activities (at
current prices, million manats)**

	Total gross output	Annual growth rates (%)	Gross output in tourism and accommodation & public catering	Annual growth rates (%)	Share of tourism in gross output (%)
2006	18 746,20	-	100,8	-	0,5
2007	28 360,50	151,3	160,3	159,0	0,6
2008	40 137,20	141,5	303,1	189,1	0,8
2009	35 601,50	88,7	343,6	113,4	1,0
2010	42 465,00	119,3	442,7	128,8	1,0
2011	52 082,00	122,6	757,2	171,0	1,5
2012	54 743,70	105,1	897,4	118,5	1,6
2013	58182	106,3	1069,2	119,1	1,8
2014	59014,1	101,4	1269,1	118,7	2,2
2015	54380	92,1	1312,8	103,4	2,4
2016	60425,2	111,1	1424,1	108,5	2,4
2017	70337,8	116,4	1664,8	116,9	2,4
2018	80092	113,9	1834,2	110,2	2,3
2019	81896,2	102,3	1980,2	108,0	2,4
2020	72578,1	88,6	829,2	41,9	1,1
2021	93203,2	128,4	1176,3	141,9	1,3
2022	133972,7	143,7	2036,2	173,1	1,5
2023	123128,4	91,9	2675,5	131,4	2,2
2024	126524,2	102,8	3119,6	116,6	2,5
Growth (%)	674,9	-	3094,8	-	-

Source: https://www.stat.gov.az/source/system_nat_accounts

Over the period 2007–2024, gross output in Azerbaijan increased by 6.7 times, whereas in accommodation services for tourists and the public catering sector this indicator grew by 30.9 times [14, p. 147], [15, p. 197]. This significant difference in dynamics is explained by the very low base level of the tourism sector in the base year.

In the total volume of gross output generated in the country, the share of accommodation services for tourists and public catering in 2006 amounted to only 0.6%. In subsequent years, this indicator increased somewhat, reaching its highest level in 2024 at 2.5%.

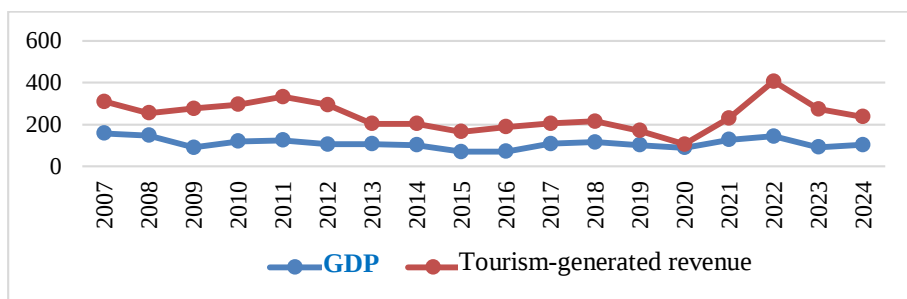


Diagram 3. Dynamics of annual GDP growth rates and inbound tourism revenues

Tourism development performs an important social function by contributing to employment growth. Over the period 2006–2024, while total employment increased by 22.4%, the number of people employed in tourism grew by a factor of 4.1. If in 2006 the share of employment in tourism accounted for 0.6% of total employment, in 2024 it reached 2.1%. Despite high growth rates in employment in this sector, its overall share remains relatively small.

During 2006–2024, the average wage level in the economy increased by 8.2 times, whereas in accommodation services for tourists and the public catering sector this indicator rose by 4.8 times. Thus, wage growth in this sector lagged behind the national average. In 2006, the wage level in the tourism sector was 10.5% higher than the national average wage; however, by 2024 it had declined to 74.5% of the average level.

Therefore, tourism development has had a limited impact on employment indicators, and the wage level in this sector is slightly lower than the economy-wide average.

Chapter Three is devoted to the prospects for the development of international tourism in the Republic of Azerbaijan. First, the impact of inbound tourism on the country's sustainable development is examined. The economic dimension of sustainable tourism development implies improving the efficiency of resource use, maximizing returns on investment, introducing resource-saving technologies, and reducing the consumption of energy, water, and other resources. For the analysis, GDP per capita and revenues from

inbound tourism are used. Let us consider how revenues from inbound tourism affect the country's GDP.

Table 6. Dynamics of GDP and inbound tourism revenues for the period 2006–2024 (thousand USD)

Dynamics of GDP and inbound tourism revenues for the period 2006–2024					
	GDP (million USD)	Annual growth rates (%)	Inbound tourism revenues (thousand USD)	Annual growth rates (%)	Share (%)
2006	20983	-	116939	-	0,6
2007	330503	157,5	177775	152	0,1
2008	488525	147,8	190247	107	0,0
2009	44297,0	90,7	352805	185,4	0,8
2010	529093	119,4	620652	175,9	0,1
2011	659516	124,7	1287331	207,4	0,2
2012	696839	105,7	2433338	189	0,3
2013	741644	106,4	2365042	97,2	0,3
2014	752347	101,4	2431533	102,8	0,3
2015	529968	70,4	2309485	95	0,4
2016	378628	71,4	2713789	117,5	0,7
2017	408679	107,9	2634163	97,1	0,6
2018	471129	115,3	2634163	100	0,6
2019	481742	102,3	1791514	68	0,4
2020	42693,0	88,6	304185	17	0,7
2021	548254	127,9	312746	102,8	0,1
2022	787211	143,6	823264	263,2	0,1
2023	724285	92,0	1492155	181,2	0,2
2024	74426	102,8	2047148	134	2,8
Growth (%)	354,8	-	1709	-	-

Source: compiled by the author based on <https://www.stat.gov.az/source/environment/>

As seen in Table 4, GDP over the period 2006–2024 increased by a factor of 3.5, while tourism revenues grew by a factor of 17.5. However, the share of tourism revenues in GDP remains very low. Thus, in 2006 it accounted for 0.6%, rising to 2.8% by 2024. It should be noted that increasing attention has been paid to this sector by the state; various international forums, sporting events, and exhibitions have been held in the country, among which Eurovision, the European

Games, the Formula 1 Grand Prix held since 2016, and others can be considered particularly significant.

As shown in Table 7, across the economy as a whole, gross fixed capital investment increased by 3.4 times, while value added increased by 6.4 times, and investment efficiency rose by 89.3%. The growth of fixed capital investment in tourism significantly outpaced the national indicator, reaching 23.9 times, while the volume of value added increased by 30.9 times. The return on each unit of investment in the economy over 2006–2024 fluctuated between 3.0 and 6.9 million manats. Meanwhile, investment efficiency in tourism, except for 2010 and 2011, was significantly higher. This indicates a higher return on invested capital in tourism compared to the economy as a whole.

To assess the effectiveness of inbound tourism, the ratio of revenues from international tourism to investments in fixed capital in tourist accommodation is considered. The calculations show that this ratio varies considerably, from a minimum of 52 thousand manats in 2017 to a maximum of 5,412 thousand manats in 2016. The exceptionally high figure in 2016 can be explained by the fact that the European Games were held in 2015, which increased international interest in the country; consequently, tourism revenues per unit of investment in accommodation reached their highest level. In other years, this indicator showed significant fluctuations.

The analysis shows that 1 million manats of investment in the overall economy generates between 300 and 700 thousand manats of value added. In the tourism sector, this indicator is significantly higher, meaning that 1 million manats invested in tourism generates between 500 thousand and 2.5 million manats of value added. This demonstrates a higher return on invested capital in tourism compared to the economy as a whole.

The social component of sustainable tourism development implies the accessibility of tourism services to all citizens, growth of employment in the sector, and improvement in living standards. For a more detailed analysis, we can calculate the social significance of investment, i.e. how many jobs are created by a certain amount of investment in the tourism sector. For this purpose, we use the methodology proposed by A. Kashepov, according to which the

number of employed persons in the reporting year is subtracted from the number of employed persons in the base year and divided by the volume of investment in the base year.

Table 7. Dynamics of the social significance coefficient of investments in tourism, 2005–2024

	Investment in fixed capital in the tourism sector (million manats)	Employment in tourism (thousand people)	Annual coefficient	Coefficient with a 3-year time lag
2006	13,6	25,3	-	-
2007	16,2	25,7	0,029412	-
2008	20,5	26	0,018519	0,051471
2009	86,0	26,3	0,014634	0,037037
2010	221,0	46,9	0,239535	1,019512
2011	303,7	48,1	0,00543	0,253488
2012	138,2	48,9	0,002634	0,00905
2013	68,5	49,2	0,002171	0,003622
2014	120,5	55,7	0,094891	0,049204
2015	442,9	61,5	0,048133	0,179562
2016	86,5	68,4	0,015579	0,105394
2017	215,5	73,5	0,05896	0,027094
2018	169,8	78,2	0,02181	0,113295
2019	88,7	77,5	-0,00412	0,018561
2020	31,2	65,5	-0,13529	-0,07479
2021	177,8	76,9	0,365385	-0,00676
2022	88,4	87,9	0,061867	0,717949
2023	231,2	95,1	0,081448	0,102362
2024	326,1	103,6	0,036765	0,177602
Growth (%)	3522,1	409,5		-

Source: compiled and calculated by the author based on <https://www.stat.gov.az> (Construction and Labour Market sections)

The analysis shows that one million of investment does not generate a large number of jobs in tourism. Thus, over the period 2006–2024, investment in tourism increased by a factor of 35, while employment in the sector grew by 4.1 times. The highest number of jobs in tourism was created in 2021 – 365 persons per 1 million of investment. In other years, the number of jobs created per 1 million of

investment ranged from a minimum of 2 in 2013 to a maximum of 239 in 2010.

In Chapter 3, the indirect impact of tourism on the economy was also estimated using the multiplier effect. The following indicators are used for the calculation of the multiplier:

- the number and expenditures of international tourists (or revenues from inbound tourism);
- household income and expenditure.

To calculate the multiplier, monthly household income and expenditure were used, based on which the average marginal propensity to consume (MPC) for 2010–2024 was estimated at 0.9. Substituting this value into the formula $K = 1 / (1 - MPC)$, the tourism multiplier is obtained as 10. However, it should be noted that, according to UN recommendations, the tourism multiplier in Azerbaijan is adjusted downward by 40%. Taking this recommendation into account, the real value of the tourism multiplier may be 6.

It should also be considered that this multiplier does not reflect the marginal tax rate or the marginal propensity to import. To estimate the multiplier effect of one tourist's expenditure, the average tourist spending by year is related to the corresponding MPC values. In 2010, this is $143.885 / (1 - 0.9) = 1,438$ manats, while in 2024, tourist expenditure of 121.6 manats generates 1,216 manats in the economy (excluding the marginal tax rate and marginal propensity to import).

Thus, it can be noted that increased expenditure per tourist contributes to the growth of household income.

The environmental component of sustainable tourism development lies in the fact that tourism demand is also shaped by the attractiveness of a country's natural resources.

In Azerbaijan, the first national park was established in 2003, and by 2024 the number of national parks had increased by a factor of 3.3, while their total area expanded almost fivefold.

The second part of Chapter 3 examines the main directions of tourism development policy in the Republic of Azerbaijan. In particular, the “Strategic Road Map for the Development of Specialized Tourism in the Republic of Azerbaijan”, adopted in 2016, is analyzed in detail; it consists of 10 sections.

In 2020, a tourism development strategy for the Central Asia Regional Economic Cooperation (CAREC) countries up to 2030 was developed by a group of experts from the Asian Development Bank. The CAREC member countries include 11 states: Azerbaijan, Georgia, China, Türkiye, Pakistan, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, Tajikistan, and Afghanistan.

The final part of Chapter 3 provides an analysis and assessment of the prospects for the development of international tourism based on a survey of foreign tourists.

Table 8. Results of the sociological survey

	Indicator	Confidence interval
Composition of tourists by gender	36.9% women, 63.1% men	+ 2,89
Number of tourists visiting the Republic of Azerbaijan for the first time	60,0 %	+ 4,96
Plan to visit again	97,7 %	+2,58
Will recommend the country to friends and acquaintances for visiting	99,2 %	+1,42
Would like to visit other cities of Azerbaijan	96,9 %	+2,89
Plan to stay after Formula 1	72,3%	+1,73

When asked what they liked about Azerbaijan, 60.0% (+4.96%) of respondents mentioned the organization of the event; 47.7% (+2.58%) noted how guest reception was organized; 30.8% (+2.74%) were satisfied with prices; 42.3% (+1.73%) liked the country's attractions; 66.2% (+1.42%) indicated the climate; 64.6% (+2.4%) the cuisine; and 3.1% mentioned other factors, including architecture, people, and hospitality.

In the questionnaire, the question "What do you know about tourism opportunities in the country?" was also included. In response, 30.0% (+4.64%) stated that they were familiar with culinary tourism opportunities. Only 17.7% (+2.58%) of respondents were aware of mountain tourism opportunities, 6.9% (+2.89%) of sea tourism, and 3.8% (+2.74%) of winter tourism. Additionally, 4.6% (+2.4%) of respondents indicated that they had heard about the country's attractions.

One of the important directions for attracting foreign tourists is the Karabakh region, which was liberated from 30 years of Armenian

occupation. The potential of this region is very high. Located in the Lesser Caucasus mountains, the liberated territory has mineral resources, beautiful landscapes, and a favorable climate. All of these factors can serve as a strong basis for attracting foreign tourists.

Conclusion

Based on the dissertation research, the following conclusions can be drawn.

The development of international inbound tourism is an important direction in the country's economic development, including as a key sector in the expansion of the non-oil economy. The economic significance of this sector is determined by both direct and indirect effects. On the one hand, it provides direct revenues to the state budget; on the other, it stimulates the development of the hotel and restaurant industry, as well as related sectors such as transport, communications, and handicrafts. The development of international tourism contributes to employment growth and, consequently, to an increase in household incomes, thereby strengthening the social dimension of sustainable economic development. For the Republic of Azerbaijan, international tourism is a relatively young and rapidly developing sector. The analysis shows that tourism is more vulnerable than other sectors to crises and external shocks, such as the COVID-19 pandemic.

When comparing inbound and outbound tourism indicators, it should be noted that the number of Azerbaijani citizens traveling abroad, both before and after the pandemic, is significantly higher than the number of foreign visitors entering the country. This indicates insufficient activity of inbound foreign tourism.

The geography of incoming tourists is not very diverse. The majority of visitors during the study period were citizens of Russia.

One of the key problems of inbound tourism is its highly uneven distribution across the territory of the Republic of Azerbaijan. From 2006 to 2016, almost all foreign tourists were concentrated in Baku, while other regions of the country accounted for a very small share of inbound tourism.

An analysis of the purposes of foreign visits shows that the majority of trips are related to leisure tourism, followed by business

tourism, while medical and religious tourism account for a very small share of total visits to Azerbaijan.

International tourism is part of the country's foreign economic activity. The analysis shows that tourism services increased throughout the study period except for 2020. However, the tourism balance remained negative from 2006 to 2021. The share of tourism services in both the overall balance of payments and the international services balance remained very low, except in 2013.

Despite the high growth rates of the tourism sector, its share in gross output remains very low, not exceeding 1.0%, except for 2016–2018, when it approached 3%.

Tourism development contributes to employment growth. In Azerbaijan, during 2006–2024, total employment increased by 20.0%, while employment in tourism grew by 2.6 times. Despite high growth rates, the share of tourism employment in total employment fluctuated between 0.6% and 1.6%. However, it should be noted that informal employment is widespread in the tourism sector, especially in rural areas, meaning that the real level of employment is higher than official statistics suggest. Wage levels and their growth rates in the tourism sector are lower than the national average.

Despite the active growth of the tourism sector, its impact on GDP remains very limited. Thus, the share of tourism revenues in GDP fluctuates from a minimum of 0.6% to a maximum of 5.6% in 2018.

A comparison of investment efficiency in fixed capital between the overall economy and the tourism sector shows that the return on each manat invested in tourism is higher than the average return in the economy as a whole. The return on inbound tourism per manat of investment in tourism over the entire period was higher than the return for the economy overall, and in certain years also higher than tourism's own internal return.

Investments also have a social significance by creating jobs and supporting employment growth. Investments in Azerbaijan's tourism sector do not generate a large number of jobs; the highest number per 1 million manats was recorded in 2021 – 362 jobs.

The calculation of the multiplier effect of tourist expenditure shows that increased spending per tourist contributes to the growth of household income.

Based on the research, the following recommendations can be made:

1. In Azerbaijan, inbound tourism should be diversified.
2. Targeted marketing activities should be implemented to attract tourists from relevant countries.
3. Considering tourists' interest in Azerbaijani cuisine, opportunities for culinary tourism should be expanded.
4. Given the growing global interest in ecotourism, the number of nature reserves and national parks should be increased, while environmental awareness among the population should be strengthened through educational videos and media programs. Regular monitoring should be conducted in hotels, restaurants, and other tourism-related facilities.
5. Tourism opportunities in the country's regions should be actively promoted.
6. It is particularly important to attract tourists to the territories liberated from occupation.
7. Tourist focus groups should be established. For example, tourists from China can be attracted by training Chinese-speaking guides and broadcasting documentaries about Azerbaijan on Chinese television. Tourists from Northern Europe can be attracted by referring to the research of the famous scientist Thor Heyerdahl, who repeatedly visited Azerbaijan.
8. Joint tourism routes between Georgia and Azerbaijan should be developed.
9. Hotels for the middle class should be actively developed.
10. Neurotourism should be developed.
11. The principle of inclusivity should be taken into account in tourism development.

All of the above measures will contribute to attracting foreign tourists to the Republic of Azerbaijan, which in turn will have a positive impact on the country's economic and social development.

List of Published Articles

1. Н.С.Багирова, «Система регулирования мирового туристического рынка» / Qərbi Kaspi Universiteti. Elmi xəbərlər xüsusi buraxılış. // Bakı-2020, str. 47
2. Н.С.Багирова, «Основные парадигмы развития турической индустрии» / Turizm və qonaqpərvərlik tədqiqatları. Beynəlxalq jurnal. Azərbaycan turizm və Menecment Universiteti // Bakı-2021, str.33
3. Н.С.Багирова, «Роль международного туризма в развитие экономики Азербайджана». / Turizm və qonaqpərvərlik tədqiqatları. Beynəlxalq jurnal. Azərbaycan turizm və Menecment Universiteti // Bakı-2023, str.43
4. Н.С.Багирова, «Анализ показателей развития туризма во внешнеэкономической деятельности Азербайджана» / İnnovasiyalı iqtisadiyyat və menecment. Azərbaycan Texnologiya Universiteti. Bakı-2022, str.290
5. Н.С.Багирова, «Современный этап развития туризма в Азербайджане» / İnnovasiyalı iqtisadiyyat və menecment. Azərbaycan Texnologiya Universiteti // Bakı-2022, str. 75
6. Н.С.Багирова, «Некоторые особенности занятости в отрасли туризма Азербайджанской Республики» / Umumilli lider Heydər Əlirza oğlu Əliyevin anadan olmasının 100 illik yubileyinə həsr olunmuş “Rəqabət qabiliyyətli mütəxəsis hazırlığı müasir təhsilin əsas məqsədidir”. Respublika elmi konfransının materialları, Bakı-2023, str. 52
7. Н.С.Багирова, «Особенности занятости в туризме и факторов влияющих на нее. Экономика и предпринимательство» // РИНЦ-2023, str.417
8. Н.С.Багирова, «Влияние въездного туризма на устойчивое развитие Азербайджанской Республики» / LV International Multidisciplinary Conference. Recent Scientific Investigation. Shewnee // USA-2024, str.197
9. N.S.Bagirova, “The main areas of development of the non-oil sector in the Republic of Azerbaijan”/Theoretical and practical research in economic fields//Romania-2024(32),ISSN:2068-7710, p.983

10. N.S.Bagirova, "Trends and some indicators of tourism development in Azerbaijan" / Doktorantların və gənc tədqiqatçıların XXV Respublika elmi konfransının (NASCO) materialları. Azərbaycan Təhsil İnstitutu / Bakı-2022, p.222
11. N.S.Bagirova, "The weight of inbound tourism in Azerbaijan socio-economic growth and the country s potential for attaining leadership in the Transcaucasian region" / Dağlar: Mədəniyyətlər, Landşaftlar və Biomüxtəliflik. Konfrans materialları. Qərbi Kaspi Universiteti // Bakı-2024, p.153

A handwritten signature in black ink, appearing to be 'N. Bagirova', with a horizontal line extending to the right.

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