

**REPUBLIC OF AZERBAIJAN**

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**ABSTRACT**

of the dissertation for the degree of Doctor of Philosophy

**DEVELOPMENT DIRECTIONS OF SERVICE SECTOR  
ENTERPRISES IN THE ABSHERON ECONOMIC REGION**

Speciality: 5311.01- Organization and management of  
enterprises

Field of science: Economic sciences

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## GENERAL CHARACTERISTICS OF THE RESEARCH

**Relevance and degree of elaboration of the topic.** Tourism services are one of the main driving forces of the economy. This can be observed from the experience of developed countries. The development of tourism not only contributes to the formation of the state budget and the stabilization of the trade balance, but also positively affects the reduction of unemployment, the socio-economic development of business entities and economic activities, and the improvement of living standards. In a post-industrial society, tourism services, as one of the key components of the service sector, play an important role in the economies of many countries.

As one of the leading sectors of the non-oil economy and in terms of the presence of natural resources and employment opportunities in the regions, tourism services are considered one of the priority directions of economic development in Azerbaijan. The development of tourism is strongly supported by the state in terms of ensuring a high standard of living for the population and achieving comprehensive development for both entrepreneurial entities and the national economy as a whole.

In order to ensure the development of the tourism sector in Azerbaijan, the Law "On Tourism" was adopted in 1999; the Ministry of Youth, Sports and Tourism was established on April 18, 2001; the State Program for the Development of Tourism in the Republic of Azerbaijan for 2002-2005 was approved in August 2002; and multiple State Programs for the socio-economic development of the regions (2004-2008, 2009-2013, 2014-2018, 2019-2023) were implemented. In addition, the year 2011 was declared the "Year of Tourism"; the "Strategic Road Map for the Development of Specialized Tourism Industry in Azerbaijan" targeting 2025 and beyond was approved by Presidential Decree on December 6, 2016; and the State Tourism Agency of the Republic of Azerbaijan was established on September 21, 2018 - all of which have stimulated the development of tourism services. The Strategic Road Map states that *"the identification of specialized tourism as a priority area in the national economic development strategy will not only ensure*

*continuity in the steps taken toward tourism development, but also allow Azerbaijan to occupy a leading position as an attractive tourism destination. It will foster cooperation among stakeholders in the tourism sector and contribute to raising the quality of tourism services in the country by making efficient use of available tourism potential and enhancing inter-sectoral linkages”.*<sup>1</sup>

In accordance with the Presidential Decree dated July 7, 2021, “On the New Division of Economic Regions of the Republic of Azerbaijan,” the Absheron Economic Region was restructured into the Absheron-Khizi economic region (including Absheron, Khizi, and the city of Sumgait) and the Baku Economic Region. Accordingly, the Baku Economic Region was not included in this research as a study object.

The development of the tourism market, the creation of modern tourism services that meet today’s standards, improvement of the legal framework and mechanisms of state regulation in this field, stimulation of regional tourism activity, and provision of competitive pricing — all create opportunities not only for the development of tourism but also for associated sectors. Therefore, it is essential to take consistent and targeted steps toward the development of tourism services as one of the leading sectors of the national economy. However, the formation of tourism service enterprises in Azerbaijan, especially in the Absheron Economic Region, their role at national and regional levels, their influence on employment, the state of tourism infrastructure in the region, and the efficient use of investments in enterprises delivering tourism services are still lagging behind needs. These factors indicate the topicality and objective necessity of the research subject.

After regaining independence, scientific research in Azerbaijan has focused on the management and development of tourism service enterprises. Azerbaijani economists such as Z.A. Samadzada, I.M. Abbasov, I.H. Ibrahimov, B.X. Atashov, G.A. Ganciyev, T.N. Aliyev, A.X. Nuriyev, A.Q. Alirzayev, F.Q. Abbasova, H.B. Soltanova, B.A. Bilalov, C.G. Gulaliyev, R.S. Muradov, S.H.

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<sup>1</sup> Strategic Roadmap for the Development of Specialized Tourism Industry in the Republic of Azerbaijan. // – Baku: December 6, 2016. – 98 p.

Rahimov, A.A. Azizov, Q.S. Mammadov, C.R. Imamverdiyeva, M.K. Abadov, N.C. Qafarov, A.N. Hasanov and others have investigated scientific-practical issues in this area. Foreign researchers such as Z. Eralp, J.N. Bhagwati, L. Casson, C.R. Goeldner, J.R. Ritchie, R.W. McIntosh, E. Inskeep, S.A. Roney, S.P. Kuzik, E.B. Maslova, V.L. Pogodina, and A.V. Yemelyanov have also contributed valuable perspectives on current problems and development trends in the field.

However, despite the recognized importance of tourism services in the economy, their socio-economic impacts, and their role in the formation and development of entrepreneurship, the theoretical and methodological aspects of these dynamics have not been comprehensively studied. Therefore, issues such as the scientific and theoretical foundations of the tourism services market, development trends, current conditions of tourism enterprises, regulatory mechanisms, infrastructure improvement, and related challenges reinforce the relevance of the topic.

**Object and subject of the research.** The object of the research comprises the enterprises providing tourism services in the Absheron-Khizi Economic Region.

The subject of the research includes the regularities in the formation and management of tourism service enterprises in Azerbaijan — especially in the Absheron-Khizi economic region — as well as the influencing factors and economic relations involved.

**Purpose and objectives of the research.** The purpose of the research is to explore the scientific and theoretical issues related to the formation of the services market in the country, assess the current state of tourism service enterprises in the Absheron-Khizi Economic Region, and determine development directions and recommendations for enterprises in the tourism service sector in that region. To achieve this goal, the following objectives have been set:

- to study the scientific-theoretical aspects of the formation and development of services and analyze tourism as a primary type of service;

- to justify the role of tourism services as one of the leading sectors of the economy and explore the theoretical and methodological foundations of the tourism services market;
- to analyze the current state of tourism service enterprises and entrepreneurship in the Absheron-Khizi Economic Region;
- to examine the impact of tourism development on employment and the condition of infrastructure in the Absheron-Khizi Economic Region, and to identify directions for its improvement;
- to assess the efficiency of investment use in tourism service enterprises in the Absheron-Khizi Economic Region;
- to analyze the socio-economic impact of tourism development in the region;
- to determine ways to improve the state regulation mechanism in tourism service enterprises in the region;
- to identify development directions for tourism services in the Absheron-Khizi economic region and develop related proposals.

**Research methods.** The study uses economic-statistical analysis, comparison, generalization, and analytical methods to investigate the current state of tourism service enterprises in Azerbaijan, particularly in the Absheron-Khizi Economic Region. The research is based on the works of economists addressing tourism development problems, presidential decrees and orders, Cabinet of Ministers' decisions, and other regulatory documents of the Republic of Azerbaijan.

**Main provisions submitted for defense.** The main propositions submitted for defense in the dissertation include:

- there is a need to establish scientific foundations for the formation and development of tourism services in the context of a new economic and global environment;
- under the conditions of disproportional regional development in Azerbaijan, it is essential to study and evaluate the evolution and trends of entrepreneurship in the tourism sector;
- the socio-economic impact of tourism services in Azerbaijan should be identified and relevant proposals developed;

- the current state of tourism service enterprises in the Absheron-Khizi economic region should be assessed, and trends analyzed;

- the existing tourism infrastructure in the region should be evaluated and development directions proposed;

- the effective use of investments in tourism service enterprises in the Absheron-Khizi economic region needs to be assessed, especially in light of the new regional divisions in Azerbaijan;

- the current status of tourism development and employment in the region should be identified and suggestions prepared;

- directions for improving the state regulation mechanisms of tourism service enterprises should be established.

**Scientific novelty of the research.** The main scientific contributions of the research are:

- classification and specification of the nature and theoretical foundations of the service economy against the backdrop of post-industrial societal development;

- justification of the role and position of tourism services in the services market;

- identification of the development priorities for tourism entrepreneurship in Azerbaijan;

- determination of interconnections and impacts between tourism services and other sectors (transport, communication, industry, environment, insurance, agriculture);

- analysis and assessment of the potential of tourism service enterprises (hotels, travel agencies, transport services, etc.) in Azerbaijan and specifically the Absheron-Khizi region;

- definition of directions for modernizing tourism infrastructure in the Absheron-Khizi Economic Region;

- evaluation of the investment attractiveness of the tourism sector in the Absheron-Khizi region;

- assessment of the impact of tourism development on employment in the region;

- identification of ways to improve state regulatory mechanisms for the development of tourism service enterprises in the Absheron-Khizi region.

### **Theoretical and practical significance of the research.**

The research findings can be used in the preparation of regional socio-economic development programs, in policy formulations concerning the regulation of the service sector - especially tourism - and in identifying key development directions. The findings are also valuable for government bodies and business entities as they address challenges impeding tourism development and work toward socio-economic growth. The recommendations and proposals of the study can be useful in the teaching of relevant courses in higher education institutions focused on economics.

**Approval and implementation.** The research has been presented at national and international conferences recommended by the Higher Attestation Commission and articles have been prepared based on the study. The main theoretical provisions, findings, and proposals of the dissertation have been published in 11 scientific articles and theses — including one article and one thesis abroad — in prestigious local and international journals recommended by the Higher Attestation Commission. The results of the research have been accepted for practical use by the Azerbaijan University of Tourism and Management (No. 6, dated 04.03.2022).

**Institution where the dissertation was carried out:** Azerbaijan Cooperation University.

**Structure and volume of the dissertation:** The dissertation consists of an introduction, three chapters, a conclusion, and a list of references. The dissertation is written in 1.5-line spacing and comprises 149 pages, including 15 tables, 7 diagrams, 3 charts, and 1 figure. The text volume by section is: Introduction – 11,686 characters; Chapter I – 73,659 characters; Chapter II – 61,278 characters; Chapter III – 84,395 characters; Conclusion – 8,104 characters. The total character count, excluding tables, diagrams, and references, is 239,122.



## THE MAIN CONTENT OF THE RESEARCH

In the introduction of the dissertation, the relevance and degree of elaboration of the topic, the object and subject of the research, its purpose and objectives, methods, main theses submitted for defense, scientific novelty, theoretical and practical significance, as well as the testing and application of the research results are explained.

In the first chapter of the dissertation, titled **“Scientific and Theoretical Issues of the Formation of the Services Market,”** the following topics are examined: the formation of tourism services and the scientific foundations of their development, the development of tourism entrepreneurship in Azerbaijan and the factors influencing it, and the socio-economic impact of tourism services in Azerbaijan.

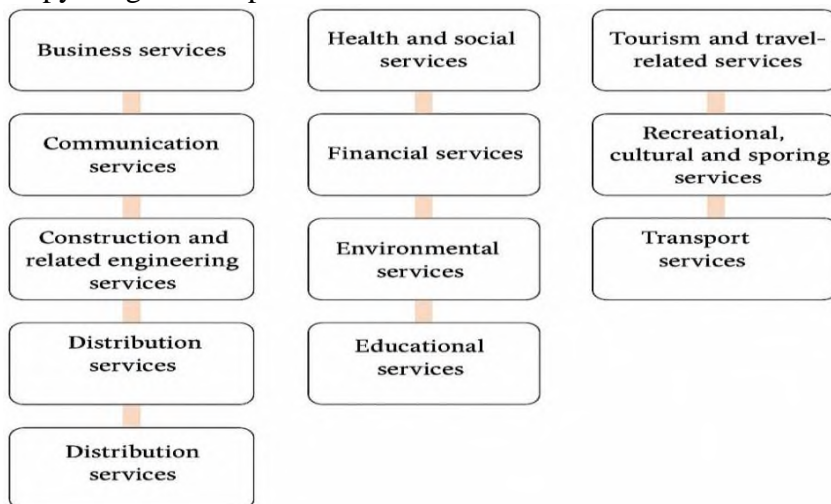
Research shows that in the 1950s, the United States became the first country in the world to develop a “service economy.” It was believed at that time that approximately half of the labor force was engaged in the production of services.

The concept of a “service economy” was first proposed by Victor Fuchs in 1965. In 1968, he studied the growing significance of the service sector for the American economy and its implications. After World War II, the majority of employment growth was observed in the service sector.

The rapid and intensive development of the service economy in a short period is primarily attributed to its ability to maximize human welfare. This, in turn, is based on ensuring people’s income on a national level. If we consider that the main source of income for individuals is employment, we see that ensuring maximum employment is the driving force behind the service sector. Because people’s access to income increases their demand for services, which in turn makes the development of the service economy a necessary condition.

The dissertation states that the classification of services used by the World Trade Organization (WTO) today includes numerous categories. These classifications encompass construction, environmental services, finance, education, transport, tourism,

business, social services, and more. As can be seen, tourism services occupy a significant place in this classification.



**Diagram 1. Classification of Services Used by the World Trade Organization.** (*Diagram prepared by the author*)

In the dissertation, the formation and development of tourism services are associated with changing needs, increasing physiological demands, growing societal expectations, and technological advancements. The author emphasizes that the Sumerians, by inventing writing, money, and trade, made the first contributions to tourism. He further justifies the increasing demand for tourism in Ancient Greece, the Roman Empire, European countries, and others, as well as the role of natural resources, climatic conditions, and the development of products and services in the advancement of modern tourism.

The dissertation states that *entrepreneurship refers to the independent initiative of individuals, their associations, and legal entities aimed at generating profit or personal income, through full responsibility and asset liability for their activities, or on behalf of other legal or natural persons, provided these activities are not prohibited by law.*<sup>2</sup> These activities include all types of economic

<sup>2</sup> International Economic Relations: textbook / G.A. Ganciyev, A.R. Alakbarov, A.M. Aliyev [et al.] – Baku: Azerbaijan Cooperative University, – 2010. – 396 p.

operations such as the production, sale, and provision of services. Tourism entrepreneurship, as a means of providing tourism services, is currently recognized as one of the major multiplicative economic activity sectors in many developed countries. In countries that have embraced the market economy system, the dynamic development of tourism has created a necessity for broader research and identification of its development prospects. Azerbaijan, having restored its independence, possesses rich tourism potential, which is one of the key factors supporting the development of tourism entrepreneurship in the country.

Some studies note that the emergence and formation of tourism in Azerbaijan dates back to the early 20th century. As an example, they cite the establishment of a branch of the Crimea-Caucasus Mountain Club in Baku in 1908, which was responsible for conducting tourism-related research and organizing trips within the Caucasus region. Moreover, the fact that caravanserais in Baku began to be used as hotels during the late 19th and early 20th centuries is also mentioned as part of the history of tourism in Azerbaijan. While these events are undoubtedly significant in terms of the evolution and development of tourism, the author argues that they should not be considered the official beginning of tourism in Azerbaijan. Rather, the passage of the Great Silk Road through Azerbaijan and the establishment of caravanserais in its major cities can be regarded as the formative period of tourism entrepreneurship in the country.

The dissertation substantiates that following the restoration of independence, Azerbaijan implemented systemic measures, adopted normative documents, and expanded international cooperation. The development of private property, the creation of infrastructure, and the organization of services are analyzed as factors contributing to the development of tourism entrepreneurship. At the same time, the dissertation addresses the impact of Armenian aggression and occupation of Azerbaijani territories, the destruction of natural resources, and the significant consequences these actions have had on economic development.

The study also highlights the unique natural beauty of Azerbaijan as a factor that supports the development of tourism in the country and examines the conditions contributing to this growth.

It is noted that the number of foreign tourists visiting Azerbaijan is steadily increasing.

**Table 1.**

**Share of foreign citizens visiting Azerbaijan from foreign countries in 2023**

Countries	2022	2023	Change in 2023 Compared to 2022, in Percentage	Share of Countries in the Total Number for 2023, in Percentage
<b>Total</b>	<b>1 602 600</b>	<b>2 085 790</b>	<b>30</b>	<b>100</b>
Including by country:				
Russian Federation	446 831	624 753	39	30
Turkey	311 880	378 045	21	18
Iran	170 533	165 214	-4	8
Saudi Arabia	96 231	80 675	-12	3,9
Georgia	82 225	104 450	27	5

**Source:** *The table was compiled by the author based on data from the State Statistical Committee (ADSK).*<sup>3</sup>

In recent years, business tourists have constituted a notable share among the citizens arriving in Azerbaijan from foreign countries. In 2023, more than 90% of visitors who traveled to Azerbaijan did so for tourism purposes. The research indicates that, in the future, tourism is expected to become a sector that will make a significant contribution to the country's economy.

*After restoring its independence in 1991, Azerbaijan, as a newly independent state, faced political, social, and economic challenges. The country saw the future development of its economy in transitioning to a free market system and took bold steps in this direction by adopting important laws that ensured economic stability and guided the nation toward progress.*<sup>4</sup>

It is worth agreeing with the opinion of Prof. I.M. Abbasov, who stated: *“The tourism industry should be understood as a collection of production, trade, and transportation enterprises involved in the sale of tourism services and tourism-related goods. In this regard, there is a great need to stimulate the development of the*

<sup>3</sup> Tourism in Azerbaijan. Statistical Yearbook. // – Baku: 2024. – 104 p.

<sup>4</sup> Ashurbeyli, S.B. The History of the City of Baku / S.B. Ashurbeyli – Baku: Elm, – 1998. – 212 pages.

*tourism industry. The role of the state in creating a favorable environment for the private sector in this process is significant”.*<sup>5</sup>

Despite the increase in the number of tourism enterprises in Azerbaijan, the added value generated in tourism has grown at a relatively slower pace. This can be seen from the data in the following table.

The key indicators of sectors characteristic of tourism in Azerbaijan have been analyzed and identified. In 2023, compared to 2019, the number of employees in the tourism sector increased by 20%. The added value created in the tourism sector rose by 35%, and its share in GDP in 2023 amounted to 4.1%.

When analyzing the level of development of the service sectors in Azerbaijan - including tourism - and the role of tourism in the national economy, it becomes clear that there are various levels of development across sectors. Research shows that special attention is paid to the development of the service sector, which is one of the core elements of the national economy.

**Table 2.**  
**Key Indicators of Tourism-Related Sectors in Azerbaijan**

	2019	2020	2021	2022	2023	In 2023 Compared to 2019, in Percentage and Times
Number of Employees in the Tourism Sector (persons)	58972	49019	53717	63109	70866	20
Added Value Generated in the Tourism Sector (million manats)	3704,9	1386,7	1939,7	3917,8	5002,2	35
Share of Added Value Generated in the Tourism Sector in GDP (percentage)	4,5	1,9	2,1	2,9	4,1	-
Investments Directed to the Tourism Sector (million manats)	133,7	79,3	242,4	100,5	479,0	3,6 times

***Source:** The table was compiled by the author based on data from the State Statistical Committee (ADSK).*<sup>6</sup>

The analysis of tourism activity in the national economy has revealed that hotels and hotel-type enterprises, along with the

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<sup>5</sup> Abbasov, I.M. Proceedings of the International Scientific-Practical Conference on “World Economy and Directions of Tourism Development in Azerbaijan”. Opening Speech. // – Baku: 2016. – 6 pages.

<sup>6</sup> Tourism in Azerbaijan. Statistical Yearbook. // – Baku: 2024. – 104 p.

revenues they generate, vary significantly. When examining the revenues of these establishments across different economic regions of the country, it becomes evident that this factor shows considerable variation from one economic region to another.

**Table 3.**

**Revenues of hotels and hotel-type enterprises in the Absheron-Khizi economic region of Azerbaijan (thousand manats)**

<b>Economic Regions</b>	<b>2010</b>	<b>2015</b>	<b>2019</b>	<b>2023</b>	<b>The Economic Region's Share in the Country in 2023, in Percentage</b>
Total – Nationwide	105.888,8	183.055,1	450 188,5	488.828,0	100
Including:					
Baku City	79.864,7	149.219,6	335 760,9	314 117,4	64
Absheron-Khizi Economic Region	840,8	1.315,9	2 666,1	2 421,3	0,4

***Source:** The table was compiled by the author based on data from the State Statistical Committee (ADSK).<sup>7</sup>*

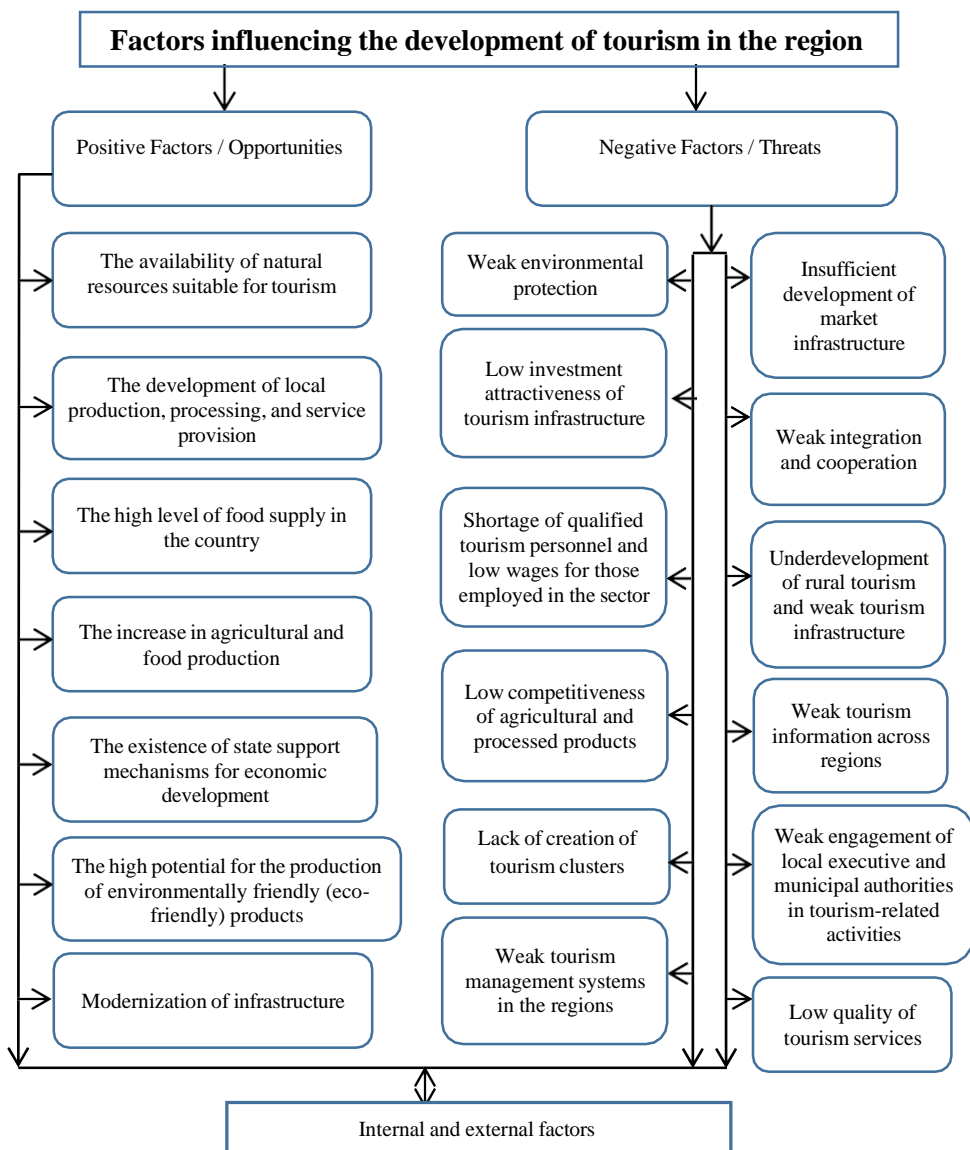
In 2023, the revenues generated by hotel and hotel-type enterprises operating in Baku accounted for 64% of the total revenues nationwide. The economic regions that differ notably in this indicator are the Guba-Khachmaz and Ganja-Gazakh economic regions. Meanwhile, the share of the Absheron-Khizi economic region in the country's total stands at only 0.4%.

It is established that the sustainable development and management of tourism in the republic are influenced by both internal and external factors. It is believed that the absence of new programs for tourism development, the low level of practical knowledge in the field, insufficient quality of promotional activities, unstable living conditions in rural areas, and the occurrence of diseases such as COVID-19 are among the factors hindering the development of tourism services.

Based on the indicators, a model of tourism's positive and negative impacts on socio-economic development can be formulated as follows:

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<sup>7</sup> Tourism in Azerbaijan. Statistical Yearbook. // – Baku: 2024. – 104 p.



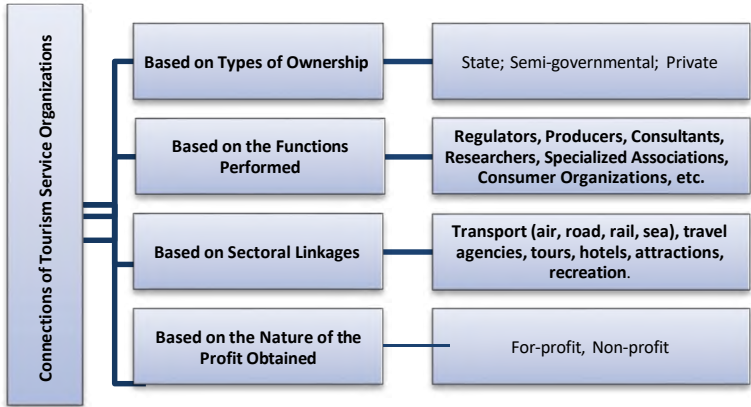
**Diagram 2. Model for the Formation of a Sustainable Tourism Development Strategy.** *(diagram prepared by the author)*

In the second chapter of the dissertation, titled “The Current State and Assessment of Tourism Service Sector Enterprises in the Absheron-Khizi Economic Region”, the current

condition of tourism service enterprises and tourism infrastructure in the Absheron-Khizi economic region is evaluated. The efficient use of investments in tourism service enterprises, as well as the current status of tourism development and employment in this economic region, are also examined.

Research shows that over the past 20 years, Azerbaijan has implemented a targeted economic policy aimed at developing the non-oil sector. As a result, the share of the oil sector in the national economy has declined, while the share of the non-oil sector has increased. This development has enabled the service sector to become a priority area alongside other sectors. As one of the leading directions within the service sector, tourism services are closely linked with various service areas. Therefore, achieving development in tourism requires the formation and mutual advancement of several related economic activities.

The study reveals that tourism encompasses a combination of multiple areas of activity and represents a broad spectrum of services. These interconnected services are reflected in Diagram 3, which was prepared by the author.



**Diagram 3. The Relationship of Tourism Services with Other Services** *(Diagram prepared by the author)*

Entrepreneurship in tourism refers to the independent initiative carried out by individuals, their associations, or legal entities-within the bounds of the law and under their own responsibility and asset liability-engaging in all forms of economic activity, including



production, sales, and the provision of services. The broad scope and variety of activities within the tourism sector increase the potential for entrepreneurship in this field.

The classification of entrepreneurial directions within tourism services is proposed as follows:

1. Passenger transportation
2. Hotels and related services
3. Production of tourism-related products
4. Health care, education, and social services
5. Attractions, entertainment, recreation, etc.

When assessing the current state of tourism service enterprises in the country, one of the essential elements to be analyzed is the performance indicators of hotels and hotel-type establishments. These indicators include the number of operating facilities, the number of rooms and their total capacity, the number of accommodated persons, the number of employees, financial indicators, and more.

**Table 4.**

**Key Indicators of Hotels and Hotel-Type Enterprises in the Country**

	2015	2021	2022	2023	In 2023 Compared to 2021, in Percentage and Times
Number of Hotels and Hotel-Type Enterprises (units)	536	712	757	809	13,6
One-Time Capacity (beds/spots)	37.278	53.049	56.562	59.407	11,9
Number of Rooms (units)	17.953	25.445	27.312	28.688	12,7
Total Number of Accommodated Persons (individuals)	838.145	1.172.123	1.697.358	1.945.059	65,9
Number of Employees (individuals)	8.364	11.143	12.314	13.608	22
Revenue from Enterprise Operations (thousand manats)	183.055,1	209.687,3	355.322,1	488.828,0	2,3 times
Operating Expenses of Enterprises (thousand manats)	171.730,8	231.468	296.805,6	390.095,1	68,5
VAT and Other Taxes Paid to the Budget (thousand manats)	28.098,5	12.819,6	25.145,2	29.281,8	2,3 times

***Source:** The table was prepared by the author based on data from the State Statistical Committee of Azerbaijan.<sup>8</sup>*

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<sup>8</sup> Tourism in Azerbaijan. Statistical Yearbook. // – Baku: 2024. – 104 p.

According to the table data, in 2023 compared to 2021, the number of relevant enterprises operating in the country increased by 13.6%, the number of rooms and one-time capacity increased by 11.9%, the number of accommodated persons rose by 65.9%, and the number of employees grew by 22%. Revenue from enterprise operations increased by 2.3 times, operating expenses rose by 68.5%, and VAT and other taxes paid to the state budget increased by 2.3 times.

The provision of overnight accommodation for tourists has historical roots. In ancient times, this role was fulfilled by caravanserais, which hosted travelers. Today, hotels and one of their core service components—food services—are of great significance. Many modern hotels now offer special rooms, meeting and conference halls, restaurants, bars, entertainment venues, gift shops, game rooms, wellness clubs, and other coordinated services.

**Table 5.**

**Number of Overnight Stays in Hotels and Hotel-Type Enterprises by Economic Regions (units)**

	2010	2021	2022	2023	In 2023 Compared to 2021, in Percentage.
<b>Total - Nationwide</b>	<b>1.358.286</b>	<b>1.788.716</b>	<b>2.647.178</b>	<b>3.422.234</b>	<b>91</b>
<b>Baku City</b>	<b>799.607</b>	<b>870.503</b>	<b>1.458.194</b>	<b>1.971.770</b>	<b>2,2 times</b>
<b>Absheron-Khizi economic region</b>	<b>9.148</b>	<b>9.775</b>	<b>10.374</b>	<b>18.110</b>	<b>85</b>
Khizi District	992	722	681	2.112	2,9 times
Absheron District	2.746	2.445	5.027	9.571	3,9 times
Sumgait City	5.410	6.608	4.666	9.427	43

***Source:** The table was prepared by the author based on data from the State Statistical Committee of Azerbaijan.<sup>9</sup>*

Research shows that in recent years, there has been a significant increase in the number of overnight stays at hotels and hotel-type establishments in the country. Compared to 2021, the

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<sup>9</sup> Tourism in Azerbaijan. Statistical Yearbook. // – Baku: 2024. – 104 p.

nationwide increase in 2023 was 91%. For Baku city, this figure was more than double, while in the Absheron-Khizi Economic Region, the increase was 85%.

The roads that connect the Absheron-Khizi economic region - particularly the capital, Baku - to various tourism destinations play an important role in tourism activity. These roads are regularly used for both domestic and international travel. For this reason, traffic congestion is often observed, especially on weekends, holidays, and during summer months. Researchers identify Baku as a central hub and categorize its main tourist routes and their unique characteristics into five directions: 1) Baku–Shamakhi–Pirguli, 2) Baku–Ganja–Goygol, 3) Baku–Gabala–Sheki, 4) Baku–Guba–Yalama, 5) Baku–Lankaran–Astara.<sup>10</sup>

We propose adding a sixth direction to this list, incorporating the liberated territories of Karabakh: Baku–Shusha–Kalbajar.

In modern economies, state support for investments in various economic sectors is viewed as a multiplier tool. The state implements this targeted economic policy through reforms, tools, and mechanisms. State influence on investment activity includes diverse approaches. The investment process is carried out by both individual and collective economic entities, and it is primarily executed in line with national and state interests.

Research indicates that investments in tourism services are mainly directed toward the following areas:

- newly established tourism facilities
- reconstruction of tourism sites to meet modern standards
- expansion of existing tourism enterprises or operational areas
- modernization of the core production assets of tourism enterprises and provision of working capital through investment
- production of new scientific and technical products, etc.

A review of statistical indicators on investments in Azerbaijan's economy reveals that domestic investments have had a dominant share in recent years. The dynamics show a growing trend in investments directed toward the economy. In 2023, compared to 2022, there was a 9.8% increase in investments directed toward the economy. Data from recent years also shows that investments in

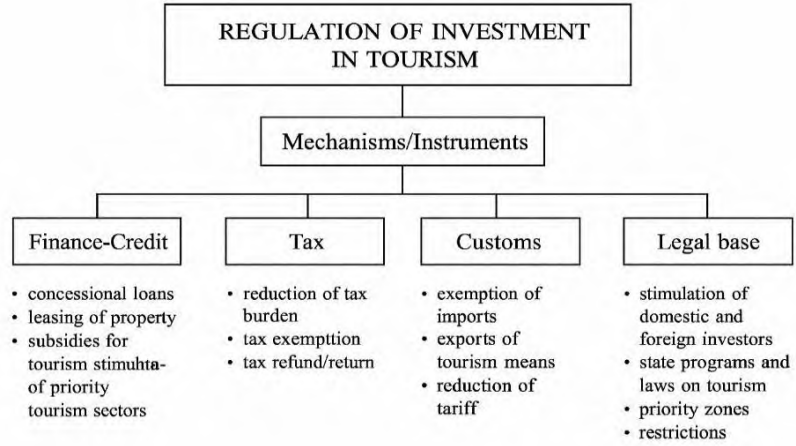
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<sup>10</sup> Yeganli, S.T. Tourism. textbook. / S.T. Yeganli, E.M. Hajiyeve – Baku: ABU Publishing House, – 2006. – 324 p.

tourism-related sectors increased more than twofold in 2023 (479 million AZN) compared to 2018 (229.7 million AZN). This upward trend is also characteristic of the Absheron-Khizi Economic Region.

In the development of the services economy — including tourism services — investments play a crucial role. The research concludes that investments directed toward the tourism sector not only contribute to tourism itself but also to the development of all related sectors in the country and the region. This results in the growth of the entrepreneurial environment, improved quality of services, higher living standards, and ultimately sustainable and long-term development.

In our opinion, the regulation of tourism investment allocation can be structured as follows:



**Diagram 4. Economic Mechanisms of Investments in Tourism**  
*(Diagram prepared by the author)*

Research shows that, except for the use of mechanization and automation systems, the application of technological innovations in the tourism sector remains limited. This results in a distinct employment potential in tourism compared to other sectors. Investments directed toward the tourism sector play a significant indirect role in the development of regional employment. As observed in the experiences of developed countries, tourism services create employment opportunities in the regions, contributing to income generation and growth. Ultimately, this leads to a reduction

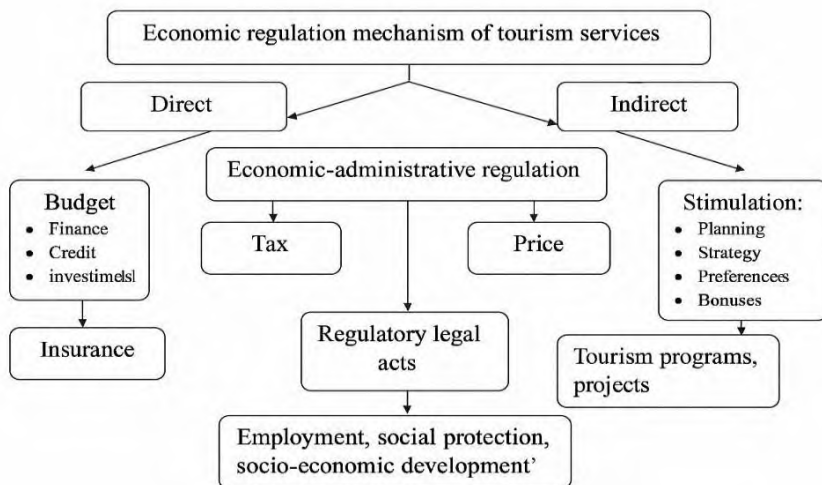
in unemployment, the elimination of poverty, and an improvement in living standards.

The third chapter of the dissertation, titled "**Development Directions of Tourism Service Sector Enterprises in the Absheron-Khizi Economic Region,**" explores the improvement of state regulatory mechanisms in tourism service enterprises, the condition and enhancement of tourism infrastructure in the Absheron-Khizi Economic Region, and the development directions of tourism services.

The dissertation justifies the necessity of having a tourism strategy that expands the coverage of tourism services, takes into account the specific characteristics of regions, and ensures the proper use of economic regulation tools. It is noted that the efficient use of tourism potential in the regions requires consideration of various factors and the implementation of a series of regulatory measures.

Research indicates that the state should regulate tourism service enterprises using both economic and administrative methods (direct and indirect). This regulation should be considered an integral part of the state's economic policy, serving as a key factor in tourism development.

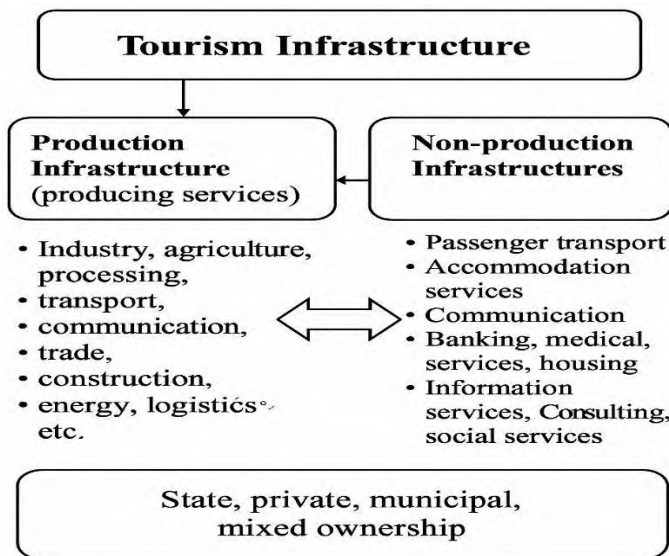
The mechanism of state regulation of tourism services can be illustrated as follows (**Diagram 5**):



**Diagram 5. Economic Regulation Mechanisms of Tourism Services** *(Diagram prepared by the author)*

In our opinion, considering the complex structure of tourism service regulation, the potential of each economic region, the extent and nature of state intervention in services may vary. The level of such interventions and regulation can change depending on the region's characteristics and tourism development trends. We believe that taking these factors into account can contribute not only to the rapid development of tourism but also to the improvement of the population's socio-economic condition, an increase in national income, higher inflows of foreign currency, greater employment among the population, and a rise in the standard of living. All of these would have a significant impact on the country's economic, political, social, and cultural development.

Research shows that infrastructure is an inseparable component of both production and services. Therefore, tourism infrastructure must align with each region's natural conditions, available resources, traditions, and the presence of essential infrastructure such as roads, energy, water supply, and other services. The infrastructure associated with tourism is proposed to be structured as follows:



**Diagram 6. The Relationship of Tourism Infrastructure with Productive and Non-Productive Sectors** *(Diagram prepared by the author)*

Tourism infrastructure, regardless of its form of ownership, holds great significance as a vital component of services and as a foundation for the proper functioning of tourism entrepreneurship. Each type of infrastructure consists of service sectors and facilities aimed at meeting the needs of consumers. Since tourism infrastructure contributes to improving quality and efficiency, it is recommended that continuous measures be taken to further develop and modernize it.

In support of the development of tourism infrastructure in the Absheron-Khizi Economic Region, it is considered appropriate to implement reforms in the following directions:

- preparation and continued implementation of targeted infrastructure projects for tourism services by the state;
- attraction of both domestic and foreign investors for the realization of infrastructure projects;
- execution of infrastructure projects in accordance with the achievements of modern scientific and technological progress and ensuring digitalization;
- ensuring full integration between the Absheron-Khizi economic region and other regions during the implementation of infrastructure projects.

The dissertation emphasizes that the directions for developing tourism services may differ based on the specific characteristics of each economic region. Moreover, the factors shaping development may influence different regions in different ways. Nevertheless, it is considered necessary to account for the role and influence of various elements in the formulation of these development directions.

From the research, it can be concluded that ensuring the socio-economic development and regulation of tourism service enterprises in the Absheron-Khizi economic region depends primarily on **socio-economic efficiency**. As one of the key factors driving the development of the national economy, such enterprises play an important role in strengthening the state's economic capacity and ensuring a high standard of living for the population. Therefore, the development of tourism should be considered a priority for any economy.

## CONCLUSION

The theoretical generalizations and research conducted on the topic of the dissertation allow us to draw the following conclusions:

- The period in world history when travel occurred for religious, commercial, and cultural purposes (e.g., Sumerians, Ancient Egypt, Ancient Greece, Roman Empire) is regarded as the first stage in the formation of tourism. The development of transportation, industrialization, and technology is justified as the foundation for the new stages in the evolution of tourism services.

- After World War II, the rapid advancement of technology significantly influenced the level of travel for tourism purposes and facilitated the emergence of a new era in global tourism. In this context, each region has strived to develop its tourism services by making full use of its potential.

- Regarding the historical stages of tourism service formation, the author reflects on Azerbaijani scholars' views and considers the post-liberation of Azerbaijan's occupied territories and full restoration of sovereignty as the beginning of a new era.

- The study concludes that tourism contributes to socio-economic development by increasing GDP (by 4.1%), improving infrastructure, raising employment levels, and boosting population income. Accordingly, a model for a sustainable tourism development strategy has been proposed.

- One of the key components of Azerbaijan's long-term reforms to reduce dependence on oil has been the development of the tourism sector. In recent years, the scope of reforms in this direction has expanded. Tourism stimulates the development of associated sectors. One of the main goals of Azerbaijan's tourism-focused state policy is to transform the country into a tourist destination. It is believed that the creation of modern tourism infrastructure and strategic initiatives will support this goal.

- In the context of modern economic relations, entrepreneurship is one of the main driving forces of the economy. Tourism service enterprises can be viewed as the primary factor in developing tourism both nationally and regionally. This makes state



regulation of such enterprises a necessary condition. Research shows that expanding the quantity and quality of tourism service enterprises, granting them broader authority (especially to small and medium-sized businesses), fostering a competitive environment, and enabling progressive and efficient development should be among the main objectives of state regulation.

- The current state of tourism service enterprises was analyzed, and tourism organizations were evaluated as a comprehensive system of interrelated services. The interconnections between tourism and other services were identified. Tourism entrepreneurship was classified into five groups: 1) passenger transportation, 2) hotel and lodging services, 3) production of tourism-related products, 4) health care, education, and social services, 5) attractions, entertainment, and recreation.

- The dissertation includes proposals to ensure the effective use of investments in tourism services, grouped into the following directions: 1) legal framework, 2) financial and credit mechanisms, 3) tax policy, 4) customs regulation mechanisms.

- One of the key issues for the development of tourism in Azerbaijan is the use of international experience. It is suggested that the state should base its investment policies, pricing, taxation, insurance, credit systems, and relevant programs on international best practices. This could provide substantial support for the development of tourism at both national and regional levels. Additionally, the creation of favorable tourism markets, high levels of tourism development in the regions, ensuring quality according to international standards, increasing tourism revenue shares in state and local budgets, and integration into the international tourism market could all characterize the country's tourism progress.

- Several factors must be considered for the development of tourism in the Absheron-Khizi economic region. These include: 1) availability of natural conditions and resources, 2) existing infrastructure, 3) presence and potential creation of hotels, inns, etc., 4) availability of trade facilities for tourism-related goods and services, 5) investment opportunities and a favorable business environment in the region, 6) employment and job creation for the

local population, 7) activity level of NGOs in the region, 8) the presence of relevant legislation and political stability.

- The study defines economic and administrative measures for the state-level regulation of tourism services. These include: 1) providing concessional financing for investment projects through public funds, 2) exempting tourism services from taxes and fees, and stimulating them by lowering tax rates, 3) regulating prices in tourism facilities, 4) providing concessional loans for tourism projects, 5) insuring tourism facilities, 6) regulating tourism services through programs and entrepreneurship projects, 7) regulating employment, social protection, and income levels within tourism enterprises, 8) managing the creation, planning, and governance of tourism enterprises through legal acts.

- Research indicates that tourism services along both the main and internal routes of the Absheron region are crucial for the efficient use of its tourism-recreational resources. The establishment of new tourist routes beginning in Baku and extending to the liberated territories could provide a significant boost to tourism development in the Absheron-Khizi Economic Region.

The development directions of tourism enterprises in Azerbaijan, particularly in the Absheron-Khizi Economic Region, were investigated. The research suggests that tourism development strategies can be tailored to each economic region by considering natural, economic, institutional, organizational, technological, social, environmental, political, and international factors. In the Absheron-Khizi economic region, the development directions of tourism services are proposed in two dimensions: economic and social-organizational. Economically, the development directions are as follows:

- concessional financing of tourism investment projects,
- stimulation of tourism services through reduced tax burdens and exemptions,
- price regulation in tourism services,
- insurance for tourism businesses and service providers,
- state-supported concessional loans for tourism services,
- reconstruction and modernization of tourism facilities and

infrastructure,

- integration of tourism services with other sectors,
- management of tourism services through programs and projects, supported by legal regulations,
- enhancing the competitiveness and international quality standards of tourism services.

From a social-organizational perspective, the development directions include:

- improving transportation, communication, wholesale and retail trade, catering, health, education, and banking services for tourists,
- modernizing hotels, restaurants, entertainment venues, and other tourism facilities,
- enhancing the quality of tourism infrastructure (roads, water, energy, communication, parking, repair services, etc.) in the region,
- promoting the region's historical, cultural, and natural attractions, traditions, and infrastructure through advertising and public outreach,
- developing tourism entrepreneurship and protecting the interests of both tourists and entrepreneurs,
- improving documentation and registration processes for tourist mobility,
- ensuring the participation of domestic tourism players in national and international exhibitions,
- improving the qualifications of tourism entrepreneurs and providing scientific support,
- enhancing environmental awareness among both tourists and tourism enterprises.

The development of tourism service enterprises in the Absheron-Khizi economic region can significantly contribute to raising living standards, increasing economic activity, growing tourist inflows to the region and country, advancing national economic development, improving the environment, and stimulating the growth of related sectors such as transport, communication, and trade.

**The main content of the dissertation work was published in the following scientific works of the author:**

1. Hasanov S.M. Human capital as a factor in economic development / International scientific-practical conference on "World economy and the directions of tourism development in Azerbaijan" dedicated to the 93rd anniversary of National Leader Heydar Aliyev. Baku. May 5–6, 2016. pp. 568–571.
2. Hasanov S.M. Formation and development directions of tourism services in Azerbaijan / "Audit" scientific-practical journal No. 3. Baku. 2016. pp. 46–53.
3. Hasanov S.M. Perspectives and development of the tourism service in Azerbaijan / 13th Annual International Bata Conference for Ph.D. Students and Young Researchers. Zlin. 2017. pp. 136–144. <https://digilib.k.utb.cz/bitstream/handle/10563/45981/DOKB>
4. Hasanov S.M. Prospects for the implementation of tourism services through e-commerce in Azerbaijan. Baku. "Cooperation" scientific-practical journal No. 2. 2018. pp. 53–60.
5. Hasanov S.M. The necessity of tourism development in the modern global economy / Republican scientific-practical conference dedicated to the 70th anniversary of Professor I.H. Ibrahimov: "Strategic Roadmap for the Prospective Development of the National Economy: Priority Directions in the Formation of Human Capital". Baku. 2018. pp. 403–411.
6. Hasanov S.M. Formation and development prospects of tourism services (on the example of the Absheron Economic Region) / "Audit" scientific-practical journal. Baku. 2018. pp. 109–117.
7. Hasanov S.M. The necessity of tourism development in the modern global economy / Republican scientific-practical conference dedicated to the 70th anniversary of Professor I.H. Ibrahimov. Baku. 2018. pp. 403–411.
8. Hasanov S.M. Characteristics of public tourism formation in Azerbaijan / International scientific-practical conference dedicated to the 95th anniversary of National Leader Heydar Aliyev: "Azerbaijan Democratic Republic and the development directions of modern Azerbaijan". Baku. 2018. pp. 441–443.

9. Hasanov S.M., Hasanova Sh.E. Prospects for the formation of human capital in Azerbaijan / International scientific-practical conference dedicated to the 96th anniversary of National Leader Heydar Aliyev: "Internationalization of higher education and increasing competitiveness in Azerbaijan". Baku. 2019. pp. 470–475.

10. Hasanov S.M. Prospects for the implementation of tourism services through e-commerce in Azerbaijan / International scientific-practical conference organized by Baku Business University: "Digital Economy: Azerbaijan in a New Economic Development Phase". Baku. 2020. pp. 409–413.

11. The impact of tourism development on population employment / "Financial Business" journal. Moscow. 2022. pp. 102–106.

A handwritten signature in blue ink, consisting of stylized, cursive letters that appear to be 'S. Hasanov'.

The defense will be held on 04 June 2025 at 11:00 at the meeting of the BED 1.10 of Supreme Attestation Commission under the President of the Republic of Azerbaijan operating at the Institute of Economics of the Ministry of Science and Education of the Republic of Azerbaijan.

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The dissertation is accessible at the Institute of Economics of the Ministry of Science and Education of the Republic of Azerbaijan.

Electronic versions of the dissertation and its abstract are available on the official website (<https://economics.org.az/>) of the Institute of Economics of the Ministry of Science and Education of the Republic of Azerbaijan.

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