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Directions on governmental role increasing in the development of small and medium tourism entrepreneurship in Azerbaijan

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Abstract. The tourism industry of Azerbaijan has developed significantly in recent years and currently plays an important role in the country's economy. Tourism is recognized as one of the main economic sectors worldwide, as this sector not only provides employment for the local population but also leads to the inflow of foreign currency and an increase in demand for local products and services. Important work is being done in Azerbaijan to develop this sector. Small and medium tourism enterprises play an important role in the development of the tourism sector in Azerbaijan. Small and medium enterprises operating in this sector include hotels, restaurants, travel agencies and other service industries operating mainly in the regions. These enterprises have a positive impact on the local economy, create new jobs, and strengthen the country's position in the international tourism market by promoting the cultural heritage and natural beauty of Azerbaijan. State participation in the development of small and medium tourism businesses is crucial for the development and competitiveness of this industry. The favorable environment created by the state for the tourism sector and the support it provides create conditions for entrepreneurs to implement their innovative ideas, strengthen their positions in the market and bring their products to the world market. The purpose of this article is to consider various directions for increasing the role of the state in the development of small and medium-sized tourism entrepreneurship in Azerbaijan.

Keywords: small and medium business, role of the state, industrial development, tourism market

Highlights:

- ♦ increasing the role of the state in the development of small and medium-sized tourism enterprises in Azerbaijan is crucial both from an economic and social point of view;
- ♦ government support provided to small and medium-sized tourism businesses leads to the creation of new jobs, an increase in national income and foreign exchange earnings, the preservation and popularization of national culture and heritage, the improvement of the business environment, sustainable development and innovation, and the formation of a national brand.

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Направления повышения роли государства в развитии малого и среднего туристического предпринимательства в Азербайджане

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Аннотация. Туристическая индустрия Азербайджана значительно развилась за последние годы и в настоящее время играет важную роль в экономике страны. Туризм признан одним из основных секторов экономики во всем мире, поскольку он не только обеспечивает занятость местного населения, но и приводит к притоку иностранной валюты и увеличению спроса на местную продукцию и услуги. В Азербайджане проводится масштабная работа по развитию данной отрасли. Малые и средние туристические предприятия, включающие гостиницы, рестораны, туристические агентства и др., работающие в основном в регионах, вносят весомый вклад в развитие туристического сектора в Азербайджане. Эти предприятия оказывают положительное влияние на местную экономику, создают новые рабочие места, а также укрепляют позиции страны на международном туристическом рынке, пропагандируя культурное наследие и природную красоту Азербайджана. Участие государства в развитии малого и среднего туристического бизнеса имеет решающее значение для процветания и поддержания конкурентоспособности этой отрасли. Благоприятная среда, созданная государством для туристической сферы, и оказываемая им поддержка создают условия для реализации предпринимателями инновационных идей, укрепления их позиций на рынке и вывода продукции на мировой рынок. Целью данной статьи является рассмотрение различных направлений повышения роли государства в развитии малого и среднего туристического предпринимательства в Азербайджане.

Ключевые слова: малый и средний бизнес, роль государства, развитие промышленности, туристический рынок

Основные положения:

- ♦ повышение роли государства в развитии малого и среднего туристического предпринимательства в Азербайджане имеет решающее значение как с экономической, так и с социальной точки зрения;
- ♦ поддержка, оказываемая государством малому и среднему туристическому бизнесу, приводит к созданию новых рабочих мест, увеличению национального дохода и валютных поступлений, сохранению и популяризации национальной культуры и наследия, улучшению предпринимательской среды, устойчивому развитию и инновациям, формированию национального бренда.

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Introduction

International practice shows that strengthening the role of the state in tourism leads to positive results in stimulating the development of SMEs. Zhu and Liu (2019) studied how support for SMEs in the tourism sector in developing countries such as China affects the growth of tourism revenues, expanded employment opportunities and improved quality of tourism services. They note that resources directed by the

state to the tourism sector, especially incentives provided to small tourism businesses at the local level, accelerate its development and create innovations in the tourism industry [1].

One practice that is spreading around the world is the development of local tourism initiatives in European countries such as Portugal and Spain. In these countries, local tourism entrepreneurs received financial and organizational support from the state, developed tourism products

that matched the local culture and promoted their regions around the world. According to the World Tourism Organization (UNWTO), such developments had a positive impact not only on the country's economy, but also on the preservation and development of national culture [2].

The development of small and medium-sized tourism businesses also affects the competitiveness of the tourism sector. According to the competitive strategies model proposed by Porter (1990), small and medium-sized enterprises can gain a competitive advantage over large and numerous tourism firms in the market due to their flexibility and innovative potential. The role of the state in this process is to create an appropriate legal and economic environment that allows entrepreneurs to gain competitive advantages [3].

From an economic point of view, tourism is a large economic system interconnected with other sectors of the country's economy, the national economy with the world economy, as well as a sphere of economic activity that produces and sells tourism goods and services. The classic definition of tourism is as follows: Tourism is the movement of people in their free time from places of permanent residence to a country other than their own, or within their own country, for pleasure and recreation, health and treatment, hospitality, educational, religious, professional and business purposes, while they must not be engaged in paid work at the expense of local financial sources in the places they visit [4].

The development of tourism infrastructure is an indicator of the standard of living of the local population. Tourism is of great help in solving economic problems, but since tourism activity is multifaceted, it cannot develop effectively on its own. The economic activity of tourism is directly related to the economic development of the country [5].

It is important to strengthen the role of the state in the development of small and medium-sized tourism businesses. Support provided by the state is of great importance both in terms of increasing the business activity of entrepreneurs and stimulating overall economic development. This support consists of the use of legal and economic incentive mechanisms, tax incentives and financial support, which creates conditions for

the creation of new jobs, innovative products and services in the tourism sector.

Methods

The development of small and medium tourism entrepreneurship in Azerbaijan and the strengthening of government intervention in this area have become one of the main topics of research in recent years. However, scientific research in this area mainly focuses on such aspects as tourist demand for services, legal and economic reforms related to tourism, regional development and the socio-economic impact of tourism.

Comparison of international experience and modern practice in Azerbaijan can also help in further studying this topic.

The study used statistical and comparative analysis methods. Based on statistical data, a comparison of the performance indicators of individual tourism enterprises for different years was carried out, and trends in the development of the industry were identified. The methods used in the article made it possible to determine the main characteristics of the problem under study and draw conclusions based on the analysis of the problem.

Supporting International Tourism: Global Initiatives and Strategies. In this context, it is worth noting the following organizations.

1. *United Nations World Tourism Organization (UN Tourism).*

UN Tourism (formerly UNWTO) is a specialized agency of the United Nations promoting responsible, sustainable and inclusive tourism. The agency implements various initiatives to develop the tourism sector:

- ◆ International Network of Sustainable Tourism Observers (INSTO): this network aims to monitor the economic, environmental and social impacts of tourism and ensure sustainable development [6].

- ◆ Investment Guides: UN Tourism publishes guides presenting investment opportunities in the tourism sector in different countries. For example, the guide "Tourism Business: Investing in Namibia" promotes investment in the tourism sector of Namibia [7].

- ◆ Climate action: at the COP29 climate summit in 2024, more than 50 countries signed the

"Declaration on Strengthening Climate Action in Tourism", committing to include tourism in their climate plans [8].

2. Organisation for Economic Co-operation and Development (OECD).

The OECD analyses tourism policies and trends in its member and partner countries:

- ◆ Tourism Committee: this committee, active since 1948, monitors policies and structural changes in the tourism sector [9].

- ◆ OECD Tourism Trends and Policies 2024: this report analyses tourism policy performance and trends in 50 OECD and partner economies [10].

- ◆ Green Tourism Recovery: the OECD supports policies that promote a green and resilient recovery for the tourism sector [11].

3. World Bank.

The World Bank is implementing various programs and projects to develop the tourism sector:

- ◆ Tourism for Development: this document presents ways to restore and sustainably develop the tourism sector after the COVID-19 pandemic [12].

- ◆ Theory of Change in Tourism: this framework is used to plan, implement, and evaluate tourism projects [13].

- ◆ Promoting Sustainable Tourism: the World Bank is exploring how sustainable tourism can be used to support economic growth and diversification [14].

Importance of Small and Medium Enterprises in Tourism. Small and medium tourism enterprises (hotels, restaurants, travel agencies, etc.) influence the country's economy in various ways and play an important role in its economic development. These enterprises not only contribute to the local economy, but also provide important resources for strengthening regional development, maintaining social stability and expanding intercultural relations.

Increasing local employment: small and medium tourism enterprises are mainly managed and employed by local residents. These enterprises meet the demand in various service sectors such as hoteliers, tour guides, restaurant workers, repair and supply services, transportation providers, etc. This helps eliminate unem-

ployment and create new jobs, especially in the regions.

Regional and local economic development: small and medium tourism enterprises are closely integrated with other sectors of the economy. For example, a hotel operating in the tourism sector creates demand for local food and goods producers, which supports the development of the agricultural and local industrial sectors.

Intercultural exchange and social benefits of tourism: small and medium-sized tourism enterprises provide tourists with the opportunity to learn about local culture and traditions. This promotes intercultural exchange and mutual understanding.

Economic diversification and sustainable development: small and medium-sized tourism enterprises contribute to economic diversification and ensure sustainable development by accelerating the development of the tourism sector.

Affordable prices and a wide range of services: small and medium-sized enterprises offer more affordable prices compared to large hotels and travel companies, which allows them to serve a wider customer base.

Environmental impact: small and medium-sized enterprises can reduce their environmental impact through more flexible management and efficient use of resources.

Link to the international tourism market: small and medium-sized tourism enterprises are not limited to domestic tourism, but also operate in the international tourism market. Special offers to attract foreign tourists allow small businesses to provide more differentiated and customer-friendly services [15].

Small and medium-sized tourism enterprises play an important role in stimulating the local economy in many countries, including Azerbaijan. SMEs can demonstrate a more flexible and innovative approach to tourism [16]. Their activities create economic benefits in the following areas:

Employment: according to UNWTO, the tourism sector provides one in ten jobs worldwide, with SMEs bearing the brunt of the burden [17].

Contribution to GDP: according to an OECD report, the share of SMEs in tourism in many

developed and developing countries is up to 70% [18].

Use of local resources: SMEs accelerate economic turnover and balance income distribution in regions by using local products, personnel and services [19].

The role of SMEs in tourism is manifested not only in the economic, but also in the social and cultural spheres:

Integration of local communities: small and medium-sized enterprises operating in the field of rural tourism and ethnotourism create conditions for attracting local populations to tourism [20].

Role of women and youth: organizations such as UNDP and UNESCO note that tourism SMEs are an effective tool for increasing the economic activity of women and youth [21].

Preservation of cultural heritage: small tourist sites (e.g. village houses, family hotels) play an important role in promoting and preserving local culture [22].

SMEs face a number of structural and managerial problems:

1. Limited financial resources:

SMEs usually have difficulty accessing bank loans and investment sources [18].

2. Limited marketing and promotion capabilities:

Local tourism businesses struggle to gain recognition in the international market. Lack of digital marketing skills and weak advertising strategies reduce the ability to attract tourists [23].

3. Lack of professional personnel:

The lack of skilled labor in the tourism sector reduces the quality of services [24].

International experience shows that public-private partnerships and digital transformation should be among the top priorities to overcome these challenges:

1. Cooperation between the public and private sectors:

The state should strengthen the financial capacity of SMEs through support mechanisms (subsidies, tax incentives, start-up funds, etc.). In addition, tourism development strategies should be adapted to the needs of local entrepreneurs [25].

2. Expanding digitalization and e-commerce capabilities:

It is necessary to develop the digital skills of small entrepreneurs and encourage them to work effectively on platforms such as e-booking, online marketing and social networks [26]. This can stimulate both domestic and international tourist flows.

3. Training and development programs:

It is necessary to organize professional development programs for entrepreneurs and their employees. These programs should cover modern service standards, customer satisfaction, innovative management and digital marketing [27].

Measures to stimulate tourism activities of the Azerbaijani state. In modern conditions, the main task of the state in the field of tourism is: the creation of a highly effective and competitive modern tourism complex in Azerbaijan, the creation of broad opportunities for the provision of various tourism services to Azerbaijani and foreign consumers, as well as the development of a strategy for tourism activities, the determination of development directions, the promotion of the development of enterprises in the tourism industry, the implementation of appropriate economic policies, the achievement of agreements with foreign countries and the conclusion of contracts with them in order to establish high-level economic ties [28].

If we look at the indicators shown in table 1, we will see that in 2023, the number of hotels and hotel-type facilities in the country was 809, which is 6,87% more than in 2022. It can also be noted that in 2023, the income received from hotels and hotel-type facilities operating in Azerbaijan amounted to 488 828 000 manats, which is 37,57% more than in 2022.

If we look at the indicators shown in table 2, we will see that the number of travel agents and tour operators operating in Azerbaijan in 2023 was 300, which is 25% more than in 2022. It can also be noted that the income of travel agents and tour operators in 2023 amounted to 78 772 700 manats, which is 47,65% more than in 2022.

The results of the study show that the support provided by the state to small and medium-sized tourism enterprises plays an important role in the development of this industry. Thus, such support tools as expanding access to financial resources, tax incentives, training and consul-

Table 1

Number of hotels and hotel-type facilities by type of ownership*

Unit	2022	2023
Number of hotels and hotel-type facilities	757	809
Including by type of ownership:		
State	52	58
Non-governmental	705	751
Special	686	730
Foreign	13	14
Together	6	7

* Compiled according to the data of The State Statistical Committee of the Republic of Azerbaijan. URL: <https://stat.gov.az/> (date of access: 12.03.2025).

Table 2

Number of travel agents and tour operators by type of ownership*

Indicators	2022	2023
Number of establishments	240	300
From it:		
State	6	7
Non-governmental	234	293
Including:		
Special	207	259
Foreign	19	23
Together	8	11

* Compiled according to the data of The State Statistical Committee of the Republic of Azerbaijan. URL: <https://stat.gov.az/> (date of access: 12.03.2025).

ting services, as well as improving infrastructure, stimulate the activities of business entities and ensure their sustainable development. As a result of active intervention and promotion policy of the state, the number of such enterprises increases, the quality of the services they provide and their competitiveness in the tourism market improves.

Results

The development of small and medium-sized businesses (SMEs) in the tourism sector in Azerbaijan has a great impact not only on the overall development of the country's economy, but also on strengthening the country's position in the international tourism market.

The development of small and medium-sized businesses in the tourism sector in Azerbaijan is accompanied by active state support. Statistical data show that the role of SMEs in the economy in general and in tourism in particular is increasing. As a result, the position of SMEs in this area is strengthening due to the positive dynamics in the tourism sector and constant sup-

port mechanisms from the state. In the future, new incentive programs, investments and expansion of international cooperation will allow for the faster development of small and medium-sized businesses in the tourism sector.

Discussion

The results of the study show that not only the role of small and medium-sized enterprises in the development of the tourism sector in Azerbaijan is significant, but also the pace of development of this sector is closely related to the institutional and financial support provided by the state. Economic changes occurring at the global and regional levels, especially in the post-pandemic period, have necessitated the transformation of tourism, which further emphasizes the flexibility and localization of SME services in this process.

The role of small and medium enterprises (SMEs) in tourism is growing, as SMEs act as an important tool for accelerating regional development, increasing employment and involving local communities in economic activities. However, despite this potential, various structural and in-

stitutional problems faced by SMEs hinder their sustainable development.

Against the background of this reality, the main objective of the study is to comprehensively analyze the current role of the state in the development of small and medium tourism entrepreneurship in Azerbaijan, assess the effectiveness of this support, and identify practical and strategic directions for enhancing its role:

- ◆ identify the main problems encountered in the development of small and medium tourism businesses;

- ◆ to determine on a scientific basis the place and influence of small and medium-sized businesses in the tourism sector;

- ◆ to promote government measures that stimulate tourism activities;

- ◆ to determine existing mechanisms of government support for small and medium-sized businesses in the tourism sector;

- ◆ to stimulate the contribution of small and medium-sized businesses to the development of tourism in the regions;

- ◆ to improve access to international markets for SMEs operating in the tourism sector.

Conclusion

As a result of the discussion, it can be noted that state support contributes not only to the growth of the number of SMEs, but also to their qualitative and sustainable development. Thanks to effective state intervention and properly planned strategies, small and medium tourism businesses can become one of the leading forces in the socio-economic development of the country.

For the sustainable and effective development of SMEs in the tourism sector in Azerbaijan, it is important that state policy be comprehensive and multidirectional.

Parallel policies should be implemented in the areas of regulation, finance, information technology and human capital, and it is also necessary to take into account regional characteristics.

Building relations between the state and SMEs on the basis of a flexible and interactive model, as well as the introduction of innovative support tools will not only increase the industrial potential of SMEs, but also ensure the growth of the tourism sector in Azerbaijan.

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