

# The role of local entrepreneurship in formation of tourism market of Ganja-Gazakh region

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## **Abstract**

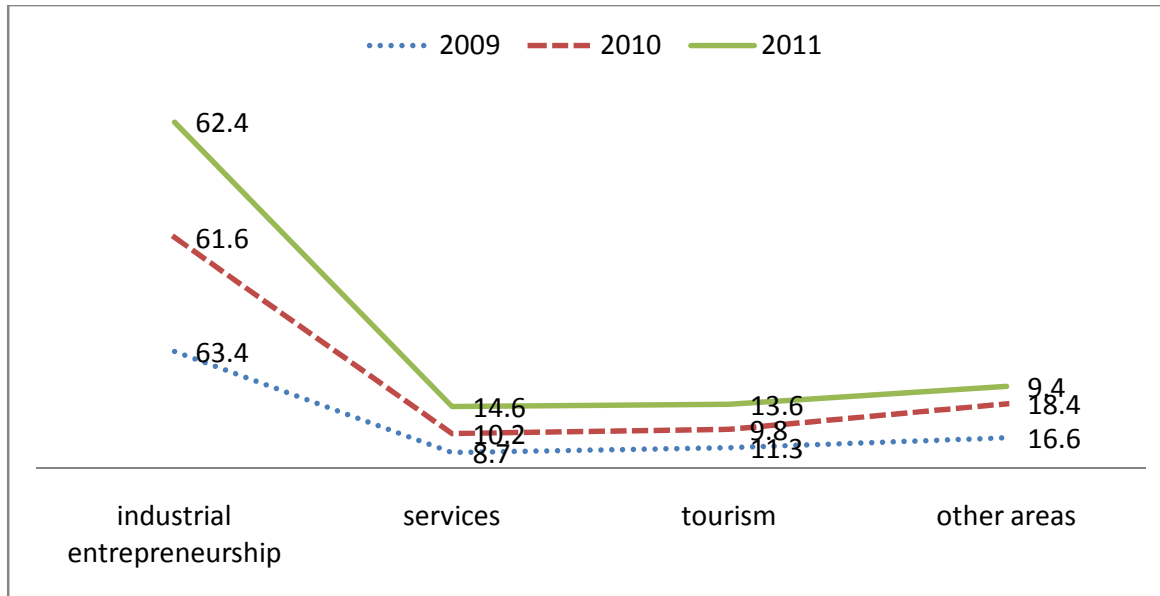
*Ganja-Gazakh is a region, located in the north-western part of Azerbaijan Republic. Being one of the leading regions of the country for level of economic development, it is also a territory of high recreational potential, and has favorable condition for business activity in tourism market. The article is devoted to study of the role of local entrepreneurship in the development of tourism business in Ganja-Gazakh region, with considering the existing investment potential of local businesses in recent years. The role of service sector is being preserved despite the fact that industrial areas have been invested more by the last few years. Most of objects, engaged in tourism business represent small entrepreneurship in Ganja-Gazakh. Advantages of managing of investment by these small enterprises are shown in the study work. Measures of economic motivation in order to attract foreign investments in this area seem as necessary.*

**Key words:** tourism, investment, entrepreneurship, service, facilities

The number of tourists visiting Ganja-Gazakh region has been increasing in recent years. This was considerably connected with taking benefit of local tourism routes in the region. The increasing growth allowed reach advancement in tourism infrastructure due to increasing income.

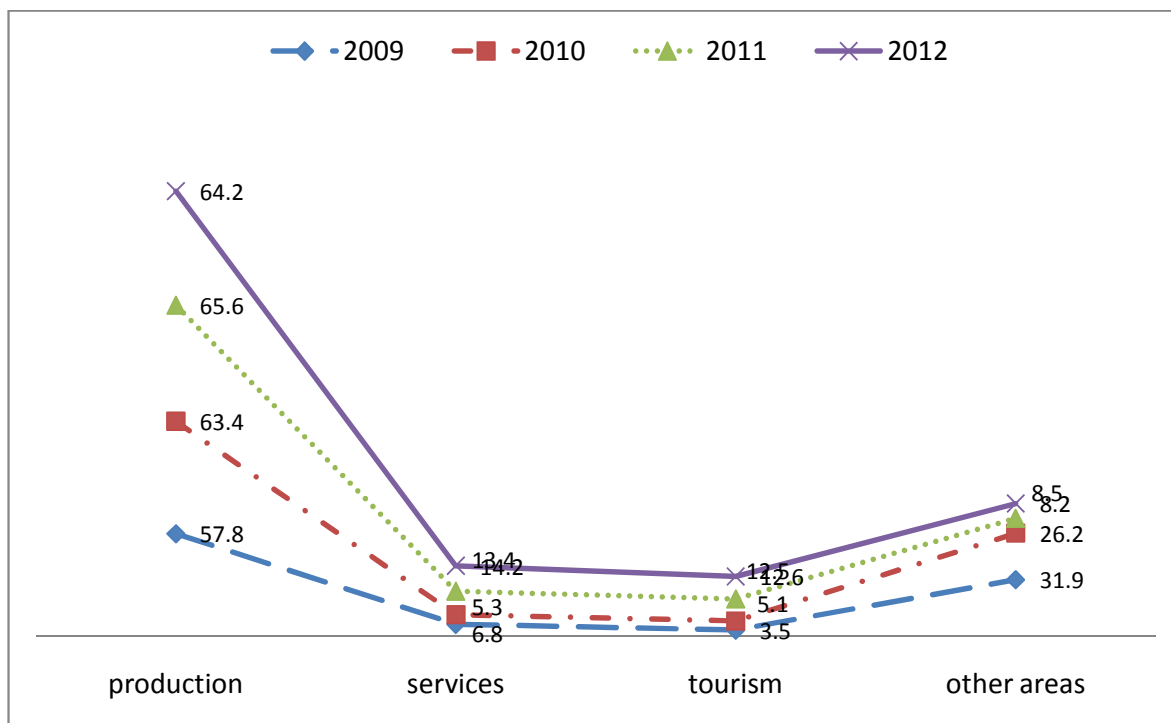
In 2012, 993 recreational facilities were engaged in accommodation of tourists, and the related tourism product made 31233,1 thousand AZN (Azerbaijani manat), whereas the corresponding indicators in 2010 was only 187 facilities and 11337,7 thousand AZN in Ganja-Gazakh economic region. In 2010, the number of subjects of entrepreneurship by all economic areas was 25648, and products and services made 218588 thousand AZN whereas two years later these indicators was 27446 ones and 248972,8 thousand AZN respectively.

In 2010, the growth of service product in tourism made 0,7% whereas in 2011 it equated to 3,6%. The amount of paying services has grown by 5,1% in 2010 and 12,5% in 2011.



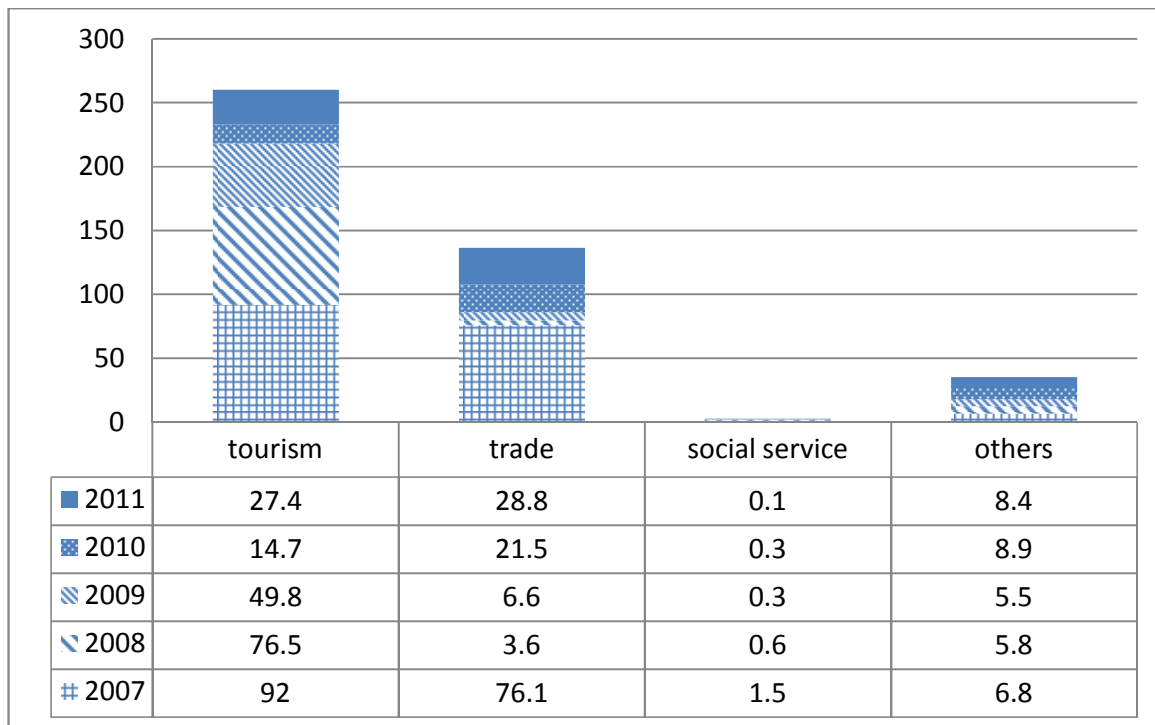
**Figure 1. Growth by subjects of entrepreneurship in Ganja-Gazakh economic region of Azerbaijan (thousand units)**

As Figure 1 shows, the number of entrepreneurship facilities has not been considerably changed in the last three years. However, the growth in service sector has been observed. This found its reflection by growth in tourism sector (3-5%). It is expected that the growth of tertiary sector will affect recreational business in the next following years as well.



**Figure 2. Dynamics of products and services of facilities of entrepreneurship in Azerbaijan (at percentage)**

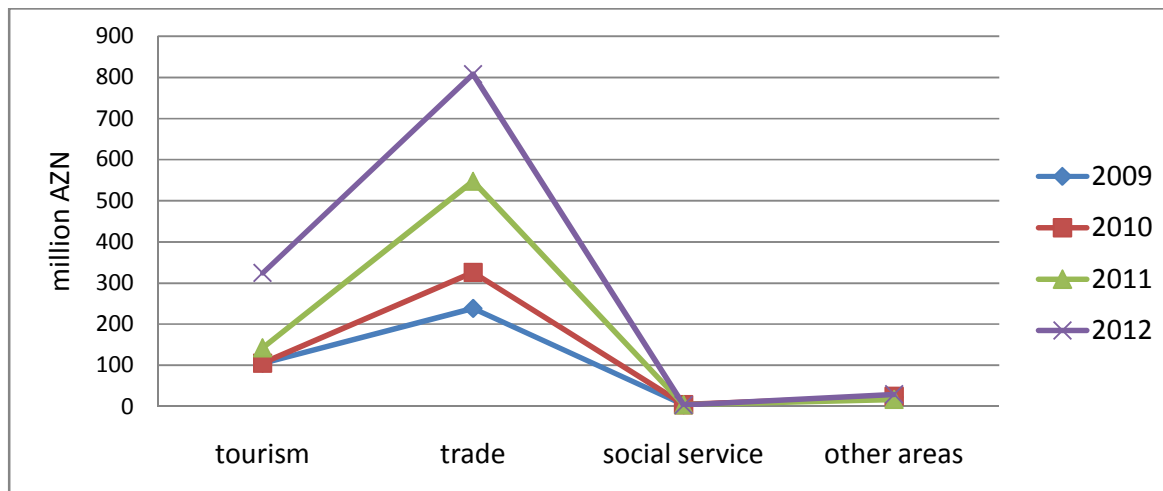
The products and services of facilities of entrepreneurship continue to be increased in Ganja-Gazakh region. This growth is available due to attraction of state-, local- and in part foreign investment. As a result of the implemented investment policy, and also financial support of local businesses by state agencies, funding has been increased more than 3 times within the last five years. It should be noted that growth by tourism sector in Ganja-Gazakh was lower than the corresponding indicator fixed in average by the country. However, although most of funding amount has been directed to manufacturing areas, recreational businesses have seen dynamic growth. The studies show that Ganja-Gazakh has favorable condition for further development of entrepreneurship and effective use of the existing recreational potential due to attractive natural condition and beautiful landscapes. This also may accelerate the overall economic development in this region.



**Figure 3. Investment of service areas by small facilities of entrepreneurship in Azerbaijan (at million manats)**

In the meantime, it is notable that the previous large share of investment of tourism sector by small facilities of entrepreneurship is likely to be decreased since 2009. The role of foreign investment in tourism sector is increasing on the background of reduction of the share of small entrepreneurship. The reason of the mentioned reduction is related to decrease in funding of hotels and recreational complexes, and also fall by amortization costs.

Despite of the growth observed by investment of tourism services due to strengthening activity of small industries within the last 5 years, the share of this investment is less compared to the share of public catering establishments, and also small hotels and motels.



**Figure 4. Economic activity of small facilities of entrepreneurship in Azerbaijan**

The tendency of growth by the share of tertiary sector found its reflection also by the main turnover funds in recent years. Growth in overall service turnover was managed significantly due to superior weight of trade service. Thus, the share of trade turnover has been increased more than 4 times in the last 4 years.

However, the growth of volume of tourism services should not be considered as high-speed rise by recent years. Thus, in 2008-2010, it made only 100-120 million AZN in the country whereas in 2010-2012, it has grown over 2 times.

The analogical growth has been observed also by Ganja-Gazakh region. The number of tourists who spent their time in the small owned recreational facilities has been increased 2 times in the last 5 years. In 2007, the paying services by small recreational facilities shared 3,4% of the paying services by all territories, whereas this indicator made 12,5%. Tourism and other directly related areas have been invested at 29,4 million AZN in Ganja-Gazakh.

**Table: Distribution of employees of small enterprises by economic areas (in relation to total amount, at percentage)**

Years	2008	2009	2010	2011	2012
Economic areas, in tote	100	100	100	100	100
including:					
Agriculture, forestry and fishing	8,3	8,1	8	5,8	5,6
industry	30,5	27,3	20,2	20,8	18,3
construction	20	18,9	14,4	11	10,4
Trade and reconstruction of vehicles	16,6	21,3	33,6	38	41,1
Transport and store facilities	1,7	1,5	1,3	1,6	1,8
Distribution of tourists and public catering	0,9	1,2	1,9	3,2	2,7
Information and communication technology	3,6	1,1	0,8	1,8	1,5
Operations on real estates	0,4	0,4	0,5	0,9	0,9
Education	0,5	0,5	0,2	1	0,8
Public health care and social assistance	0,4	0,4	0,3	1,3	1,4
Other areas	17,1	19,3	18,9	14,6	15,5

Hotel-and public catering services per capita in average have been increased in the region. Shortage of main appliances as well as technical gap in tourism centers results in fall of profitability by this area of Ganja-Gazakh's economy. Investment in tourism is not at satisfactory level, and concerning facilities of entrepreneurship still are not highly capitalizing recreational business, as a result of which, development of tourism is relatively curbed in the region while recreational resources are rich here.

The role of direct investment in tourism is still low. The local entrepreneurship facilities may take additional benefit during period of mass rest due to organizing small and temporary recreational centers. Main emphasis in this business is laid on public catering service. Building or reconstruction of large centers of accommodation is not largely invested. Foreign direct investment is managed mainly due to the governmental funding whereas the role of local entrepreneurship is small. The existing hotels are either invested by government and enlarged as a state project, or developed by domestic and foreign brands.

It is necessary to develop projects that will be of interest for large companies, and stimulate large investing in the region. In this regard, concerning strategic plan should be developed in order to motivate local businesses. Fields, lacking investment are to be determined and presented as priority activities in the region as well. In the meantime, investment should be managed with taking into consideration that most of clients in the region prefer enjoying services of small facilities. Investment has been targeting more small rest centers with minimum condition of comfort. The noted situation was not profitable, and in part led to chaotic development of tourism in Ganja-Gazakh in the past years. The total amount of investment on tourism and related activities has made 29,4 million AZN.

Diversification of tourism is to be managed as more as possible in Ganja-Gazakh. Developing new kinds of tourism besides with traditional types seems to be advantageous. Creation and enlargement of facilities of sport, entertainment- and environmental tourism is possible all year round due to the favorable condition of Ganja-Gazakh's territory. Favorable climate as well as mineral springs (Gadabay) and natural sources (Naftalan) of medical importance allow create new resorts, and attract more tourists in the region. Production of different medicine preparations on the basis of the medical oil as well as construction of a multifunctional resort complex is possible, too. Natural condition of Gadabay region is favorable in particular in terms of organizing SPA resorts based on origins of mineral water. Short-term "Beauty-tours" may be rendered to clients as well.

Creation and development of rest centers in the newly-settled territories, covered by forests may provide sustainable development of tourism in Ganja-Gazakh region. Rest centers-planning may enable to attract more tourists in mountainous and forest areas. There are large opportunities of creating small golf areas at the hotels as well as developing winter sport tourism in mountainous territories.

The carried study may be formulated as follows:

- Investment of tourism may be inspired by development of entrepreneurship in this field. In the meantime, motivation of local entrepreneurship is needed in order to manage economic development in the different parts of Ganja-Gazakh region.
- Effective use of tourism potential is directly related with activity of entrepreneurship facilities, and simultaneously depends on support of state agencies.
- In order to develop international and domestic tourism more, it is advisable to organize tour routes in recreational zones via the places of natural beauties, cultural heritage and ethnographic samples of local and regional importance. Organizing such tours by Ganja city as well as Goy Gol Lake, Gadabay, Dashkasan, Tovuz and other regions seems as profitable.
- Medical tourism is considered a specific and important area of tourism of Ganja-Gazakh, and its potential should be taken advantage more as one of priorities in tourism in the next future.

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