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REIMAGINING AZERBAIJAN'S TOURISM INDUSTRY FOR SUSTAINABLE GROWTH

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Abstract

Tourism industry is considered one of the fastest-growing and most efficient industries to improve economic welfare of the country. For this reason, many countries, including Azerbaijan paying more attention to the sector. By being the country at the crossroads of Europe and Asia, Azerbaijan has embraced tourism as a key driver of its economic development. Azerbaijan possesses immense potential to expand its tourism sector further with its history, culture, and natural beauty. However, to fully acquire the economic power of tourism, the country faces several challenges that require comprehensive solutions. This article will analyze the tourism's economic impact in Azerbaijan, identifies key problems, and proposes reasonable solutions to improve current situation.

Keywords: *Tourism export, number of visitors, tourism spending, purpose of the visit, Azerbaijan tourism, culture, ecological problems*

Introduction

Azerbaijan is considered as one of the countries with exceptionally good potential for tourism industry, since it is located at the crossroads between two different continents, earning nickname as "cultural bridge". For the past two decades, government made tourism as one of the economic priorities, resulting in the noticeable increase of export. As one of the main contributors of tourism export in Western Asia, government is constantly paying attention to improve the sustainability of tourism industry through several strategic actions. In 9 months of 2025, tourism export accounted for 8.4% of the country's GDP, namely

\$5.8bln (World Travel and Tourism Council report 2025). It is expected that the sector will provide 472 000 jobs for the residents (World Travel and Tourism Council report 2025). World Travel and Tourism Council also declared Azerbaijan as top 10 countries with fastest tourism development. However, there are some issues the tourism industry is currently facing, especially after global pandemic, that should be analyzed and tackled. Turn by turn this article will analyze current tourism related macroeconomic indicators, indicating what is prohibiting tourism industry to prosper in Azerbaijan after pandemic shock.

Literature review:

Many scholars made researches about tourism industry of Azerbaijan. Some scholars learned the tourism in the country regionally, while most of them look into the situation in macroscale. For example, natural and geographical conditions for tourism in the Sheki-Zagatala region of Azerbaijan was analyzed by M. Mirzeyev and A. Hasanli (Hasanli, A. and Mirzeyev, M., 2021). They studied how ecological changes impact on tourism in the country, what problems may appear if ecological footprint is increased. The study claims that the main ecological problems are currently occurring because of human interaction to nature. Overcrowding, deforestation and mismanagement of litter are changing the soil structure, as well as overall ecological position. If these problems are not solved immediately, it will cause long term damage on tourism industry. Also, the study suggests to build new corridor linking Nakhichevan with the western regions of Azerbaijan and, accordingly, Turkey with Central Asia, for the further enhancement of tourism industry (Hasanli, A. and Mirzeyev, M., 2021).

The impact of clusters in non-oil areas in Azerbaijan and tourism, its promotion to the businesses was researched by other scholars Ahmadov F, Mirzayeva G, Mammadov I. (Ahmadov, F., Mirzayeva, G. and Mammadov, I., 2021). Innovative development and business in tourism industry, how it effects to Azerbai-

jan's overall tourism capacity was discussed by Anar A (Azizov, A., 2021). He analyzed the situation through SWOT analysis.

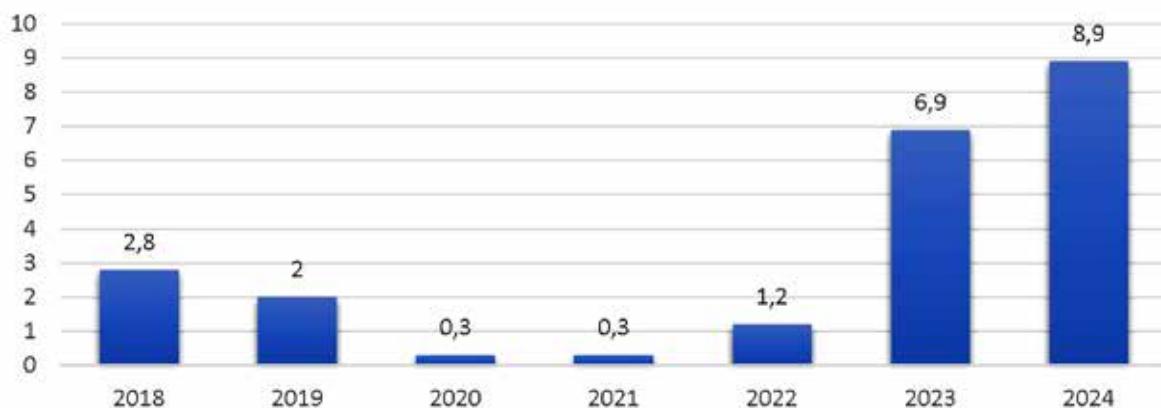
On the other hand, impact of Covid-19 on the tourism industry in Azerbaijan was also immensely researched by scholars. One of them showed how much global pandemic damaged the current sustainability of tourism, creating management issues (Rahmanov, F., Aliyeva, R., Rosokhata, A.S. and Letunovska, N.Y., 2020). As global pandemic severely damaged tourism in most countries, one of the greatest issues was seen in human capital.

Hajiyeva L, Teymurova V investigated the impact of human capital on development of tourism industry (Hajiyeva, L. and Teymurova, V., 2019). Academic works above indicate the importance of tourism industry in Azerbaijan. These articles discussed what challenges is currently country facing and what are the possible solutions could be taken in order to enhance the situation.

Results and discussion

Tourism industry in Azerbaijan has significant impact on economy effecting foreign exchange earnings, employment, infrastructure development, international cooperation, cultural exchange and economic diversification. Being, one of the main contributors of tourism export in Commonwealth of Independent States, tourism industry has significant impact on country's gross domestic product (GDP).

Graph 1. *Tourism export to GDP contribution in Azerbaijan (in billion Azerbaijan manat) (Collected from World Bank and World Travel and Tourism Council reports)*



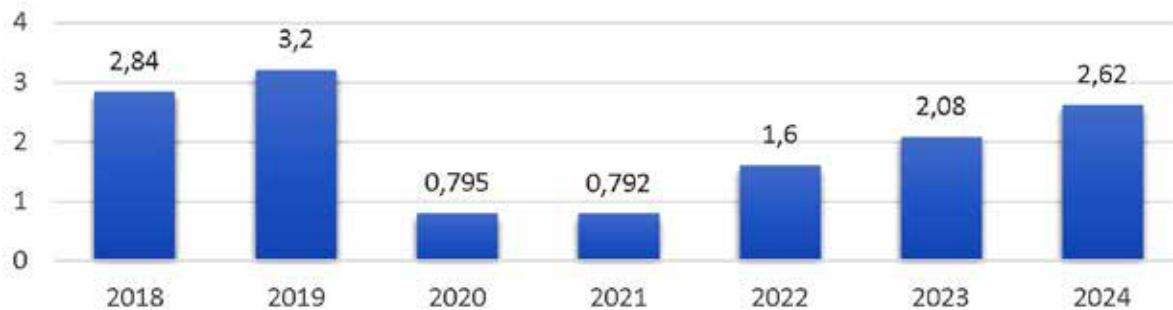
Similar to other countries, Azerbaijan's tourism industry was prospering before Covid-19 pandemic (see graph 1). The export

contribution of the sector was significantly high (2.8 billion manat) before the pandemic, yet the phenomenon decreased the share sig-

nificantly to 300 million manat. Due to proper strategies and mechanisms, tourism industry reached to pre-pandemic share, continuing positive affect to the country's economy.

Tourism export in Azerbaijan is unique with its both modern and historical sides. As the country located in the middle of two different continents, the culture and the nature adapts remarkably, allowing visitors experience both at the same destination. This can be considered as crucial geographical advantage of the country's tourism, one of the main reasons for high tourism arrivals. The graph 2 shows how many people visited Azerbaijan over the years.

Graph 2. *The number of visitors to Azerbaijan is in the cross-section of countries (The State Statistical Committee of the Republic of Azerbaijan)*



However, from 2022, steady recovery of tourism has started, supported by government strategies and initiatives.

Seeing the number of visitors to Azerbaijan is relatively high compared to other countries, it brings the question of what **key features attract** visitors to country (*see table 1*). There are several reasons why Azerbaijan's tourism is considered preferable, the crucial reason is its **geographic location** and **cultural closeness**. Being located between two continents allows Azerbaijan to adapt both cultures and lifestyle, making it easy for people to trust and get interested. Travelers can experience both at the same time, which is the unique advantage very few countries able to offer. Additionally, mostly countries located near visit frequently for family visiting and business ties. The largest number of tourists to Azerbaijan comes from Iran, due to existence of cultural and historical ties, including religious and ethnic commonalities. For example, many Shia Muslims live in both countries, this figure is 99.2% of Muslims in Azerbaijan, 85% of them are Shia Muslims and 15% are Sunni Muslims, this helps to de-

velop pilgrimage tourism [11]. Another key component of the tourism is **easy access**, which allows business tourism to increase. The government's easy visa policy enables easy entrances to the country, as a result people visit frequently, seeing investment opportunities, thus resulting in growth of business. **International visibility** is the following crucial advantage of the country. Azerbaijan has actively been hosting sport events, business and educational conferences, political and economical summits. These events make people see Azerbaijan, serving as the great marketing tool.

However, Azerbaijan has several competitors in the terms of tourism, some of them being located near, and others being close by history and religion. Here are the main competitors of tourism in the country:

- Georgia – one of the leading tourism performers in the global market, country is famous for its national tourism brand, nature-based tourism, none seasonal tourism, and wine regions. Georgia is active for promoting tourism with better marketing tools

making himself strong tourism competitor. Also, lower price ranges make people to choose the country as travel destination more often.

- Turkey – key performer of leisure and medical tourism. As the regional mass-market leader, Turkey competes with Azerbaijan in the terms of attracting visitors by both historically and religiously. Besides, Turkey has enormous infrastructure, allowing variety of offers for travel and business, making it difficult for Azerbaijan to compete.

- Kazakhstan – recently business growing country, located in Central Asia, can be competitor for Azerbaijan in business tourism. Many investors may get interested, allowing increased money and tourism flow.

As government actively taking actions to enhance tourism industry, tourism industry is expected to level-up for upcoming years. In order to see clear potential, we made the SWOT analysis of the tourism industry in Azerbaijan.

Table 1. SWOT analysis of the tourism industry in Azerbaijan

STRENGTHS	WEAKNESS
<ul style="list-style-type: none"> • Geographic “bridge” • Cultural heritage • Natural diversity • Main tourist hub – Baku • Heart of Zoroastrian religion • Family ties with neighbor countries • Government support 	<ul style="list-style-type: none"> • Dependent on neighbor countries • Lack of European and Eastern Asian visitors • Insufficient marketing promotion • Lack of tourism facilities in rural areas • Heavily depending only some areas as touristic places
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Potential for nature tourism • Enlargement of regional markets globally • Hosting global events • Training workers in the industry • Increasing marketing strategies 	<ul style="list-style-type: none"> • Climate change • Water and soil pollution • Political issues • Global competitors • Image of the country

Despite having competitors, Azerbaijan actively tries to improve the sustainability of the tourism. There are some issues existing, hindering further growths of the industry. The key problem (see table 1) is the tourism in the country is still **high seasonal**, meaning people still prefer to visit during summer. It makes tourism revenue drop and increase in frictional unemployment. Another problem is increased **ecological footprint**. Country's gas emissions are high, also overcrowding in some regions results in soil degradation. **Infrastructure disparities** also cause some issues in the industry, because not all regions are well developed like Baku, making it difficult to get access or uncomfortable the duration of the stay. There is another reason which was caused by global pandemic in 2019. Many skilled employees were lost during pandemic, creating huge **human resource gap**. Even though Azerbaijan has strong demographic resources,

skilled workers in tourism industry were lost. Another problem in tourism of the country is **high prices** and **underdeveloped rural areas**. Compared to other close competitors, the prices in the service is higher. It may give financial discomfort for visitors.

Existing problems prevent tourism to reach even higher levels, if they are tackled, it would result in better achievements. In order to tackle these issues, Azerbaijan government is also actively taking actions. The country's “Azerbaijan Tourism Development Strategy 2023–2026” is focusing on growth in tourism and holding it sustainably. The strategy outlines a set of goals aimed at enhancing the country's tourism sector by focusing on key areas such as infrastructure, service quality, marketing, and sustainability. In order to ease visa difficulties, country introduced the **“ASAN” visa system**. As result, new system allowed visitors to have simplified entrance from 90 countries. Besides, country is current-

ly investing in the development of modern airports, highways, and public transport for easy and comfortable transportation at affordable prices for tourists. Additional to transport reformation, some share of the investment is directed to provide luxury services, such as eco-resorts and accommodations.

In order to enhance the long-term competitiveness and export potential of the tourism industry in Azerbaijan, a set of targeted and forward-looking strategies must be implemented. These strategies should address current issues, enhancing country's tourism potential including all regions equally.

Promoting tourism:

In order to see, first show what you have. Developing national tourism brand, advertising tourism places will give information for people all over the world, informing them about country's touristic opportunities. Engage in digital marketing strategies, social media campaigns, and partnerships with travel influencers to raise global awareness. This will help to compete with other main tourism dependent countries as well.

Diversifying tourism offerings:

Expanding the scale of tourism will guarantee the increase in the tourist flow rapidly. Offering not only summer vacations, but also winter tourism and sports, medical retreats, and adventure activities will help mitigate the impact of seasonality.

Promoting affordable travel:

Encouraging the development of budget-friendly accommodations and travel packages will attract researchers, nature explorers or even youth travelers globally. Not only

offering luxury services, but also affordable tourism services could make Azerbaijan more competitive.

Investing in rural tourism:

Providing grants or low-interest loans for local entrepreneurs will help to improve infrastructure in rural areas and to develop touristic services and cultural experiences not only in the city, but also in rural areas.

Developing human capital:

Establishing training programs for tourism workers to improve service quality and ensuring that visitors have positive experiences will provide with significant increase in tourism export in the long term.

If suggested recommendations are implemented step by step, tourism industry may face long term increase in number and quality. It should be considered that, step by step implementation should be done, for further improvement.

Conclusion:

In conclusion it can be said that, Azerbaijan has great opportunity to improve tourism industry. Having biggest geographic advantage, the country has great opportunity to improve tourism export. However, there are some problems the country is currently facing. Promoting tourism, investing in tourism infrastructure, attracting people from other continents may have positive impact on tourism related indicators. Suggested recommendations for tourism development will play key tactics to long term improvement of tourism industry, leading to overall increase in tourism revenue again, being better than pre-pandemic situation.

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