

The Role of Human Capital in Increasing Tourism Potential in a Post-Conflict Situation

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Tourism has become one of the fastest-growing sectors in the economies of many countries worldwide since the second half of the twentieth century and an important tool in achieving overall economic prosperity. Today, governments, private entities, and individuals recognize the value of human capital in increasing tourism revenue and accelerating economic development in economies where tourism development is a priority. In this context, efforts to develop human capital, in addition to tourism, should be stepped up. Human capital development is a widely accepted policy for increasing international competitiveness, particularly in developing countries. In this regard, it is preferable to define the role of human capital in the article in order to improve the tourism potential in liberated territories.

Keywords: Azerbaijan, Karabakh Economic Region, East Zangazur Economic Region, tourism potential, human capital.

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Introduction

Tourism plays an essential role in the economic development of the country. Azerbaijan has a high potential for tourism development, particularly in the liberated areas. Rich natural resources, a favorable geographical location, a temperate climate, ancient historical temples and monuments, centuries-old cultural heritage and hospitality, and delectable and diverse cuisine all contribute to tourism growth. Tourism is one of the most important and rapidly growing economic sectors. It is regarded as an essential component of overall development, particularly in tourism-dependent countries that rely heavily on the state of the industry. The tourism industry is inextricably linked to the development of other industries, employment, and the overall sustainability of a country and society. Many factors influence this sector's competitiveness, including the natural environment, tourism infrastructure, and human capital. Human capital is emerging as a primary resource that contributes significantly to the development of sustainable and competitive tourism (Črnjar, 2018: 145-156).

Tourism is a direct result of people's leisure time and discretionary income. The extraordinary leaps made by technology – both in terms of inventions and information, the changing demographic profile of the global population, and, of course, developments in tourism infrastructure – have prompted millions of people to engage in touristic pursuits in the twentieth century (Raj, 2008: 39-45). In today's world of the scarcity of water and food resources, growing economic and social inequality, and political uncertainty, the cultural dimension of the resource paradigm becomes critical for survival and life – whether it's about an individual, a group, a country, or humanity as a whole. As a uniquely human attitude toward the world, culture is primarily produced and reproduced by the sphere of education and, in the conditions of a post-industrial, information society, a society of services, by tourism (Fedorchenko et al., 2021: 246-258).

Humans' inquisitiveness and thirst for new experiences, knowledge, and destinations have grown stronger due to globalization and the removal of communication barriers by technological advances. The consumption demand generated by tourist expenditures generates more employment, which leads to the socio-economic development of the local population as a whole. Over the last few years, there has been a lot of focus on the need for and importance of human resources in the tourism industry worldwide. There have been numerous debates and discussions to highlight the role and importance of human resources in this industry. As a service industry, tourism is distinguished by a high level of human involvement in its survival, growth, and development, as well as in the delivery of its services (Gani & Dar, 2018: 83-90).

Tourism development in each country positively impacts the local economy in various ways. For example, one of the essential sectors involved in the inflow of foreign currency used in international trade is tourism. Furthermore, tourism encourages investment in new infrastructure, which improves human capital and competitiveness (Panagiotidis, 2012). Tourism, perceived as a chimneyless industry, has the advantage of being a protective and sustainable industry that brings together many activities under a single umbrella. Tourism is also regarded as a vital industry for international and regional development. A well-educated and skilled workforce is widely acknowledged as a prerequisite for developing a competitive tourism industry (Stauvermann & Kumar, 2017: 426-433).

Tourism is a complex socio-economic system made up of interconnected components. Citizens (tourists) who travel to the main elements of this system for a set period of time; organizations-intermediaries engaged in tour operator and travel agent activities; many

relationships formed while traveling; tourism infrastructure, etc. Tourism is a type of production that impacts and is integrated with all sectors of the economy, whether directly or indirectly. Tourists consume or use these products; sometimes, they buy them from tourism-focused businesses, and sometimes they collect the components of a tourist product. Tourists' money, for example, goes to hotels, restaurants, and recreation centers. The income of the region's population rises due to tourist income, and so does tax revenue to the government. Tourism's business-friendly legal and economic environment, infrastructure rehabilitation and development, security system, and other positive socio-economic changes are essential catalysts for the sector's growth (Kurdashvili & Meskhia, 2016: 25-32). The following is how human capital is managed for the development of tourism (Milovanović, 2017: 54-72):

- Formulate human capital objectives
- Identify tourism discipline attributes
- Develop human capital strategies
- Design learning tourism curriculum
- Measure outcome of human capital management
- Measure tourism impact

The training of human capital is critical in developing any tourist destination. The ability of the destination to develop a competitive edge is a function of the level and quality of human capital base (Bourouaha, 2017). According to research, tourism is the fastest-growing economic sector, particularly in developing countries. It is possible to earn a profit in one or two years with a short preparation period for investments in the tourism sector compared to other sectors of the economy and a successful marketing policy. As a result of tourism development, the percentage of unemployment in each country, which has become a problem, is decreasing, and income is being distributed more evenly across the country. According to the United Nations World Tourism Organization statistics, tourism has been one of the world's largest and fastest-growing industries in the last decade. According to the World Travel and Tourism Congress, tourism directly impacts 9.1 percent of global GDP. Tourism has now become competitive with leading businesses due to its rapid development dynamics, and the tourism sector accounts for one in every eleven jobs worldwide. Tourism in modern times is based on four major economic factors (Brida & Pulina, 2010):

1. Human capital (education, relevant skills, personal training, etc.),
2. Physical capital (airports, ports, hotels, restaurants, roads, etc.),
3. Technology
4. The environment.

Talent development, management, and retention are critical and must be studied from theoretical and practical perspectives. Tourism is no exception, as it was previously regarded as one of the driving forces of the global economy. As a service sector, it necessitates significant investments in human capital development. Many destinations of roughly equal levels regard human resources as the primary factor of differentiation and competitive advantage because employees directly interact with clients, implicitly defining service quality and providing consumer satisfaction (Stryzhak et al., 2021: 145-156)

Over time, a significant portion of the economic growth literature has emphasized the importance of human capital as an explanatory factor of growth and has focused on the effects of human capital on productivity. It is undeniable that in today's world, where competitiveness and flexibility are critical issues, investing in human capital could be a useful tool for dealing with these challenges. The importance of quality services in tourism is growing due to the increasing number of customers who must be satisfied; in this way, tourism's dynamic and growth (Dragolea & Cotirlea, 2011: 20-27).

We can confidently state that human capital is one of the essential pillars of tourism activity. Although the development of the tourism industry creates job opportunities, seasonal work and low wages cause people to avoid the sector. In general, the following negative aspects of tourism can be identified:

- Tense and changeable work schedule
- Lack of employment guarantees
- Low wages
- Excessive working hours
- Lack of staff

Tourism students are aware that employment in the tourism industry is seasonal. People are often forced to work without the emotions associated with the position they are working for, and they do not consider customer satisfaction. However, it is critical that emotions be natural, especially in the service sector. This point reflects the importance and significance of human capital in tourism. In general, the need for employees in the tourism industry is an unavoidable and natural process. However, if the right and professional people are not in place, the tourism industry will suffer, and serious practical issues may arise. In this sense, human capital is used to train the appropriate personnel, and as a result, the quality of tourism services and goods improves. Staff changes are often avoided with the assistance of professionals, and as a result, recruitment costs are reduced, factors that reduce income are identified and eliminated in a timely manner, and training costs are reduced.

The role of human capital in increasing tourism potential

As is well known, Azerbaijan is recognized in the global economic market as an oil country. The Republic of Azerbaijan has a lot of potential for tourism. Natural resources, historical monuments, public geographical position, and Caspian Sea coastal zones can all be mentioned. This potential is significant in terms of reducing reliance on the oil factor. Today, international tourism is receiving special attention in the Republic of Azerbaijan, and it is rapidly becoming a major force in the economy's non-oil sector. The Republic of Azerbaijan's tourism industry has already begun to develop. Azerbaijan has begun to be recognized as a new tourism destination globally due to the state policy pursued in recent years, and integration into the international tourism market has been ensured. The development of the tourism sector and related activities in the Republic of Azerbaijan, which supports the policy pursued in the social and economic spheres, can be seen as an indicator of a positive attitude toward human capital.

As is well known, Azerbaijan's economic transformation is based on the "Strategic Roadmap for the National Economic Prospects of the Republic of Azerbaijan," which was approved by a Decree of the President of the Republic of Azerbaijan dated 6 December 2016

to ensure continuity in human capital development. Measures are being taken at all levels to encourage continuous human capital development and investment in research and development to improve quality and labor productivity. “Azerbaijan 2030: National Priorities for Socio-Economic Development,” approved by the President of the Republic of Azerbaijan’s Decree dated 2 February 2021, reflects the country’s implementation of five National Priorities for socio-economic development over the next decade. One of the priorities is “competitive human capital and a place of modern innovations,” demonstrating that the state has taken progressive steps in developing human capital as one of the main goals for the next ten years. In the context of globalization, the modern paradigm of innovative human capital development is a critical factor in increasing the country’s competitiveness and crucial in developing innovative and investment models of state development. Human capital has become a source of life for developing any country and society in the modern world. It is not human capital, equipment, or inventory but a decisive factor that increases its competitiveness, economic growth, and overall economic efficiency (Hobdari et al., 2016).

Along with scientific and technological progress, the advancement of information and communication technologies, and the advancement of information and communication technologies, human capital occupies a central position as a carrier of intelligence, knowledge, skills, experience, and professionalism. Human capital development is a continuous process of qualitative and quantitative changes that increase an individual’s level of education, culture, and mental and spiritual abilities. Increased investment in human capital development can increase the intellectual level, which is the foundation of long-term economic growth. We can say that the ability to adapt to rapidly changing global technology is the most crucial factor determining a state’s economic potential in the twenty-first century. This is defined as a “new quality of economic development” based on applying knowledge and new technologies due to efficient human resource utilization. The growth of a competitive country based on new technologies necessitates the use of high-quality specialists who can apply their experience and knowledge. Human capital, which combines education, professionalism, and intelligence, is the essential component of forming an innovative economy within complex economic and organizational factors. As a result, increasing tourism potential through developing competitive human capital is regarded as one of modern development’s most essential and priority areas.

President of the Republic of Azerbaijan Ilham Aliyev signed a decree changing the country’s economic divisions, creating the Karabakh and East Zangazur Economic Regions, including the liberated territories on the country’s economic map. The establishment of the Karabakh and East Zangazur Economic Regions are based on both history and the future. As a result of the liberation of the ancient Azerbaijani lands of Karabakh and the Eastern Zangazur economic regions from occupation, Azerbaijan is entering a qualitatively new strategic phase in the post-pandemic and post-war period, covering the years 2021-2030. In short, the global economic realities and the goals set at the new stage of development require the definition of the country’s long-term development vector, the main directions of socio-economic development, and the corresponding national priorities. As we have noted, our liberated territories have great potential in the industry, tourism, and agriculture. At present, large-scale measures are being taken to restore the liberated territories, ensure their future development, create the necessary infrastructure and return the population to their native lands. Aghdam, Shusha, Fizuli, Tartar, Khojavend, Khojaly regions, and the city of Khankendi are all part of the Karabakh economic region Agjabadi and Barda regions. The Eastern Zangazur Economic Regions included the districts of Jabrayil, Kalbajar, Gubadli, Lachin, and Zangilan, which fell under Azerbaijani

control following the Second Karabakh War. The Karabakh Economic Regions' high potential, raw materials and natural resources, and fertile land provide a foundation for increasing production in our territories. The economic region of Karabakh has enormous potential in the industry, tourism, and agriculture. Furthermore, East Zangazur is an economically promising region in terms of agriculture and natural resources. Thus, the Karabakh Economic Regions contributed 0.7 percent of the output of the main sectors of the economy, while the East Zangazur Economic Regions contributed only 0.1 percent.

It should be noted that the liberated territories will be a new driver of Azerbaijan's economic development. In this regard, developing a competitive human capital and a modern space for innovation and expanding tourism in many areas will accelerate Azerbaijan's GDP growth rate. Human capital has become a requirement in tourism as a result of the rapid development of the tourism industry and the application of modern information and communication technologies. It should be noted that the liberated territories will be a new driver of Azerbaijan's economic development. In this regard, developing a competitive human capital and a modern space for innovation and expanding tourism in many areas will accelerate Azerbaijan's GDP growth rate. Human capital has become a requirement in tourism due to the rapid development of the tourism industry and the application of modern information and communication technologies.

Research and discussion

The correlation-regression method is required to assess the relationship between tourism and human capital. In our study, the performance index is indicated by the value-added in tourism in a million manat (Y), factor indexes with the number of people who graduated from higher education institutions in person (X1), the total number of people engaged in tourism in person (X2), per capita income in manat (X3). We develop a regression model using table 1 below based on the official statistics.

Table. 1
The dynamics of indicators influencing added value in tourism

Years	Value-added in tourism sector, mln. manats (Y)	Number of graduates total, person (X1)	Number of employees in travel agencies and touroperator enterprises (X2)	The income per capita in the household, manat (X3)
2010	-	31071	1418	1730.4
2011	-	30812	1541	1992.0
2012	-	35128	1730	2290.8
2013	2,080.2	33758	1729	2576.4
2014	2,404.2	32826	1794	2760.0
2015	2,437.3	33705	1586	2886.0
2016	2,746.1	36951	1838	3093.6
2017	3,151.0	37506	1891	3220.8

2018	3,464.3	38256	2,074	3312.0
2019	3,704.9	38631	2,205	3511.2
2020	1,370.1	39006	1,464	3496.8

Source: <https://www.stat.gov.az/>

The following was the regression model of the factors influencing added value in tourism.

$$Y = 0.685596 X_3 + 2.996176 X_2 - 0.094603 X_1 - 1484.436 (1)$$

As can be seen from Model 1, if the number of graduates of higher education institutions increases by 1 unit, the value-added in tourism will decrease by 0.09 units. On the other hand, if the number of employees engaged in tourism activities increases by 1 unit, the value-added in tourism will increase by 2.99 units. Finally, when per capita income increases by 1 unit, the added value in tourism will increase by 0.68 units. The determination coefficient $R\text{-square} = 0.8895$ in Table 2 indicates that the relationship between the variables is very high. Accordingly, the regression equation is explained by 88.9% of the variance results and 11.2% by the influence of other factors. The high coefficient of determination indicates that the regression equation better expresses the initial data and that 88.9% of the resulting element is explained by the factors included in the model.

Table.2

The result of evaluating the parameters of the linear model of multiple regression in the software package Eviews.

Dependent Variable: Y Method: Least Squares Date: 01/26/22 Time: 21:25 Sample (adjusted): 2013 2020 Included observations: 8 after adjustments				
Variable	Coefficient	Std.Error	t-Statistic	Prob.
X1	-0.094603	0.155170	-0.609673	0.5750
X2	2.996176	0.560950	5.341249	0.0059
X3	0.685596	1.122038	0.611027	0.5742
C	-1484.436	2592.827	-0.572516	0.5976
R-squared	0.889555	Mean dependent var		2669.763
Adjusted R-squared	0.806720	S.D.dependent var		765.4583
S.E.of regression	336.5228	Akaike info criterion		14.78206
Sum squared resid	452990.4	Schwars criterion		14.82178
Log-likelihood	-55.12825	Hannan-Quinn critier		14.51416
F-statistic	10.73899	Durbin-Watson stat		1.496199
Prob (F-statistic)	0.022011			

Source: Eviews is compiled by the authors in 12 software packages.

The dynamics of the Fitted and Actual values of the model and the residuals between them, based on the regression equation of the built model and the Eviews application software package, are given in the graph below. As can be seen from the figure, the actual prices of the product volume are very close to the prices obtained from the model.

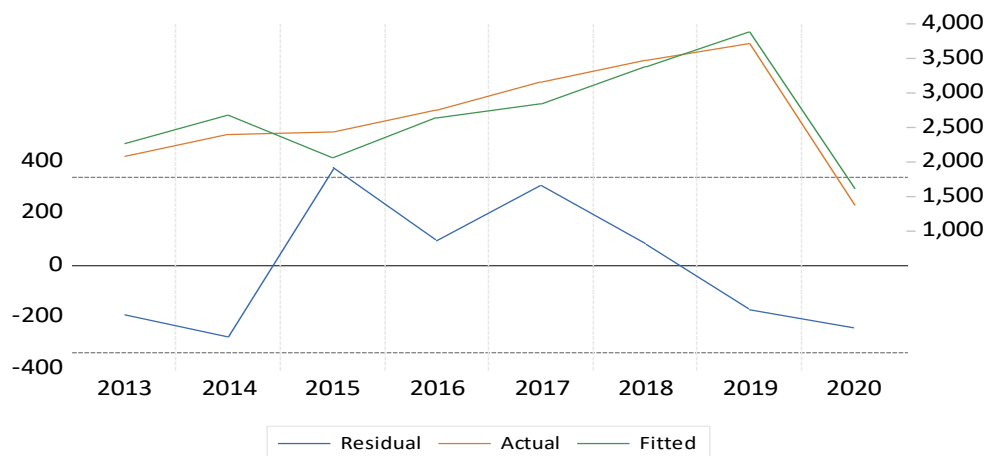


Figure 1. Dynamics of (Fitted) and actual (Actual) values obtained by the regression equation of the model and the residual (Residual) between them

In addition, the statistical significance of the resulting regression equation as a whole can be verified using the F-Fisher criterion. For this purpose, the F-Fisher criterion should be compared with the value of F table ($a; m; n - m - 1$). According to the table data reflecting the results of the Eviews software package,

$$F\text{- statistic} = 10.73899$$

In Excel, if we determine the value of table F using the formula $F \text{ table } (a; m; n - m - 1) = F.\text{Dist.Rt} (0.05; 3; 4) = 0.115553$. When comparing the F-Fisher criterion with the value of $F \text{ table } (a; m; n - m - 1)$, it appears that the F-Fisher criterion $> F \text{ table } (10.73899 > 0.983193291)$. This means that the regression equation as a whole is statistically significant. This means the adequacy of the established model.

If we calculate the coefficient of elasticity according to the coefficient of free variables in the relationship equation and the average values of the given variables in the studied periods, we get the following result.

$$\begin{aligned} EX1 &= (\alpha \times \bar{X1})/\bar{Y} = (-0.094603 \times 35240.90) / 2669.76 = -1.2487 \\ EX2 &= (\alpha \times \bar{X2})/\bar{Y} = (2.996176 \times 1751.81) / 2669.76 = 1.9659 \\ EX3 &= (\alpha \times \bar{X3})/\bar{Y} = (0.685596 \times 2806.36) / 2669.76 = 0.7207 \end{aligned}$$

As a result of the report, it was determined that a 1 percent increase in tourism workers increased the value-added by 1.96 percent, a 1 percent increase in household income increased

the value-added by 0.72 percent, but a 1 percent increase in the number of graduates reduced the value-added in tourism by 1.24 percent.

Conclusion

According to the Eviews software package results, we determined the relationship between the amount of value-added in tourism in the Republic of Azerbaijan and the number of graduates, the number of employees in travel agencies and tour operators, and per capita income in the household. As can be seen from Model 1, if the number of graduates of higher education institutions increases by 1 unit, the value-added in tourism will decrease by 0.09 units, on the other hand, if the number of employees engaged in tourism activities increases by 1 unit, the value-added in tourism will increase by 2.99 units. Finally, when per capita income increases by 1 unit, the added value in tourism will increase by 0.68 units. As a result of the report, it was determined that a 1 percent increase in tourism workers increased the value-added by 1.96 percent, a 1 percent increase in household income increased the value-added by 0.72 percent, but a 1 percent increase in the number of graduates reduced the value-added in tourism by 1.24 percent.

Thus, summarizing the research conducted leads us to conclude that there is a sustainable development of the tourism sector in Azerbaijan. Human capital development in our country is critical for increasing the competitiveness of tourism services and introducing quality tourism offers in line with global standards into the market. In this regard, it is preferable to increase the tourism potential of liberated territories by effectively utilizing existing human resources and converting them into human capital in a post-conflict situation.

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