

# “The problems of development of the tourism industry in Georgia”

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# THE PROBLEMS OF DEVELOPMENT OF THE TOURISM INDUSTRY IN GEORGIA

## Abstract

Recently, there has been a sharp increase in the number of foreign tourists and revenues from international tourism in Georgia. At the same time, it was noted that the country's tourism potential is not being used effectively enough, and the main reason for this is the insufficient development of the infrastructure of the tourism industry. The main problems that hamper the development of international tourism in the country are identified. In order to enhance the competitiveness of the tourism industry in Georgia and to achieve its significant improvement, the relevant strategic objectives have been developed.

## Keywords

tourist resource, tourism industry, competitiveness,  
international tourism, tourist market

## JEL Classification

Z30, Z32, Z38

## INTRODUCTION

Georgia's geopolitical location and existing natural, historical and cultural resources formed practically unlimited resources for the development of tourism.

Nowadays, when the provision of sustainable growth of the Georgian economy acquires priority, objective prerequisites are created for analyzing and searching for the ways to create a competitive tourism industry in the country.

According to the abovementioned, the relevance of the study is justified by the objective necessity of sustainable development and effective use of tourism resources of Georgia, which will contribute to the growth of the competitiveness of the country's tourism industry as a whole in the context of globalization.

## 1. LITERATURE REVIEW

The problem of sustainable development is recognized as one of the most important in the theory and practice of economic science. Various aspects of competitiveness at various levels are actively discussed and are the subject of study of many foreign and domestic scientists and practitioners.

The works of such foreign specialists as Porter, Barlett, Kotler, Brown, Dirlav, Zorin, Kabushkin, Kvertalny, Krivoruchko, Krivoruchko and others are devoted to the issues of tourism development in the conditions of global competition, management and marketing in the pro-

cess of creation and development of the national tourism industry. Among Georgian scientists, the following should be mentioned: Baratashvili, Gechbaia, Metreveli, Korganashvili and Beridze.

Considering the importance of the previous researches, the problems of development of country's tourism industry were often solved within the framework of the administrative approach and insufficient analysis of the possibilities of this sector of the economy. It should be also noted that some theoretical aspects of the tourism industry management and the methodological tools for its further improvement are not sufficiently explored and require further development.

## 2. METHODS

In the process of the research, methodical and normative materials of the national tourism agency of Georgia, methods of economic analysis, synthesis and analysis, as well as statistical methods were used. For quantitative assessments, the official statistic materials were used, on the basis of which a comparative analysis was made.

Scientific and methodical recommendations have been developed, the solution of which, in authors' opinion, will contribute to solving of existing problems in the tourism industry of Georgia and will allow it to reach a qualitatively new level.

## 3. AIMS

The aim of the research is to identify existing problems of the tourism industry development in Georgia and to develop methodological recommendations and a set of measures to improve the competitiveness of the country's tourism industry in the global tourism services market.

## 4. RESULTS

At the end of the twentieth century, tourism turned into an international industry. This was facilitated by two interrelated factors. The first one is, that the tourist industry enterprises systematically expand the geography of travelling throughout the world in order to increase their profits. The

second one is, that they systematically invest into the tourism business at the international level in order to increase their profitability.

Nowadays, the development of tourism is becoming very important all over the world, because it's not only an important source of income for the country, but it also involves more positive sides, including the development of the infrastructure of various spheres of business in providing tourism and, accordingly, the growth of employment of the population; preservation and development of cultural and historical traditions and folk crafts; the formation of formal and informal ties between representatives of different countries, which, in turn, helps to attract investment; improvement of the country's image in the international arena, etc.

The World Tourism Organization (WTO) in 2013 published the annual report of UNWTO Tourism Highlights, according to which the growth in the number of foreign tourists has been determined in Georgia. Last year in Georgia, the highest growth rate among the developing tourist regions was observed. Such an assessment of Georgia first came into the reports of the world tourism organization. The abovementioned fact testifies to attracting the attention of the world community to issues of tourism development in Georgia, since the World Tourism Organization is a very reliable and influential source of information.

Certain measures were taken in order to simplify travel and visa requirements. Nowadays, Georgia applies a visa-free regime with 87 countries around the world (MIAG, 2018).

According to the aggregate indicators for January-September 2017 the share of international tourism in Georgia's GDP was 7.0%, while the increase in the same period of 2016 amounted to +11.5% (NTAG, 2018).

In recent years, there has been a sharp increase in the number of foreign tourists and revenues from international tourism in Georgia (Danilchuk, 2006). In 2017, the number of international tourists reached 6,508,825 people (an increase of 18.9% compared to 2016). For the first time in 2017, revenues from international tourism exceeded USD 2,700 million (Table 1).

**Table 1.** Dynamics of the number of international tourists and tourism revenues in 2011–2016

Source: National Tourism Administration of Georgia.

Indicator	Year						
	2011	2012	2013	2014	2015	2016	2017
International tourists, thousand persons	2,822.4	4,428.2	5,392.3	5,515.6	5,901.1	6,350.8	7,554.9
Income, mln. USD	954.9	1,410.9	1,719.7	1,787.1	1,935.9	2,097.4	2,700.2

**Table 2.** Leading countries according to number of international entries to Georgia

Source: National Tourism Administration of Georgia.

Country	Number of international entries to Georgia, thousand persons		Growth, thousand persons	Growth, %
	2016	2017		
Armenia	1,496.2	1,717.6	221.4	+14.8%
Azerbaijan	1,523.1	1,693.7	170.6	+11.2%
Russia	1,037.6	1,391.4	353.8	+34.1%
Turkey	1,254.1	1,244.1	-10.0	-0.8%
Ukraine	172.6	221.9	49.3	+28.6%
Iran	122.6	389.9	267.3	+118.3%

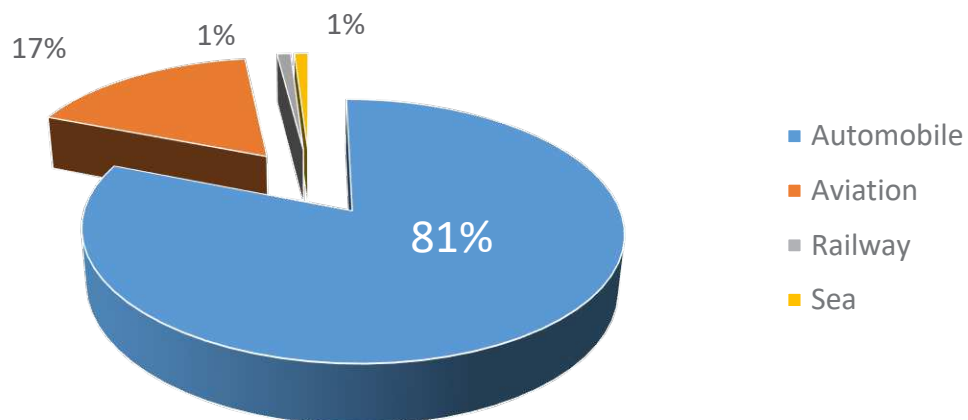
The leading countries according to number of tourist's arrivals to Georgia are presented in Table 2.

The positive trend is also maintained by the EU countries. In December 1997, according to the increase in the number of foreign tourists, such countries distinguished themselves: United Kingdom – with growth 39.9%; The Netherlands – 31.1%; Spain – 28.9%; Lithuania – 31.7; France – 29.6%; Germany – 25.7% and others.

According to the Georgian Interior Ministry, in 2017 international tourists crossed the state border of the country by various modes of transport (Figure 1).

The overwhelming majority of the entry of international tourists by motor transport is mainly due to the fact that tourists from the neighboring countries: Armenia, Azerbaijan, Turkey, Iran, etc., predominate among them, who give preference to road transport due to their proximity to Georgia and the ease of transportation. As for the insignificant share of railway and sea transports, it should be noted that Georgia has only railway communication with Armenia and Azerbaijan, and sea passenger transportations are carried out only from the seaport of Batumi along the lines of Sochi (Russia) and Odessa (Ukraine) and in an extremely small amount.

Source: Ministry of Internal Affairs of Georgia.



**Figure 1.** The diagram of crossing the Georgian border by various modes of transport

**Table 3.** The number of departures and passengers in 2012–2017

Source: National Tourism Administration of Georgia.

Indicator	Year	2012	2013	2014	2015	2016	2017
	Number of flights, units		11,856	12,653	13,076	13,667	15,318
Number of passengers, thousand persons		1,400.7	1,833.1	2,008.5	2,261.1	2,545.9	2,864.7

The dynamics of the growth of international flights and transported international air passengers in 2012–2017 from the airports of Georgia (Table 3).

Nowadays, the following airlines operate in Georgian aviation market: Georgian Airways, China Southern Airlines, Scat, Air Astana, Azerbaijan Airlines, Qatar Airways, Fly Dubai, Ural Airlines, LOT, Ukrainian International Airlines, Arkia Airlines, Israil Airlines, ELAL, Belavia, Lufthansa, Aeroflot, S7 Airlines, Aegean Airlines, Air Baltic, Turkish Airlines, Atlas Global, Ellinair Airlines, Dnepravia, Pegasus Airlines, Ata Airlines, Taban Airlines, Zagros Airlines, Air Cairo, Air Arabia, Pobeda, Yanair, Wizz Air Hungary and Dart Airlines.

As of December 1, 2017, 1765 accommodation units were registered in the database of the Georgian National Tourism Administration, also the number of beds was 57,049 units. Tbilisi with 14,837 (26%) sleeping places and Adjara AR with 11,615 (20%) sleeping places are leading.

Currently in Tbilisi it is planned to build such branded hotels as Intercontinental, Rooms Hotel, Hilton Garden Inn, Radisson Park Inn, Rixos Tbilisi, Hyatt Regence, Moxy Marriott, Pullman Hotels & Resort, Radisson BLU Telegraph, Ramada Encore, Golden Tulip and Marriott Autograph. The construction of new hotels was planned for 2017–2019: in Tbilisi – 12 hotels, in Batumi – 9, in Kutaisi – 1, in Telavi – 1, in Tsinandali – 1, in Gudauri – 1 (NTAG, 2018).

Activity in promotion of services carried out by the national tourism administration includes advertising campaigns in domestic and international markets, organization of familiarization and press tours, participation in international exhibitions and fairs, distribution of printed materials, etc. The National Tourism Administration of Georgia, together with the preservation of existing markets,

is focused on the development of new markets, including the developing countries, which have great potential. By maximizing the use of rich natural and cultural resources and offering new tourism products, it is possible to attract travelers with a wide variety of interests.

In 2017 the National Tourism Administration of Georgia carried out the following activities:

- participation in 21 international tourism exhibitions;
- online marketing campaigns in 19 target countries;
- advertising campaigns BBC, Euronews, Discovery, TripAdvisor, Expedia;
- 99 international press tours;
- 683 representatives of foreign media visited Georgia;
- 14 information tours;
- 239 tour operators visited Georgia;
- essays on Georgia have produced media such as the BBC, National Geographic, National Geographic Traveler India, Forbes, Le Monde, The Independent, The Guardian, Elle, Observer, Birdwatching Magazine UK, etc. (NTAG, 2018).

At the same time, with all positive aspects of the development of tourism in Georgia, it should be noted that currently tourism in Georgia is still on a new, even initial stage of its development, and against the background of the reforms that are being implemented this process is rather slow and difficult. It should be emphasized that on a large scale today in Georgia there are only tourist re-

sources, while the country has virtually no competitive real tourist products as a basic product with its characteristic properties (Devadze, 2012).

The fact that Georgia has a huge tourist potential is not a secret for anyone, although this ancient country for tourists is still new and not open. After all, tourism is an area where success depends on how much the country can meet the needs of tourists and ensure their safety. Consequently, the various extreme and undesirable conditions existing in the country directly affect the sphere that serves health, recreation and recreation of people. In particular, Georgia refers to those countries where recreation is very expensive. These shortcomings can be overcome if attention is paid to finding opportunities to reduce prices, to develop a transport network, and to train the staff properly, because the strategy of tourism development in the country should mean low prices for a tourist product and high quality of service. Only in this case tourism in Georgia can become competitive, and, first of all, comparatively with the markets of neighboring countries.

The international tourist faces many problems before and after arriving at the destination. For example, for a guest who arrived in the historical regions of Georgia, Rachu or Svaneti, it is difficult to find a spare hotel room or place in a restaurant because of small number of them. For instance, the Borjomi-Kharagaul National Park has been given the status of "PAN", which certifies its sights on a European scale, but there are also no obligatory objects such as information boards, road signs and directions for trails, toilets, emergency centers, etc. (Kavadze, 2010).

Despite the fact that the number of tourists in recent years has been growing steadily, some experts in the field of tourism noted that the priorities for the development of the industry have been determined incorrectly; the competitive advantages of the country in this sphere are not considered (Meladze, 2008).

So, in conditions of limited resources, instead of developing tourism simultaneously in all directions, it is desirable to identify certain priority aspects of development. The priority should be the development of those types of tourism, where Georgia in comparison with neighboring coun-

tries has a significant competitive advantage. Tourism in Georgia is developing in many areas, which requires huge resources and efforts.

At the same time, it should be noted that development of the tourism industry in Georgia is hampered by certain factors, such as: imperfect legislation; there is no interest in introducing mechanisms of economic cooperation and management; municipal bodies do not sufficiently use their management functions, which determine the policy of municipal education in the sphere of tourism, their role in the organization and regulation of the development of tourism. The factors that hinder the development of tourism in the Georgia should also be noted:

- seasonal nature, as a result of which a significant part of staff is not occupied during the year;
- the predominance of small tourist firms that do not have human, material and technical resources in order to contribute to the development of investments into the tourism industry;
- underdeveloped transport infrastructure. The development of tourism is limited by high transport costs. There are no specialized motor or transport enterprises for tourist activities. Also, there is no system for electronic booking and travel planning;
- road infrastructure malfunction;
- discrepancy of statistical accounting with international standards and lack of comprehensive objective accounting of economic effect from tourist activities;
- inconsistency with the world standards of the system of modern education and training of qualified personnel for the tourism industry;
- insignificant opportunities for use of highly skilled labour;
- the possibility of destroying the existing local cultural environment;
- insufficient state support both at the state and regional levels.

Practical experience has shown that local self-government bodies do not use their own resources and opportunities to create appropriate conditions for the development of tourism: long-term planning of the territory; attraction of investments; development of small and medium-sized businesses; partnership with private business; public involvement. In tourist areas, weak entrepreneurial activity of the population and the lack of start-up capital for entrepreneurial activities hamper the development of tourism infrastructure using local resources and opportunities.

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## CONCLUSION

To make Georgia an attractive country for potential tourists, it is necessary to eliminate the main weaknesses and limit the impact of the factors mentioned above, which hamper the development of the tourism industry. Also, it is important to create favorable conditions for investing in the development of tourist infrastructure. The adoption of the law on the benefits granted to investors and the benefits for reinvesting profits, will speed up the development of the tourist infrastructure. Such legislation should be accompanied by the approval of plans for the development of cities, resort and recreational areas, as well as land and budget legislation (particularly the development of public infrastructure, closely related to the tourist infrastructure).

In addition to the abovementioned, it is necessary to pay significant attention to the following tasks in order to create world-class tourist products and further stimulate both international and domestic needs, as well as to further develop the tourism industry of Georgia and increase its competitiveness:

- to provide the national tourism agency with the creation of a database of Georgia's tourism infrastructure and an electronic map. All objects must be marked on a specially created map. Not only existing infrastructure facilities (buildings and structures) should be considered in detail, but also natural and other types of resources available in the regions that are necessary for the development of certain spheres of tourism (ecological, cultural, recreational tourism, etc.). Based on this information, it is desirable to create an appropriate database;
- using the information database on the existing resources in the region to develop and implement a comprehensive long-term strategy for the development of tourism industry;
- to diversify the tourism industry. The main attention should be paid to those spheres of tourism, which have the most favorable conditions, and which are attractive for both foreign and local tourists. Within the framework of the national strategy for the tourism development, it is necessary to develop specific directions for the development of its individual species;
- to improve the business environment in order to increase foreign and local investments;
- in order to develop various forms of cooperation between state and private companies, it's necessary to establish various privileges for land plots owned by the state or municipal entities, to natural and cultural heritage sites;
- effective marketing and information company in order to attract visitors with high solvency;
- to increase competitiveness through the provision of world-class tourist services;
- to ensure respect, protection and promotion of Georgia's natural and cultural heritage.

Successful solution of these strategic tasks, considering relevant activities and formation of partnership relations between the state, representatives of the tourism industry, non-governmental organizations

and local population will contribute to a sharp increase in the recognition of Georgia in the world tourism market and increase the competitiveness of its tourism industry to a qualitatively new level. This determines the prospects for further research.

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