

# The role of small and medium-sized hotel development in the sustainable development of mountainous regions (on the example of the Adjara region)

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## Abstract

**Purpose:** The purpose of the research is to identify the features of the development of the hotel business in the mountainous zone of Adjara and the factors facilitating and hindering its further development; to determine the strategic directions of the hotel business in Upper Adjara in order to achieve sustainable development of the tourism industry.

**Methodology:** The research employed a mixed-method approach, combining qualitative and quantitative methodologies to explore the development of hotel-type accommodation facilities in the mountainous zone of Adjara. Surveys, interviews with hotel managers and owners, and field observations were conducted to assess challenges, opportunities, infrastructure conditions, and investment potential, while secondary data analysis examined tourism policies and economic trends.

**Results:** The survey results indicate that the hotel and guest house sector in the mountainous zone of Adjara plays a crucial role in local employment, with most small hotels employing between 3 to 10 people and guest houses increasingly relying on hired labor. However, a major challenge in the sector is the shortage of qualified personnel, as 72% of respondents struggle to find skilled employees, while interest in staff training programs remains low.

**Conclusions:** This study confirms that the development of hotel-type accommodation facilities in the mountainous zone of Adjara is influenced by natural potential, infrastructure, and increasing tourist inflows. The role of family hotels is particularly significant, as they contribute to regional tourism by integrating local traditions and resources, though territorial imbalances in hotel distribution persist.

**Limitations:** One limitation of this study is the lack of long-term data on the sustainability of hotel businesses in the mountainous regions, as well as the limited focus on the economic impact of branded hotels on local businesses.

**Contributions:** This study provides a comprehensive analysis of the trends and challenges in developing hotel-type accommodation in the mountainous zone of Adjara, highlighting its economic, social, and environmental significance. It offers valuable insights into the role of family hotels in regional tourism and the impact of state policies on business sustainability.

**Keywords:** *Investments, Region, Small and family-run hotels, State support*

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## 1. Introduction

Mountain regions are among the most attractive tourist destinations in the world. Their natural and cultural-historical opportunities and problems vary significantly in different countries. In particular, biodiversity, traditions and culture of the local population have the greatest influence on the development of tourism. Travel and interest in the mountain region are constantly growing, since most tourists are attracted by the mountain zone and the unique opportunities of mountain routes.

Mountain tourism is estimated to represent between 9% and 16% of total international tourist arrivals, but with significant differences between countries Mountain tourism is estimated to represent between 9% and 16% of total international tourist arrivals, which is equivalent to a range of between 195 and 375 million internat (Adjara, 2018). Georgia, 2/3 of whose territory is covered by mountains, has enormous tourism potential that should be used to stimulate the local economy, especially since Georgian tourism has demonstrated rapid dynamic growth over the past 10 years (excluding the 2019 pandemic).

Tourism in Georgia is developing at a rapid pace. If we look at the number of international visits, an annual increase of 3-4% is noted. According to 2024 data, 7.4 million international travel visits were made to Georgia, which is 4.2% more than the previous year and is significantly reflected in the hotel occupancy rate, which reached 53.1% in 2024.



Figure 1. Hotel occupancy is Adjara

One of the regions that stands out in terms of the number of international visitors and hotel occupancy is Adjara. Adjara is one of the most interesting and attractive regions of Georgia from a tourist point of view. This region combines unique natural and cultural resources, which creates special conditions for the development of tourism. Adjara's historical and cultural heritage and natural monuments (three of them - the protected areas of Mtirala, Kintrishi and Kobuleti - are included in the UNESCO World Heritage List), rich traditions and cuisine offer many opportunities for lovers of both the Black Sea coast and the mountainous zone.

The mountainous region of Adjara, which includes the municipalities of Khelvachauri, Keda, Shuakhevi and Khulo, is distinguished by its rich tourism resources, which creates a special basis for the development of hotel-type accommodation facilities. However, it is worth noting that this potential has not yet been fully utilized and requires a systematic approach to development. When analyzing the tourism potential of the region, a variety of natural resources are identified that contribute to the development of the hotel industry. Of particular note are the resort of Beshumi, surrounded by coniferous forests, the area of Mtirala Mountain, and such officially recognized resort areas as: Bogauri,

Sarichai, Sagoria, Tomasheti, Chirukhi, Jinali, Kokotauri, Namonastrevi, Sabaduri, Skurda Mountain and Khino Mountain (Zosidze, 2021).



Figure 2. Mountains zon of Adjara

An important factor in the tourist and recreational potential of the mountainous zone of Adjara is the climatic characteristics of the region. Of particular note is the Beshumi resort, which is located at an altitude of 1930 meters above sea level and is distinguished by its unique healing properties. The main healing factors of the resort are air transparency, low humidity and abundance of ultraviolet rays of the sun. It is noteworthy that Beshumi hosts approximately 7,000 vacationers annually, which indicates the growing prospects for the development of hotel-type accommodation facilities in the region.

At the modern stage, the development of the hotel industry in the mountainous zone of Adjara is facilitated by the rich biodiversity of the region, which is represented in the form of protected areas of mountainous Adjara. Among them, the Kintrishi Protected Area, Mtirala National Park, and Machakhela Transboundary Protected Area are particularly noteworthy. These natural resources create an important basis for the development of ecotourism, rural tourism, and wine tourism, which in turn stimulates the construction of hotel-type accommodation facilities (Tsetskhladze G., Tsiklashvili E, 2020).

It is noteworthy that the development of hotel-type accommodation facilities in the high-mountainous zone of Adjara is significantly facilitated by the potential of mountain and ski tourism. The resorts in the region - Beshumi, Goderdzi, Gomarduli, Danisparauli, Khereli and Gomi Mountain - represent an important resource for the development of Georgia as a four-season tourist destination. It is noteworthy that the medicinal resources available in mountainous Adjara, including medicinal plants, the number of which in coastal Adjara reaches approximately 140 species, create additional potential for the development of medical and health tourism, which in turn increases the demand for hotel-type accommodation facilities (Khositashvili, 2020).

The development of the tourism industry, especially mountain tourism, largely depends on the specific features of the territory, such as the characteristics of the environment and cultural heritage (Zeng, Li, Nuttapong, Sun, & Mao, 2022). As mountain tourism develops, both problems and opportunities grow. Despite the expected negative risks, tourism development in mountainous areas will significantly improve the quality of life and economic situation of their population (Boers & Cottrell, 2007). Tourism increases the potential for sustainable development of mountainous regions, especially contributing to the economic development of countries where other economic resources are limited (Nepal & Chipeniuk, 2005).

A country interested in tourism development, two-thirds of whose territory is covered by mountains, is certainly interested in the development of mountain tourism. Despite the rapid and dynamic growth of

tourism in Georgia, including Adjara, the benefits it brings are less accessible to most mountainous regions, which is explained by the irrational use of resources (Nepal & Chipeniuk, 2005). In other words, the resource potential of tourism, temporarily dormant, requires the creation of "certain conditions" for its involvement in economic turnover (Marsh, 2002). An example of this is Svaneti (belongs to the mountainous region of Georgia), the tourism resources of which were launched after the appropriate conditions were created here. Renowned tourism management experts Charles Geldner and Brent Rich call these "conditions" tourism enablers and situational determinants (Katsitadze, Baliashvili, & Tushishvili, 2022). These conditions are specific to specific places and depend on the quantity and quality of resources, socioeconomic conditions, and the level of development of tourism itself. It is also noteworthy that in turn, the availability of accommodation, its profile and level of service, as an infrastructural resource for tourists, largely determines the arrival of tourists to the country, their segments and, as a result, the direction of tourism development (Katsitadze et al., 2022).

Recent trends in the international tourism market emphasize the importance of achieving success not so much through the availability of rich tourism resources as such, but through their optimal inclusion in the value chain of tourism production (Katsitadze, 2018). In this regard, sustainable tourism is considered an effective mechanism that creates opportunities for economic activity and self-employment of the population, including in the long term (Katsitadze & Natsvlishvili, 2020). In this regard, we consider it appropriate for the state to support the development of family businesses, in particular family hotels, in the mountainous regions of Adjara.

To achieve sustainable development at the present stage, special importance is attached to the involvement of stakeholders at all stages of development: from policy development to project implementation. Existing literature on sustainable development In the study, it is concluded that tourism will reach a higher level of sustainability if all interested parties participate in its development (Kumar et al., 2017); (Law, DeLacy, & McGrath, 2017); (Torres-Delgado & Palomeque, 2018). Hunter "On the need to reconceptualize sustainable tourism development" Hunter (1995), In addition, the researchers emphasize the need to study the specific characteristics of the study area in order to develop tourism activities in the right direction (Petrović et al., 2017). The aim of the study was to analyze the resource provision of family and small hotel businesses in the mountainous zone of Adjara, with special attention paid to human and material-technical resources, as well as state and legislative support.

## **2. Research Methodology**

The research employed a mixed-method approach, combining qualitative and quantitative methodologies to ensure a comprehensive understanding of the factors influencing the development of hotel-type accommodation facilities in the mountainous zone of Adjara. The study incorporated in-depth interviews and structured surveys with hotel managers and owners to capture their perspectives on the challenges and opportunities within the sector. Additionally, field observations were conducted to assess infrastructure conditions, accessibility, and the overall investment climate. Secondary data analysis was also utilized to examine regional tourism policies, demographic trends, and economic indicators affecting the hospitality industry in the region. This multi-layered approach enabled a nuanced evaluation of both facilitating and hindering factors shaping the growth of hotel businesses in this unique geographic and economic setting.

A key component of the study focused on the availability and quality of human resources in the mountainous zone of Adjara, recognizing its crucial role in the sustainable development of the hospitality sector. A workforce assessment was conducted through surveys and interviews with hotel staff, local vocational institutions, and tourism industry experts to identify skill gaps, training opportunities, and employment challenges. Additionally, labor market trends and migration patterns were analyzed to understand workforce availability and retention issues. By integrating these diverse research methods, the study provided a holistic view of the systemic and operational constraints in the region, offering valuable insights for policymakers, investors,

and tourism stakeholders seeking to enhance the hospitality landscape in Adjara's mountainous areas.

### **3. Results and discussions**

Based on the analysis of the survey results, interesting trends were identified in terms of both the quantitative indicators of employees and the challenges associated with finding qualified personnel. In particular, the study showed that 50% of the surveyed hotels belong to the middle group of employees, where the number of employees ranges from 3 to 10 people. In addition, it is noteworthy that 30% of small hotels employ 1 to 3 employees, while in large facilities, which make up 20% of the total sample, the number of employees exceeds 10 people. These data indicate that the hotel business plays an important role in creating employment opportunities in the region (Kardanakhishvili, 2022).

The trends identified in the guest house segment in terms of the number of hired employees are noteworthy. The results of the study show that the majority of guest houses, namely 68%, actively use hired labor and employ more than 5 employees, which indicates the growing professionalization of this sector. It is noteworthy that 30% of the surveyed guest houses employ from 1 to 5 hired employees, while only a small part relies exclusively on family labor resources. These data indicate that guest houses are gradually moving away from the traditional, family-based operating model and are developing as full-fledged business entities that make a significant contribution to the employment of the local population.

The results of the survey revealed significant challenges in terms of finding qualified personnel. An analysis of the respondents' responses shows that for the absolute majority of hotel business representatives, namely 72%, finding qualified personnel is a significant problem. It is noteworthy that 46% of respondents assess this issue as "mainly problematic", while 26% believe that finding qualified personnel is "very problematic". Only 26% of respondents note that this issue is "mainly not problematic", while a negligible 2% believe that it does not represent a problem at all. The above data indicate the existence of a systemic challenge, which is related to the shortage of qualified labor resources in the region.

It is worth noting that the study revealed an interesting correlation between the length of hotel operations and staff qualifications. The results of the study show that 70% of the staff of the surveyed hotels have more than 3 years of work experience, which indicates the stability of the staff and the tendency to accumulate professional experience. In addition, it is noteworthy that 28% of employees have 1 to 3 years of work experience, while only 2% are new entrants to the field, which confirms the high concentration of experienced staff in the sector. These data are especially important in the context that a significant part of the surveyed hotels, namely 34%, have been operating for less than 1 year.

It is noteworthy that the issue of improving the qualification of staff is one of the least priority areas for hotel business representatives. According to the results of the study, a small part of the surveyed respondents express interest in participating in state support programs that will be focused on improving the qualification of staff. Only 2% of respondents consider the organization of trainings for improving the qualification of staff as a priority by the state.

The complex analysis of the results of research shows that the issue of financing the hotel business in the mountain zone of Adjara requires a complex approach. It is expedient to develop and implement complex programs that will be focused on programs of financial stimulation of existing hotels on the market, such as state subsidies, tax benefits, and others. A comprehensive analysis of the research results shows that the issue of financing the hotel business in the mountainous zone of Adjara requires a multifaceted approach. It is advisable to develop and implement complex programs that will be oriented towards the financial incentive programs of hotels existing on the market, such as state subsidies, tax incentives, etc.

The analysis of the research results allows us to study in detail the state of material and technical support of the hotel business in the mountainous zone of Adjara. The survey results show that the sources of initial capitalization of business entities operating in the sector are diverse. In particular, 64% of respondents indicate that they used a state grant when starting a business. It is noteworthy that only 20% of respondents were able to start a business with both their own and borrowed capital, which indicates the significant role of external financing sources in the development of the sector. It is especially noteworthy that 16% of respondents only with their own capital, which confirms the growing importance of state support programs in the development of the hotel business.

It is important to note that the results of the study revealed interesting trends in terms of hotel infrastructure. Analysis of the results shows that the majority of the surveyed hotels, namely 100%, provide guests with catering services, which is the main material and technical component. It is especially noteworthy that 54% of the surveyed facilities offer guests various additional services, which require an appropriate material and technical base. These data indicate that there are significant investments in infrastructure development in the sector (N & E, 2023).

A detailed analysis of the infrastructural provision of catering services reveals significant differentiation in terms of service delivery. According to the results of the study, 46% of the surveyed hotels provide guests with full catering services, which include breakfast, lunch and dinner. It is noteworthy that 32% of the facilities offer breakfast and dinner, while 22% are limited to breakfast only. These data indicate that a significant part of the hotels have a full-fledged kitchen infrastructure and appropriate technical equipment to provide a full range of catering services, which represents a significant investment in the material and technical base.

The results of the study regarding the development prospects of hotels are particularly noteworthy. According to the survey data, only 22% of respondents have created a special fund for future development, while 78% do not have such a financial reserve. In addition, it is noteworthy that 80% of respondents say that they do not have a specific plan for future development. The above data indicate significant challenges in the sector in terms of the development of the material and technical base. Based on this, we can assume that there is less attention paid to business expansion and determining future prospects, and funds are spent and distributed on personal, family expenses, which is typical for family businesses. 34% of respondents express interest in receiving tax benefits, and 36% consider benefits related to loan repayment to be a priority, which confirms the relevance of the problem of access to financial resources.

A comprehensive analysis of the research results shows that the state of the material and technical support of the hotel business in the mountainous zone of Adjara is characterized by both positive trends and significant problems. It is noteworthy that the sector has basic infrastructure and technical equipment to provide basic services, but there are significant problems in terms of development planning and mobilization of financial resources. Accordingly, it is advisable to develop support mechanisms that will contribute to the improvement of the material and technical base of the hotel business and its sustainable development in the long term.

#### **4. Conclusion**

This study, devoted to the study of the possibilities and trends in the development of hotel-type accommodation facilities in the mountainous zone of Adjara, demonstrated the complex nature of the industry and the features of its development. As a result of theoretical research, it was established that the modern hotel business is a complex system integrating both material and non-material components. The study confirmed the presence of significant natural and infrastructural potential for the development of hotel-type accommodation facilities in the region. The increase in the number of tourists and the restoration of tourism in Adjara directly affects the increase in the number of hotels, as well as investments in the hotel business.

The development of tourist business in high-mountain areas often does not differ in scale. In addition, offering tourist products and creating a special attraction for them, it is important to implement new and innovative approaches. For this, it is necessary to make maximum use of both local and national cultural and historical resources to create unique products that will be interesting to tourists. The sustainability of private tourism business in the mountainous region depends on three main components: economic, social and environmental. Effective management of each component and their harmonious interaction create the basis for a strong and sustainable business.

The success of tourism business in the mountainous region often depends on the competence of the owners and their professionalism. Also, one of the important factors for the success of this business is taking into account exclusivity, high quality, constant innovation and professional training of personnel, which ensures the growth of competencies and maintaining competitiveness. In addition, the level of correctly selected tourist products and services is one of the main factors of ensuring economic sustainability, which can ensure long-term business success.

Theoretical studies revealed the special role of family hotels in the development of regional tourism. The research confirmed that family hotels are closely connected with local resources and traditions, which leads to the creation of a unique tourist product. The research revealed significant territorial disproportions in development, especially in mountain municipalities. Theoretical studies revealed the special role of family hotels in the development of regional tourism. The results of the empirical study revealed the etiological problems in the placement of hotel business in the mountainous zone of Adjara. According to statistics, finding qualified personnel is a significant problem for 72% of the surveyed representatives of the hotel business. Only 22% created a special fund for future development.

A positive role is played by the "Mountain Law", which entered into force on September 1, 2016 and provides numerous financial and social benefits in high-mountain regions. 20% of the surveyed institutions received state grants or other types of assistance, 68% of guest houses actively use hired labor and have more than five employees, which confirms the important role of the sector in the employment of the local population. There is a significant territorial imbalance in terms of development, as the concentration of hotels in high-mountain municipalities, such as Keda, Gomarduli, Khulo, Goderdzi and Shuakhevi, is significantly lower.

Based on statistical analysis, it was found that 100% of the surveyed facilities provide catering services, 96% offer tourism services, and 54% offer various additional services, which indicates that accommodation facilities, including family hotels, offer guests various services in addition to accommodation. The increase in the number of branded hotels in touristic Adjara has a positive effect on the development of the region, but it can become an obstacle for local small business. This process requires proper support from the state to ensure inclusive development and guarantee that local business will not face problems due to increased competition.

Most guest houses believe that they are aware of the future development plan and have it, as well as a monetary fund allocated for future development. In Adjara, changes are constantly taking place and new projects are being implemented, for example, in 2024, a new project "Good Host" was launched, which involves promoting the development of family hotels in rural areas according to a model close to European standards. The implementation of the project will contribute to the improvement of the quality of service in family hotels and guest houses, which, in turn, will contribute to attracting more tourists to the region and the development of the area.

The emergence of high-class hotels, such as the rehabilitation of the residential and health complex "Mziuri Wellness", will contribute to the development of health tourism in Adjara, which is less dependent on the season, which is so important for the region for the development of other tourist destinations in addition to sea tourism.

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