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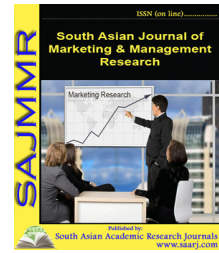
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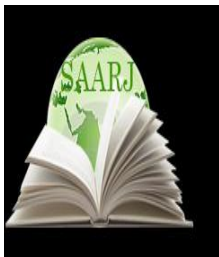


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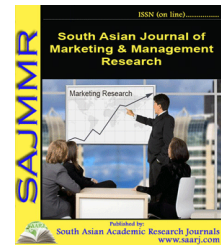


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INVESTMENT AS A FACTOR OF REGIONAL TOURISM DEVELOPMENT

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ABSTRACT

Tourism, a key economic activity, which significantly contributes to the regional economic development of our country. The purpose of this article is to show the importance of tourism industry, indicate the current situation of tourism in Uzbekistan. The significance of investments has been considered in this paper in realizing the potential of this industry. Tourism is closely related to numerous geographical factors and features of regions, such as attractive landscapes and archaeological sightseeing, heritage and cultural assets which serve as necessary condition for tourism development. In other words, investment in tourism is the process of creating new tourist facilities with the help of capital, as well as the modernization or reconstruction of existing ones that can produce and provide certain types of tourist products (tourist services).

KEYWORDS: *Regional Tourism, Regional Economic Development, Public And Private Investments, Strategy.*

INTRODUCTION

Tourism is considered as one of the most profitable, efficient and intensively developing sector of the world economy. Tourism products and attributes are unique in nature in each countries of the world. Many countries view tourism as an important and integral part of their economic development strategies. The well-recognized economic benefits of tourism such as contribution to the development of enterprises, the creation of new jobs, the growth of the tax potential of the territory, and creation of new economic impulses in the regions, are therefore important reasons to get governments support for the sector. In addition, tourism improves the image of the region as an economically developed territory in the aggregate. So, tourism has a higher spillover and multiplier effects as compared to other sectors of the economy.

Because of investments are crucial ingredients to maximize tourism's contribution to regional economic development of any country, local governments encourage investments in tourism industry.

RESEARCH METHODOLOGY

The research method is applied based on the research content. Descriptive— analytical methods are used, based on secondary data collected from various books, journals, newspapers, and various websites of internet.

LITERATURE REVIEW

Various empirical approaches and methodologies used in the economic literature establish the relationship of investment with sectoral and economic growth.

Foreign direct investment (FDI) is one of the vehicles through which developing countries can develop their tourism sector; but the dynamics of FDI and its implications in this growing sector have been relatively little studied¹.

Munnell A. H.² asserted that the productive capacity of a sector or an area can be expanded by public capital investment, by enhancing the productivity of current resources and adding more resources as well.

Tourism is an activity where capital, infrastructure, knowledge and access to global marketing and distribution chains are critical. FDI is often considered one of the most effective engines for harnessing these elements³.

Akama J. S. stated that the direct involvement and investment by the governments play a crucial role in evolution and development of tourism as a major economic sector. Therefore, during the evolution and emerging stage of tourism development, governments in developing countries have taken deliberate measures that favour the development of the tourism sector⁴.

Recent studies show that the greater expansion and significant economic impact of tourism rely on how countries use their tourism potential. Tourism is closely related to numerous geographical factors and features of regions, such as attractive landscapes and archaeological sightseeing, heritage and cultural assets which serve as necessary condition for tourism development.

By paying attention to the regional tourism development, the tourism attractiveness of the whole country can be improved. Growth in popularity and tourist attractiveness of a region and the increase in regional tourist product quality make the regional tourism infrastructure an attractive investment object. Domestic and foreign investment into the regional tourist industry by creating favourable development conditions contributes to a rise in profitability and service quality and promotion of a tourist region domestically and internationally.

Uzbekistan views tourism to be an important industry providing substantial foreign exchange receipts and employment opportunities. The government has already accepted not only the importance of tourism in economic development but also has played the dominant role in the planning and implementation process as elsewhere in the developing world.

Initiatives taken by the Government to boost tourism include The concept of tourism development in the Republic of Uzbekistan in the period up to 2025 which covers the following issues:

- improvement of the legal framework in the field of tourism activities, aimed at creating favourable conditions for the activities of business entities in the field of tourism
- development of tourism infrastructure and related infrastructure in all regions of the Republic, taking into account the needs and requests of tourists
- development of transport infrastructure, expansion of external and internal transport routes, improvement of the quality of transport services
- development of passenger transport between Central Asian countries
- diversification of tourist products and services aimed at different segments of the tourist market
- development of domestic tourism, which provides incentives for the activity of tourism entities focused on meeting the needs for tourist services within the Republic
- promotion of the tourism product of the Republic of Uzbekistan on the international and domestic tourism markets
- improving the system of training highly qualified specialists for the tourism industry, retraining and advanced training of employees of tourism entities

Uzbekistan has a huge potential and are rich in heritage and cultural assets. Statistics illustrate the nature and scope, the significance of tourism in our country. In 2017-2019, the volume of tourism services exports doubled, amounting to 546.9 million US dollars in 2017, 1 billion 041 million US dollars in 2018, and 1 billion 313 million US dollars in 2019.

The tourism sector in Uzbekistan is flourishing due to an increase in foreign tourist arrivals. Before 2016, the growth rate of the number of foreign visitors averaged 8 % per year; in 2017 it was 7 % and exceeded 2.84 million people. For the Republic of Uzbekistan as well 2019 was a record year – it received over 6.748 million international tourists up from 5.346 million the year before. (Figure 1.)

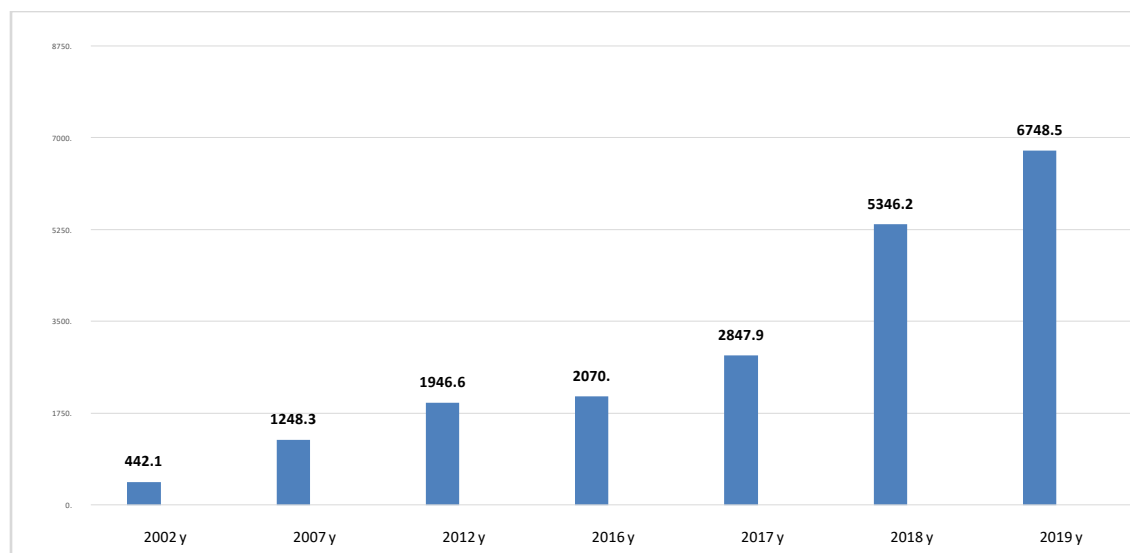


Figure 1. International tourist arrivals in Uzbekistan, (thousand people) 2002-2019 yy

Source: <https://stat.uz>

The largest flow of foreign tourists to Uzbekistan was from the following countries: from Turkey – 108.0 thousand people (1.3 %), China – 61.9 thousand people (0.7 %), South Korea – 40.6 thousand people (0.5 %), India – 32.1 thousand people (0.4 %), Germany – 29.0 thousand people (0.3 %), Japan – 25.2 thousand people (0.3 %), France, Italy and Israel – 21.2, 20.8 and 13.9 thousand people, accordingly.

Investments from the public and private sector are vital for the general economic growth as well as the sectoral growth such as tourism sector, because investment help in stimulating and restructuring economic activities.

In the field of tourism, investment means the use of financial resources in the form of long-term capital investments (for a period of more than one year) both within the country and abroad in order to obtain the desired amount of profit from the invested funds. In other words, investment in tourism is the process of creating new tourist facilities with the help of capital, as well as the modernization or reconstruction of existing ones that can produce and provide certain types of tourist products (tourist services). Investments provide a process of materialization of ideas for creating new tourist facilities that can produce and provide more tourist services while improving the quality of tourist services. It happens when supply and demand for investments, the interests of sellers and buyers, as well as other participants in the investment process coincide. If these conditions are met, investments in the tourism sector will benefit both participants in tourism-related businesses (hotels, restaurants, travel companies) and tourists.⁵

Foreign investments are usually prioritised in the emerging tourism markets of developing countries. Foreign investment in regional tourism also has the following advantages:

- receiving direct capital flows;
- the positive impact of foreign investment on the tourism economy as a whole; increased exports of the host country (increased flow of inbound tourism); stabilization of the demand for imported goods;
- growth of local tourism entrepreneurship; development of local tourism infrastructure enterprises;
- increase of the international competitiveness of the host country (attractiveness of inbound tourism);
- increase in the level of employment (creation of new jobs);
- raise of the standard of living of the population;
- raise of the cultural level of the population (introduction to the cultural and historical heritage of the country);
- professional development of labour resources (system of training tourist personnel);
- ability to attract highly qualified personnel; acquisition of managerial and technological know-how.

Creation of a political and socio-economic environment for rapid development and expansion of tourism industry in the emerging stages requires the direct involvement of the government. It means government should play pioneering role in initial stages of tourism development and in the effective functioning of tourism industry. This is because huge investments are required in the initial stage for the provision of basic facilities and base infrastructure for opening the areas

for tourism. In the beginning, the private sector investors are hesitant to invest, they do not take risks until a climate of confidence is created.

In order to attract investments in the development of tourism infrastructure, by taking into account the specifics of this industry, it is necessary to put into effect organizational and economic mechanisms that encourage investments in the development of the tourism industry. Active attraction of investments in business practices could make a significant contribution to the development of the tourism infrastructure in the region.

The condition for creating an effective management system for investment processes in the tourism industry is to increase the scientific validity of management decisions in the field of investment, ensuring the interaction of such basic elements of the management system as principles, methods, management functions, tools that guide the implementation of investment projects to achieve the necessary results and the level of efficiency. These circumstances determine the need to create such a mechanism for managing the process of investment in the tourism business of economic entities of the national economy, which would ensure the achievement of the goals of investment design, both in the strategic aspect and in the near future.

In addition, the effectiveness of the investment management system in the tourism sector can be significantly increased by state investment instruments to support tourism programs, preferential lending to business entities, ensuring a high level of investment attractiveness of national economic objects for foreign and domestic investors, and promoting the accumulation of funds of small depositors by financial and credit institutions and institutional investors

CONCLUSION

Developed tourism industry due to the large flow of visitors provides the region, first of all, with export revenues, and additional commodity turnover, job creation which bring long term improvements to the living conditions of the local people.

Even though, private sector primarily sustain the tourism activity, the role of government is crucial in the development of tourism industry at policy level. To attract private, including foreign investment in the tourism industry, it is very important:

- to ensure activity of local authorities in the field of advertising and information activities (promotion of tourist and recreational potential of territory);
- to ensure liberal administrative and tax policies that encourage private investment initiatives;
- to provide assistance and support activities, financial incentives for promoting private investment and collaboration with private investors for the development of tourism and hospitality services,
- to pursue effective antimonopoly policy aimed at maintaining a healthy competitive environment among tourism enterprises which helps to ensure profitability.

Collaboration between private and public investors will result in more funding for tourism and stronger developmental impacts, in development consistent vision and marketing strategy for the local tourism sector.

For a comprehensive development of the existing tourism potential, all the numerous participants in the tourism business and stakeholders should join their efforts in order to create and implement a common concept that is ultimately intended to benefit all participants.

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