

# Sources of financing and factors hindering the development of innovative activities of the sphere of tourism

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*This article discusses the role of the tourism industry in the development of the country's economy, factors hindering its development, as well as problems associated with sources of financing for this activity. Despite the fact that today tourism has turned into one of the most promising areas, there are many problems that both legal entities and individuals face. The article provides suggestions, the implementation of which would contribute to the solution of existing problems.*

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## Introduction

Currently, an important condition for the dynamic development of the economy is the accelerated implementation of modern innovative technologies, that is, successful activity is impossible without innovation. The rapidly forming all spheres of the state and public life of the country require close support of ongoing reforms on the basis of modern innovative ideas, developments and technologies that ensure a fast and high-quality breakthrough of the country into the ranks of world civilization leaders.

The development of the economy of Uzbekistan, of course, is associated with the development of the tourism industry, which is a social and priority area, the innovative development of which affects the economy, both the state and the global economy. Today, more than 10 percent of the global gross product is provided by the tourism industry, and about 75-80 percent is formed by the services sector.

Innovative development is becoming an effective market tool for managing modern economic and social systems. The current stage of development of a market economy indicates the need for a reorientation of activities, that is, a transition to an innovative type of development. The goal, which is to increase competitiveness, both in the domestic and foreign markets.

Tourism is one of the priority areas for the development of the economy and culture of the republic. Uzbekistan is a vibrant and inspired country of the East. The presence in the Republic of ancient attractions, mosques, mausoleums, madrassas, as well as many untouched corners of nature, medical centers, many resources allow you to develop many types of tourism.

## Theoretical background

World famous historical monuments, modern cities, the unique nature of Uzbekistan, unique national cuisine, as well as the unsurpassed hospitality of our people attract travel lovers. Thanks to this, a breakthrough is possible in the country in obtaining foreign exchange earnings from tourism activities and replenishing the country's budgets. In other words, the tourism industry produces a tourism product that is in demand both on the external and domestic markets.

The main task of the tourism industry is to create a high-quality and sought-after tourism product.

The innovative activity of the tourism sector is formed at the level of organizations of various processes: that is, the production of goods, the provision of quality services, the skills, qualifications and professionalism of the staff, the adequacy of funding, preferential taxation, etc. all this is an integral part of activity, without which innovative development is impossible.

The process of improving innovation is not possible without the involvement of tourist resources such as cultural attractions of the city, city landscape, entertainment facilities and recreation areas. Due to the lack of tax on tourist resources, they are relatively cheap, which contributes to the high profitability of the tourism business.

It follows that the Republic of Uzbekistan creates favorable conditions for attracting innovative investments in the tourism sector, is based on a focused policy in the framework of the program of action strategies.

Our Republic has enormous resource potential for the development of the sphere. Above all, the presence of over 7.4 thousand objects of tangible cultural heritage of different eras and civilizations, including the historical centers of Samarkand, Bukhara, Khiva and Shakhrisabz included in the UNESCO World Heritage List, testifies to the capabilities of our country. The country is rich in 11 national nature parks, state reserves, 37 theaters, 106 museums, 187 recreation and culture parks, as well as many other tourism objects.

## **Main part**

All tourists strive to get as many services as possible, to make purchases at their discretion, and they spend much more on entertainment and shops every day than in everyday life. Actually, a free waste of money is a relaxation and pleasure for many people.

Currently, the state's sphere of tourism pays great attention to important laws adopted for the tourism sector in January of this year: Decree of the President of the Republic of Uzbekistan No. UP-5611 "On Additional Measures for the Accelerated Development of Tourism in the Republic of Uzbekistan" and the President's Decree Republic of Uzbekistan No. PP-4095 "On measures for the accelerated development of the tourism industry". These regulatory acts define the main strategic directions for the development of the tourism sector. In particular, Decree of the President of the Republic of Uzbekistan No. UP-5611 approved the Concept for the development of the tourism sector until 2025 with the annual adoption of a plan of specific measures for the implementation of the Concept.

Studies have shown that despite the adoption of a number of regulatory acts, as practice shows, today in the country there are a number of problems that are an obstacle to the development of the tourism sector. Such as:

- low efficiency of using the existing financial potential of the territory and state property;
- a high share of the shadow economy and the opacity of financial flows from market developed countries;
- lack of a mechanism for attracting innovative investments, especially at a time when inflation and refinancing rates are increasing (see DIAGRAM.1-2);
- lack and non-professional provision of quality tourist services in hotels, transport services, services at catering facilities, etc.
- the small number of countries with a simplified visa regime;

- lack of hotel complexes, as well as hotels with an international class of service;
- underdeveloped infrastructure;
- underdevelopment and poor condition of networks of sanitary facilities;
- low level and quality of the service sector;
- underdevelopment and poor service of operators, as well as the lack of a mobile network and Internet outside the city;
- the lack of a marketing company studying the tourism industry;
- lack of established interaction between the state and private business;
- lack of development (improvement) of the modern hospitality infrastructure with the involvement of international networks;
- the lack of development of state regulation and support of organizations in the field of tourism;
- lack of an industry management system that meets current requirements in this area;
- not sufficiently formed material and technical base;
- lack of professionally qualified personnel in the field of tourism.

There are also a number of factors that impede the development of innovative activities in this area, which we will consider below in the form of a scheme: (Fig. 1)

**Fig. 1 FACTORS HINDERING THE DEVELOPMENT OF INNOVATIVE ACTIVITIES OF THE SPHERE OF TOURISM**

**Figure 1.**

The solution of these problems on the basis of the development of state regulation and support of the tourism sector will allow the most efficient use of the country's tourism potential.

Studies have shown that to address existing issues, the main task is to finance the tourism industry.

The statistics of the State Committee for Tourism of the Republic of Uzbekistan indicate that day by day the number of small enterprises engaged in tourist activities in the country is growing.

As the analysis shows, as of October 1, 2019, 1381 travel agencies are successfully operating in the country. Statistics of the export of tourist services since the beginning of 2017 amounted to more than 694 million US dollars, these figures by the end of 2017 increased 1,555 million dollars. [10] In 2018, it rose to 1 billion 4 million dollars. The export of tourism services in 2019 amounted to \$ 854.5 million. Compared to the same period last year (\$ 666.8 million), the export of tourism services increased by 28 percent [10].

We know that not large tourist enterprises, now occupy a significant place in the state economy, the formation of small tourist enterprises contributes not only to the additional receipt of funds in budget revenues, but also creates additional jobs.

Small tourism enterprises do not require large start-up investments for the quality service of tourists, help in creating a competitive environment and establish a market balance.

Financing this area is one of the most important obstacles faced by tourism entities. Today, the development of the tourism industry is considered as one of the most important areas. As mentioned above, despite the adoption of many regulatory and legislative acts in the field, many unsolved problems related to sources of financing, that is, sources of investment and credit, remain unresolved.

Issues related to the financial and socio-economic aspects of tourism play an important role in the development of the country's economy. The financing system as a business area has been reviewed and analyzed in the works of many domestic and foreign economists, among them: I. Balabanov, A.T. Bykov, A.Yu. Aleksandrov, G.A. Karpova, E.V. Egorov, N.I. Filatova, I. Schumpeter, K. Marx, I. Fisher and others.

However, it should be noted that scientists have not yet sufficiently studied all the financial aspects of the development and functioning of representatives of the tourism sector, thus, there is a need for further development of the theory and practice of financial support for the tourism industry.

Creating an enabling environment for financial activities is an important element of tourism management. It is not only the tourism business organization that needs financing (travel agencies, travel agencies, hotels, manufacturing, consulting), consumer demand for loans, for example, holidays, also needs financial support. Therefore, financing of this sphere plays a large role in the country's economy.

To begin with, we consider the concept and essence of financing itself, as well as its sources. Financing is understood as providing the necessary financial resources to the entire economy of the country, regions, enterprises of entrepreneurs, citizens, as well as various economic programs and types of economic activity.

According to the point of view of V.G. Medynsky, the financing system should be based on the following principles:

- 1) the target orientation of financing is its link with the task of the rapid and effective implementation of modern scientific and technical developments;
- 2) the validity and legal security of funding sources;
- 3) a plurality of funding sources;
- 4) the breadth and complexity of financing, i.e. the possibility of maximum coverage of a wide range of technical and technological innovations and areas of their use;
- 5) the adaptability and flexibility of the financing system and its individual elements in order to take into account dynamically changing market conditions to maintain maximum efficiency.

Sources of financing the tourism sector are:

Under own funds means the use of own funds aimed at self-financing. Here, the funds of the founders can also act as a source, if several founders are registered in the authorized fund. The funds of the founders are the equity of the enterprise and in case the business does not take place, the founders who invest money in the turnover lose them.

The next type of financing is state. It is carried out on an irrevocable basis at the expense of budget as well as extrabudgetary funds. As part of the implementation of state support for tourism activities by the state, this type of financing is purposefully implemented.

In the case when there is a lack of own funds and there is no state support, the organization may resort to the use of borrowed funds, i.e. credit resources of the bank. Credit resources of a bank or lending are understood as a form of financial security in which expenses are covered by a creditor's loan provided within the framework of the existing lending principles (i.e. maturity, repayment, security and payment).

Having dealt with the concept and essence of financing itself and its source, below we consider various types of enterprises that implement tourism activities: (see Fig. 2)

**Figure 2.**

**Fig. 2 Enterprises selling tourism the activity**

As well as other tourism and related services, which include:

- insurance services;
- banking enterprises;
- information, etc.

As described above, the tourism industry is a combination of various subjects of tourism activity, which makes it possible to additionally create new jobs, additional income to the budget of the country and ensure employment of the country's population. But, to date, practice and analysis show the existence of a number of problems, the existence of which are obstacles to the development of this sphere.

The lack of a fully functioning mechanism of the tourism industry, leads to the fact that Uzbekistan is losing large financial resources that would go to the country's budget if the tourist flow increased. We know that a well-founded system of financing the tourism sector will create conditions for the accumulation of financial resources, as well as the possibility of their concentration in key areas of innovation processes.

Creating a fully functioning activity is often impossible without the active participation and financial assistance of the state. However, if we consider each element individually, it turns out that its creation is possible with private investment by companies and even individual investors.

When it comes to sources of financing and criteria for an optimal economic category, the basis for the formation of a source of optimal financing is to look for secured prestigious relations of expressed internal connections and sources of financing. Below we consider the sources of financing investments in the tourism industry (Fig. 3). From this scheme we conclude that in practice when financing the tourism sector, all types of financing can be applied simultaneously.

Fig. 3 Sources of tourism financing the activities

**Figure 3.**

In addition to the sources of financing for the tourism sector listed above, in practice, all types of financing can be applied simultaneously. The main thing is to choose between them a structure in which the goals and objectives of the tourism business will be achieved.

Today, the demand for loans is growing every day. Despite such a rapid development of the lending system in the system, there are many problems that most loan recipients face.

The results of the analysis on the issuance of loans served as the basis for a systematic construction of an additional source of financing the activities of the tourism sector.

Financing by commercial banks of the Republic of Uzbekistan in the form of loans can be equated to the price of commercial and consumer loans, the interest rate of which is very high. For example, Ipak Yuli Bank issued a consumer loan secured by gold items and jewelry in the amount of 20 million soums with an interest rate in cash of 31.9%, in a cashless rate of 29.9%, to a Uzcard bank card. For a period of 12 months. Calculating the percentage for the loan, the analysis shows that the client pays 6 380 million soums for the use of the loan. That is, the loan received costs him 26,380 million soums, which indicates that the loan received is very expensive. The same situation can be seen in Uzpromstroybank in which the loan is transferred to the account of the travel agency with a 28% interest rate for a period of 12 months in the amount of up to 100 MRZP. (MP3II - 223 000 sum).

Having studied the Law of the Republic of Uzbekistan "On Tourism", the law does not pay the necessary attention to the sources of financing of this activity. However, the new edition of the Law of the Republic of Uzbekistan "On Tourism" is supplemented, in order to provide additional financial support for the development of the tourism sector, an off-budget Tourism Support Fund may be created with an authorized state body.

Extrabudgetary Tourism Support Fund under an authorized state body:

- own funds;
  - government funding;
  - borrowed.
- It is formed from the proceeds from the tourist tax, grants from international financial institutions, foreign donors, charitable donations from legal entities and individuals, proceeds from the placement of the Fund's temporarily free funds and other sources not prohibited by law;
- allocates funds to support the development of tourism and the tourism industry, the promotion of tourism products of the Republic of Uzbekistan and the national insignia in the field of tourism to tourist markets.

*Today, one of the most important sources of financing tourism is foreign investment. Also in the field today there are a number of problems that foreign investors face :*

- unlawful alienation and confiscation of property and the results of their activities;
- unpredictable and adverse actions of individual government bodies;
- practice of reviewing and canceling the results of privatization.
- Due to the too flexible system of amendments and additions to the by-laws, the investment climate is unpredictable and unattractive to foreign investors.

Based on the results of the study, we offer the following suggestions and recommendations aimed at increasing investment and developing the industry:

1. adoption of a regulatory act, ensuring financing of investment needs and establishing a tax system for all tourism industry stakeholders (provision of services, craftsmanship, consumer demand, etc.);
2. establish additional incentives for foreign investors who raise their funds in this industry;
3. increase the share of state budget funds in the formation of monetary resources of tourism entities;
4. to reduce the interest rate on loans issued for the purchase of transport for travel agencies and travel agencies, the acquisition of tour packages, the purchase of treatment tickets in sanatoriums, resorts, etc .;
5. notifications in the media about the possibility of creating and activities outside the budgetary Tourism Support Fund;
6. develop indicators of economic and social efficiency of attracted investments in the tourism sector;
7. Formation of a fund for investment development of the tourism sector, i.e. funds are generated from deposits of legal entities and individuals, such as deposit operations of commercial banks;
8. the creation of a bank whose activities are aimed specifically at the development and support of tourism, as well as tourist activities.

***The task of the latter should include :***

- accumulation of funds and the provision of financial support to tourism entities;
- cooperation with international banks investing, as well as financing the activities of the tourism sector;
- deposit and savings operations, “my contribution to the development of the tourism sector”;
- sponsoring events, tourism activities;
- financial support for tourism investments;
- restoration and construction of tourist and sports complexes;
- consumer lending for the private sector (purchase of tour packages);
- support for a beginner, as well as an existing (developing) business;
- provision of soft loans to tourism activities;
- granting loans for training, as well as advanced training for employees working in this activity.

## **Conclusion**

In conclusion, it can be said that enterprises engaged in tourism are an essential part of the tourism industry. Consequently, a competently developed system of financing the tourism sector will lead, on the one hand, to an additional flow of funds to the country's budget revenues, and on the other hand, it will create additional jobs and provide employment for the population.

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