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## ATTRACTING INVESTMENT IN THE TOURISM SECTOR OF UZBEKISTAN

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**Abstract.** this article analyzes investments in the tourism sector and the role of tourism in the national economy of Uzbekistan. Several proposals have been made for further attracting investments in this sector

**Keywords.** tourism, investment, attracting investors, growth rate, national economy, employment

### I. Introduction.

In the Republic of Uzbekistan, consistent reforms are underway to develop the tourism sector as one of the strategic sectors of the national economy, which in the long term will help to solve such important social and economic tasks as job creation, diversification of the economy and accelerated development of regions, increasing incomes and quality of life of the country's population. Clearly understanding the economical role of tourism in the national economy of Uzbekistan, many facilities are being created for enterprises of this sector. Exactly, Decree of the President of the Republic of Uzbekistan of August 16, 2017 "On priority measures for the development of tourism for 2018-2019"[1] is considered a logical continuation of the state policy pursued by the country's leadership in the sphere of tourism and is aimed at maximizing favor with the creation of a comfortable economic, administrative and legal environment for the accelerated development of the tourism industry, expanding the economic potential of the regions and their revenue base, organizing new jobs, increasing the tour east streams to the republic, as well as active and integrated promotion of the national tourist product in world markets.

### Materials and Methods

According to Hilbruner[2] the tourism is one of the fast growing industries in the world. It has rapidly rise and significant source of employment and economic output. Moreover

he notes that tourism has not only economical benefits to the countries, but also it encourages the government to conduct many renovations in the country. For instance, Communication infrastructure such as road and highway, bridge/ culverts , electricity, gas pipelines etc. and these play major role in developing country. This regional connectivity ensures socio economic development in country. Moreover, it encourages communication development.

- Improves tourism industries government and non-government management quality
- Improves life style such as create new job sector, new construction/ reconstruction/ rehabilitation of road, bridge or culverts.

It is said in the scientific book "Causality between foreign direct investment and tourism: empirical evidence from India"[3] that the development of the tourism sector needs investment in many forms and FDI is one such source. This introduces a causal link from FDI (to this sector and hence overall) to tourist arrivals as this attracts greater numbers of visitors due to better amenities. A further indirect link from FDI to tourism is through business tourists. These are entrepreneurs and managers from other countries who, while looking for opportunities to invest in countries as well as to promote and sustain business in India visit several tourist destinations. This in turn is likely to boost FDI into this sector as well as other related

sectors to improve the quantum and quality of service provided wherever lacking. Consequently there is a reverse causality that links tourism to FDI.

### **Methodology of the research**

The methodology includes logical analysis, systematic analysis, induction and graphic methods. Statistics have been made by the help of official sites of the world and the Republic of Uzbekistan

### **Results**

Conducted researches revealed that created facilities in the tourism sector caused many improvements. Exactly, according to available data, for the first half of 2017, 118 business entities started operating, 60 of them rendering hotel services and 58 providing tourist services. In January-June 2017, the main indicators of the tourism sector exceeded the parameters achieved by the results of the same period of the previous year, incl. the growth rate of export of tourist services for the first half of 2017 amounted to 113.5%. Moreover, the specified tax privileges are given at volume of direct private foreign investments[4]:

from 300 thousand US dollars to 3 million US dollars - for a period of 3 of the year;

more than 3 million US dollars to 10 million, US dollars - for a period of 5 years;

more than 10 million US dollars - for a period of 7 years.

The tourism sector has already received an assessment of the attractiveness due to benefits and preferences granted to entrepreneurs. This is the result of the attention that the state pays for the development and formation of a qualitative environment for the further development of the sphere. For these purposes, a number of privileges and preferences for business entities in the sphere are envisaged. In particular: for 5 years from the payment of corporate income tax, land tax and property tax, as well as a single tax payment of legal entities, business entities were released upon entering into operation hotels and motels of at least 4 stars certified in accordance with the established procedure;

legal entities are exempted from payment of customs duties (except for customs clearance fees) for imported equipment, machinery, components, spare parts and materials not produced in the Republic of Uzbekistan for the construction and reconstruction of hotels and motels, according to the lists approved according to established order; released when importing into the territory of the Republic of Uzbekistan from the import customs duty and value-added tax, buses intended for the transportation of 30 people or more, including the driver corresponding to the standard of Euro 3 or more.

It should be noted that since the sector of tourism needs attracting foreign investments for further improvements in this sector, first International Investment Forum in tourism sphere took place in the Republic of Uzbekistan on 19-20 November in 2018[5]. In fact, that forum aimed to expand international cooperation in the tourism development, attracting direct investment and promoting the country's tourism opportunities among potential investors and guests of Uzbekistan. It is also noted that measures had been taken to increase entrepreneurial activity for investment, including the provision of tax and customs benefits for businessmen in the tourism sphere, simplification of licensing and certification procedures, making tourism more attractive for foreign investment. Prominent foreign companies of Turkey, China, India, the United Arab Emirates, Singapore, Russia and other countries had expressed interest in developing joint projects in the creation of various infrastructure tourist facilities in the Republic of Uzbekistan. The forum brought together 300 participants from 48 countries, representatives of international financial institutions and organizations in the tourism sector, experts and specialists in the tourism industry, heads of major domestic and foreign companies. Within the framework of the event over 500 investment projects from all regions of Uzbekistan, including such projects as free tourist zones of "Charvak", Samarkand city, Ancient Bukhara, small tourist areas in the Surkhandarya region presented, as well as

Olmazor City and Farg'ona yo'li (route) projects in the city of Tashkent and many others.

Studies revealed that efficiency of investment resources in tourism sector is increasing year by year and this increase is can be seen in the following Table 1.

**Table 1**

**The indicators of efficiency of investment resources in tourism sector of Uzbekistan in 2015-2019 [6]**

№	Indicators	Years					Growth of 2019 year compared to 2015, %
		2015	2016	2017	2018	2019	
1	Foreign tourists visited to Uzbekistan, (in thousand)	1918,0	2027,0	2690,0	5346,0	6748,0	3,5 times
2	Local tourists (in thousand)	1754,2	1871,7	2145,9	14000,0	14700,0	8,3 times
3	Investments (bln.soums)	851,4	1052,1	1428,3	1956,1	1741,6	2,1 times
4	Export of tourism (bln.soums)	1341,5	1273,8	4300,6	10670,6	13688,5	10,2 times
5	Average costs per foreign tourist (investments), (thousand soums)	443,8	519,0	530,9	365,8	258,1	58,1 times
6	Average expenditures of per foreign tourist for tourism services (export of tourism), (thousand soums)	69,9	62,8	159,8	199,5	202,8	2,9 times
7	Tourism export of per investment soums, (thousand soums)	1,58	1,21	3,01	5,45	7,86	5,0 times

It is clear from the above given table1 that all indicators showed an increase during the exact period. Clearly, average costs per foreign tourist (investments) showed sharp increase in 2019 compared to 2015-year.

A research also conducted for defining the growth rate of investment in tourism sector from 2010 to 2019 and Table2 indicates the results of the research.

**Table2**

**Growth rate of investment in tourism sector of Uzbekistan from 2010 to 2019[7]**

Years	Investments in Tourism			
	In nominal prices		In real prices	
	Volume, Billion soums	Growth rate compared to 2010, % (2010=100%)	Volume, Billion soums	Growth rate compared to 2010, % (2010=100%)
2010	357,8	100,0	1544,8	100,0
2011	421,2	117,7	1559,8	100,9
2012	514,7	143,9	1658,6	107,3
2013	606,3	169,5	1709,9	110,6
2014	731,4	120	1508,3	97,6
2015	851,4	124	1590,3	102,9
2016	1052,1	129	1807,1	116,9
2017	1428,3	140	2054,1	132,9
2018	1956,1	155	2195,6	142,1
2019	1741,6	480	1741,6	112,7

Growth rates of tourism sector also affected positively to the creation of employment in this sphere and following table3 defines the indicators of travel and tourism's total contribution to employment and compares some countries with Uzbekistan.

**Table3**

**Travel and tourism total contribution to employment [6]**

№	Countries	2019 % share
1	Georgia	27.7
2	Armenia	12.5
3	Turkey	9.4
4	Kyrgyzstan	8.5
5	Azerbaijan	7.7
6	Iran	7.3
7	Ukraine	6.2
8	Russian Federation	5.6
9	Kazakhstan	4.9
10	Uzbekistan	4.6

It is clear from the given table3 that the indicator of created employment was minor compared to other countries. Exactly, the indicator of Georgia was the most high (27.7) and Uzbekistan, Kazakhstan, Russian federation, Ukraine, Iran, turkey Kazakhstan was under the 10%.

### Conclusion

It can be said based on the above discussed data that the tourism sector of Uzbekistan is attracting more investments compared to past years and it is also contributing to the development of national economy. However, following proposals have been made for



further improvements for attracting investments in this sphere:

- Making projects for creation of eco-touristic complexes in the regions of Uzbekistan
- Building capacity and better coordinate actions across government to support the shift to more sustainable tourism investment
- Improving availability of sustainable finance instruments for sustainable tourism project

Adopting environmentally sustainable practices

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