



THE IMPORTANCE OF BANK LENDING IN THE DEVELOPMENT SPHERE OF TOURIST SERVICES

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Article history:	Abstract:
<p>Received: 1st December 2021 Accepted: 5th January 2022 Published: 15th February 2022</p>	<p>This article examines the importance of bank loan in the innovative development of enterprises in the tourism sector, Considered the problems faced by the subjects of this activity, associated with a lack of resources for their development and improvement. Particular attention in the article is paid to the need of improvement credit support, and an analysis of loans issued by commercial banks according to sectors of the economy, as well as the analysis is carried out on the loans issued for business entities in the tourism sector in Samarkand region. Conclusions are inferred and proposals are made to improve credit support for tourism enterprises.</p>

Keywords: Economics, bank, financing, lending, tourism, tourism industry, investments, concep

INTRODUCTION.

In modern conditions of development, the level of favorability of state policy in relation to tourism are the most important factors that have a huge impact on the profitability of the country's budget. In the global economy, modern tourism industry is one of the most beneficial. Natural-climatic and historical-cultural resources, as well as the political atmosphere and the level of favorability of state policy in relation to tourism are the most important factors that have a huge impact on the profitability of tourism. Today, although tourism has become one of the leading sectors of the economy, its potential is not fully used. And in accordance with the State Program of the country's Development Strategy for 2017-2021 [1], the government of the country pay considerable attention to the development of the tourism sector. All conditions have been created for the tourism sector to become one of the important components of the socio-economic complex of the country.

In January 2019, important regulations for the tourism sector were adopted: Decree of the President of the Republic of Uzbekistan No.UP-5611 "On additional measures to accelerate the development of tourism in the Republic of Uzbekistan"[2] as well as Decree of the President of the Republic of Uzbekistan No.PP-4095 "On measures to accelerate the development of the tourism industry"[3]. These regulations define the main strategic directions for the development of the tourism sector. In particular, the Decree of the President of the Republic of Uzbekistan No. UP-5611 approved the Concept of development of the tourism sector in the period up to 2025 [4] with

the annual adoption of a plan of specific measures to implement the Concept [5].

Successful functioning and development of tourism entities largely depend on the provision of their financial resources, both long-term and short-term. The lack of funds is one of the problems faced by a significant number of subjects of the sphere. The realization of the potential of tourist enterprises in solving economic and social problems, is all the more impossible without its adequate financial and credit support. Today, the problem of financial support for the development of tourism enterprises both in general and in particular, is especially acute.

Changes in all sectors of the economy, including the tourism industry, require investment of certain funds. Very few really promising travel companies have the means to finance their projects. But sometimes they may have a profitable idea, but due to lack of money, it will never be implemented. As mentioned above, now one of the most important problems in the innovative development of tourism, in particular, tourist enterprises is support by financing and crediting their activities. This is the problem that commercial banks or other types of financial institutions can solve by applying innovative types of financing [5].

Thus, the significance of tourism enterprises for the economy and at the same time insufficient support for the development of their innovative activities in Uzbekistan, actualize the study of the current state, credit support of tourism entities. In conditions when the banking system does not allow to fully satisfy the entrepreneurs already operating or preparing to open their own business, the need to improve the current



lending procedure and develop a different mechanism of bank lending for tourist enterprises comes to the fore. Problems that are obstacles to the development of the sphere can be avoided if there is an effective working mechanism of financial and credit support for the tourism industry.

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, the free spending of money is relaxation and pleasure for many people.

The activity of the tourism sector is formed at the level of organizations of various processes, that is, the production of goods, the provision of high-quality services, skills, qualifications and professionalism of staff, sufficiency of financing, preferential taxation, etc. Improving credit support for tourism enterprises is an integral part of the activity, without which development is impossible.

Within the framework of this article, we will consider the effectiveness of bank lending to tourism market entities as a source of financial resources for enterprises.

METHODOLOGY.

This study is based on the results of the analysis of scientific papers in the field of bank lending to tourism activities, as well as works on lending to tourism enterprises. A significant amount of data characterizing the state of the tourist market and the bank lending market of the Republic of Uzbekistan has been subjected to statistical processing.

LITERATURE REVIEW.

Many domestic and foreign scientists worked on the issues of the credit organization to tourism market entities, in particular, J. Schumpeter [6], M.A.Krivulya [7], S.V. Fedorova [8], A.A. Kozybagarov [9], K.S.

Zakharova, A.A. Bakanova [10], N.G. Novikova, K.A. Lebedev, O.E. Lebedeva [11], N.A. Zaitseva [12], McKercher, H. Du Cros [13], etc.

Despite the sufficiently high level of problem elaboration of the development of tourism entities activities, the issues of its crediting have not been studied in depth enough. Insufficient elaboration of the issue actualizes the topic of this study.

At the beginning of the twentieth century, J. Schumpeter in his work "Theory of Economic Development" wrote about the positive impact of banks on the level and growth rates of national income, which is based on the impact not so much on the savings rate, but on the process of distribution of savings. In his opinion, banks contribute to economic growth by directing funds to the implementation of the most effective projects [6].

The association of travel companies and credit institutions in the form of a strategic alliance, the purpose of which is to stimulate consumers to purchase a package of services of participants, was the subject of research by N.A. Zaitseva and A.V. Suvorov [12]. The role of credit institutions in the process of investment activity in the tourism sector was reflected in the works of M.A. Krivuli [7], V. Fedorova [8].

Based on the analysis of foreign experience of investing in the tourism industry, A.A. Kozybagarov [9] identified a number of the most effective tools, including crediting tourism industry entities, which, in combination with other tools, will ensure the sustainable development of the tourism sector.

Credit support is an integral part of the infrastructure block of the travel market, its interaction with market enterprises and consumers of services is provided through investment, settlement and credit operations. Below we will consider the subjects of travel services in need of financial and credit support. (see: Fig.1).

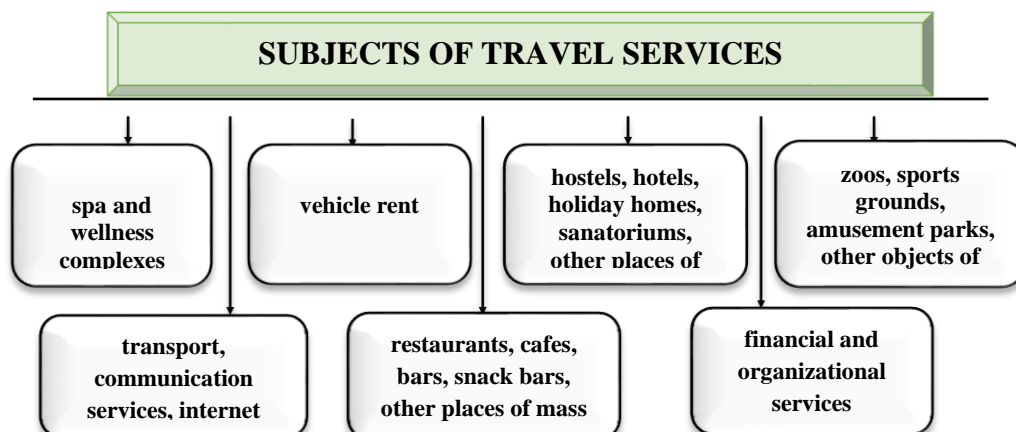


Fig.1. The relationship of the subjects of the tourist market with other spheres of the economy (developed by the author)



Based on the scheme, we conclude that the activities of travel services are diverse, providing it with financial and credit support, we are simultaneously developing other areas of activity, which indicates the importance of lending to this area. Having studied the activities of enterprises and credit support for tourism enterprises, we came to the conclusion that specific measures for crediting tourist enterprises have not been sufficiently developed taking into account their activities (seasonality, periodicity), a mechanism for purposeful effective use of credit has not been established.

ANALYSIS AND RESULTS.

A credit institution is an integral part of the infrastructure block of the tourist market, its interaction with market enterprises and consumers of services is ensured through investment, settlement and credit operations. As mentioned earlier, the tourism sector is an activity in which many business entities can be involved at the same time. The subjects of the tourist market, whose activities are directly related to the provision of tourist services, need to finance their activities.

One of the most common sources of financing for tourism activities is bank lending. Below (Table 1) the analysis of loans issued by commercial banks for sectors of the economy is given.

Table 1
Commercial bank loans by economic sectors 2017-2019 [15]

INDICATOR NAME	JANUARY 1, 2017		JANUARY 1, 2018		GROWTH % 2017-2018	JANUARY 1, 2019		GROWTH % 2018-2019
	billion sum	% of the total	billion sum	% of the total		billion sum	% of the total	
TOTAL CREDITS	52 611	100	110 572	100	110,2	167 391	100	51,4
<i>industry</i>	18 347	34,9	45 223	40,9	146,5	66 690	39,8	47,5
<i>agriculture</i>	3 033	5,8	4 742	4,3	56,3	9 422	5,6	98,7
<i>construction</i>	2 218	4,2	3 424	3,1	54,4	5 880	3,5	71,7
<i>trade and catering</i>	4 072	7,7	5 246	4,7	28,8	10 786	6,4	105,6
<i>transport and communications</i>	7 149	13,6	16 205	14,7	126,7	20 913	12,5	29,1
<i>logistics of supplies and sales</i>	652	1,2	472	0,4	-27,5	2 746	1,6	481,6
<i>housing and communal services</i>	456	0,9	996	0,9	118,5	1 821	1,1	82,9
<i>individuals</i>	9 379	17,8	13 600	12,3	45,0	24 427	14,6	79,6
<i>other sectors</i>	7 304	13,9	20 665	18,7	182,9	24 705	14,8	19,6

Having analyzed the annual reports of the Central Bank of the Republic of Uzbekistan for 2017-2019, on loans issued by commercial banks for sectors of the economy, we have identified the absence of a sector specifically related to tourism, and loans issued for the tourism sector belong to the "other sectors", on the basis of which it is problematic to conduct an accurate analysis of loans for tourism. In our opinion, it would be advisable to add a sector specifically

related to the tourism sector to the Central Bank's report.

After analyzing statistical data related to the tourism sector, we found that the measures currently being taken to support and protect the private sector have contributed to an increase in the number of hotels, the number of visitors served, the number of firms and organizations engaged in tourism activities on the territory of the Republic of Uzbekistan. (see: Fig.2)

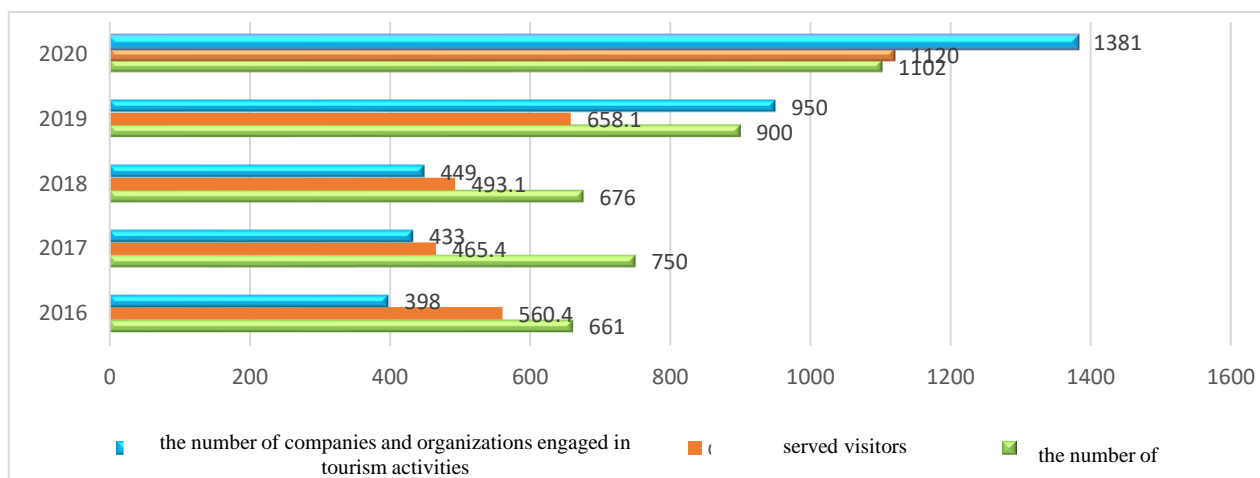


Fig. 2. Dynamics of organizations that carried out tourist activities and persons to whom services were provided (2016-2020 (January)) (compiled by the author on the basis of [16])

The dynamics of organizations that carried out tourist activities and persons to whom services were provided indicate the growth of hotel facilities - from 661 in 2016 to 1102 units in 2020, the number of enterprises from 398 in 2016 to 1381 units in 2020, and visitors were served from 560 thousand people in 2016 to 1120 thousand people in 2020 [16].

According to the Information Service of the State Agency for Tourism Development, we have identified a significant increase in the number of accommodation facilities, i.e. hotels, guest houses, which is a consequence of the measures taken to develop the tourism industry. Hotel occupancy in Bukhara region was 96.6 %, which is the highest indicator in the context of all regions. Tashkent is on the 2nd place - 85.7 %, and Samarkand is on the 3rd place with 82.3 % [17]. These average figures were calculated during the peak of the tourist flow, such as during festivals, visits of heads of various foreign states.

However, despite such rapid development, the subjects of the tourism sector face many problems, one of which is the lack of sufficient resources for financing which means the subjects of entrepreneurial activity in the tourism sector need financial and credit support.

Today, the consumer of tourist services as a subject of the tourist market has a significant impact on the development of the market due to the formation of the need for innovative travel services. But, as it was said earlier, at a certain stage, the subjects face the problem of a shortage of financial resources, which can be solved by bank loan. Lending, as a rule, is implemented within the framework of developed bank loan programs. Accordingly, the specifics of any program depend on the financial capabilities of banks and the objectives of lending.

Below we will consider the problems faced by tourist enterprises in bank lending:

- the degree of the bank's credit risk in lending to tourist enterprises is higher than that of the category of borrowers from among small businesses;
- when conducting a credit transaction, banks pay special attention to the state of the current account of a tourist enterprise, the higher the balance of funds, the higher the probability of approval of the decision to grant a loan;
- not transparency of full-fledged financial statements. Most banks use methods of assessing liquidity, financial stability, i.e. banks cannot objectively determine the creditworthiness of a tourist enterprise;
- in most cases, the bank's loan products do not include the category of borrowers and micro-tourism enterprises, which forces them to use commercial and consumer lending programs, the terms of which do not meet their requirements or are financially less profitable.

In order to improve credit support for tourism enterprises, it is necessary to create a development for the implementation of bank lending programs. Providing banking services to tourist enterprises requires financial and credit reinforcement, and in such reinforcement an important place is given to bank lending, which is caused by the followings:

- firstly, increased demand for credit from individuals (purchase of tour vouchers, tour packages);
- secondly, the increased demand for credit from private entrepreneurs (opening, expanding their activities, buying transport, real estate, construction-reconstruction of the facility);
- thirdly, the positive statistical dynamics of the indicators of external as well as internal tourism;



- fourth, the increase in the cost of tourist vouchers due to the growth of components such as accommodation, meals, additional services;

- fifth, ensuring the safety of tourists.

Today, bank lending to tourism entities is a rather complex and multifaceted process that requires high professionalism from banking institutions. However, most bank employees are completely ignorant of the specifics of tourism activities and apply

approaches to tourism entities that are suitable, at best, for trade, or even for investment projects in the construction of new entities for receiving tourists.

Further, one of the significant problems faced by the subjects of tourist activity is the size of the interest rate. Below is an analysis of the analysis of some commercial banks of Samarkand city, on the issuance of loans to subjects of tourist activity, in the context of 2018-2020 (Table 2).

Table 2

Analysis of loans issued by the banks of the Samarkand region for entrepreneurship in the field of tourism in the period 2018-2020 [18].

Name of the bank	Loans issued	Name of the organization	Purpose of the loan	Term (months)	% rate	grace period	amount (billion)	security	
Orient Finans Bank	2018	1	Sam Star Tour	Purchase of Tourist Buses (2 pcs) China	18	26	3	141,4	2nd bus tour
	2019	1	Hotel Orient Star	Purchase of building materials for the construction of a hotel in Bukhara	36	26	6	7,5	Hotel building
	2020	-	-	-	-	-	-	-	-
National Bank of Uzbekistan (NBU)	2018	-	-	-	-	-	-	-	-
	2019	1	LLU Hamrokhon	Buying minibuses to serve tourists	60	7,5	6	31,2	Buildings and structures, and vehicles
	2020	1	LLU Zilol Bakht	Hotel construction	36	22	6	2,4	Building and facilities
«Trust Bank»	2018	-	-	-	-	-	-	-	-
	2019	1	Afrosieb Diera Palace	For catering tourists and arranging a restaurant	36	29	3	7,0	Restaurant building
	2020	-	-	-	-	-	-	-	-
«Umar" AIKB "Ipak yuli»	2008	1	JV «Oksaroy»	Purchase of fixed assets for a hotel	36	28	3	18,5	Hotel building
	2019	1	LLU «Zilol tour bakht kisho»	Buying minibuses for to serve tourists	60	7,5	6	31,2	Building and vehicles
	2020	-	-	-	-	-	-	-	-

After analyzing the issue of loans for entrepreneurship in the field of tourism, we found that from the commercial banks of Samarkand, the number of loans issued for the tourism sector is very small. A small number of subjects can get a preferential loan, and not many even units decide to take a loan at the price of a commercial loan, since the % rates of the

latter are very high. In this connection, entrepreneurs have difficulties with their payments, on the basis of which entrepreneurs of tourist enterprises try not to borrow from the bank.



CONCLUSIONS AND SUGGESTIONS.

The conducted research shows that today the activity of the tourism sector is developing at a high speed, which is evidenced by the number of tourists visiting our country, the growth of guest houses, hotels, caterings. The tourism industry in the framework of its activities has a high dependence on the factor of seasonality of demand for their services, in connection with which financial indicators are assessed as unsatisfactory by most credit institutions when considering a loan application.

The resource and organizational limitations of tourism enterprises in the conditions of the need to attract borrowed capital allows them to rely only on a commercial loan, which at the same time may include additional conditions for securing a loan (collateral, surety agreement). Taking into account the fact that this group of enterprises most often includes travel agents who do not produce tourist products and, therefore, do not have the ability to influence the demand for tourist services, it is quite difficult to ensure timely fulfillment of obligations to the bank on a commercial loan.

Having considered and studied the organization of lending to tourism market entities, as well as lending to their activities, it can be concluded that there are still many unresolved problems related to financial and credit support for tourism enterprises.

All this become a study on the need to implement a comprehensive program of financial and credit support for tourism enterprises, these include, such as:

- increased demand for lending from consumers and businesses;
- formation of positive statistical dynamics of external and internal tourism indicators;
- the increase in the cost of tourist vouchers due to the increase in the cost of accommodation, meals, additional tourist services;
- availability of credit packages for business entities in the field of tourism.

In conclusion, in order to support and further develop the activities of the tourism sector, we offer the followings:

- reduction of the cost of credit resources by providing tax benefits to banks that lend to small businesses on favorable terms for the latter;
- creation of a bank whose activities are aimed at financing the activities of the tourism sector;
- provision of government guarantees to banks that are willing to finance the activities of small businesses through special state funds.

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