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## INFLUENCE OF FOREIGN DIRECT INVESTMENT ON TOURISM

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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.

*Key Words:* 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.

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 studied [1].

Akama J. S. stated that the direct involvement and investment by the governments play a crucial role in evolvement 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 sector [2].

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 [3].

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.

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