

IMPORTANCE OF TOURISM INVESTMENTS FOR A REGION; THE CASE OF SAMARKAND

Egamberganov Jakhongir Jabbargan ugli

**Student at Economics faculty, Urgench State University, Khorezm,
Uzbekistan**

E-mail address: economist_jahongir@mail.ru

Abstract: The aim of this article is to show the local impacts of investments in the development of Samarkand region in Uzbekistan. The survey method was used to investigate the attitudes of community members towards the impacts of tourism investments in different areas in Samarkand. According to the surveys, investments in tourism sector created new job positions, dramatically improved road infrastructure and service activities as well as reputation of the city.

Keywords: Government investments, capitalizing, Foreign Direct Investment (FDI)

Introduction

The tourism industry in Uzbekistan started developing after becoming independent in 1991. In the early 2000s, tourism boomed with the influx of Russian tourists. This was a lucrative time for Uzbekistan, and the government started investing heavily in infrastructure, including roads and hotels mainly in Samarkand. According to the information of UzbekTourism, it is the most visited place among all other destinations in Uzbekistan. Samarkand is a city of ancient history and glorious past, but also a modern city. By investing in infrastructure, such as improved roads and accommodations, the city became more comfortable and welcoming to travelers. Tourism investments in Samarkand have increased economic growth and improve the quality of life for residents. Investments in tourism infrastructure, a robust tourist industry and a diverse cultural heritage created jobs, generated income and promoted cross-cultural exchange. The city of Samarkand is located in the east part of the country, about 1,400 miles from the capital, Tashkent. The city is surrounded by the Zerafshan River in all directions, and has a cool desert climate. The ancient city of Samarkand was founded around the 7th century B.C. In addition to being a major cultural center and political hub, Samarkand was also a significant commercial center during its time. Much of Samarkand's current architecture dates back to this period, including its remarkable buildings made of glazed tiles. Samarkand is also home to some of the oldest mosques in the world, including Ulugh Beg Mosque, which was completed in XV century. It is known for its beautiful architecture and is home to the Blue Mosque, Registan Square, and several other UNESCO World Heritage Sites. Figure-1 depicts the location of Samarkand.

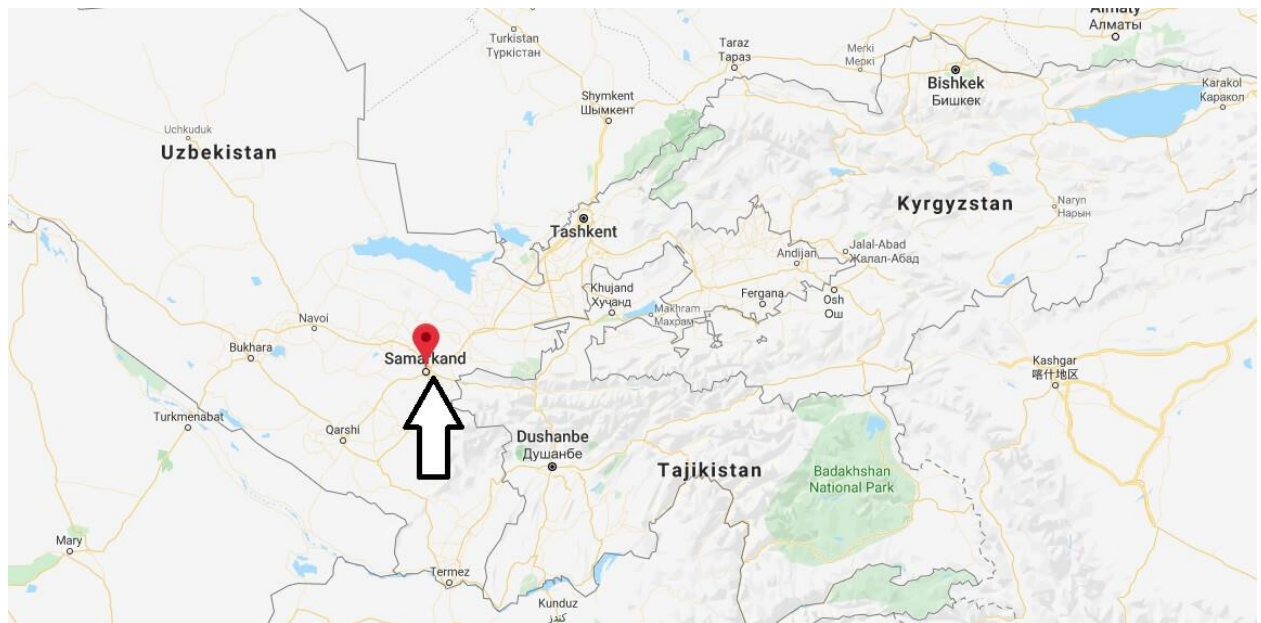


Figure-1. Map of Central Asia

With the right mix of factors, including a welcoming attitude and attractive environment, the city can become a destination that people will want to visit. When this happens, there are a number of benefits that can be seen in the area. For example, there is an increase in sales for local retailers, which can be seen in an increase in sales and property value. This can also create job opportunities for locals and improve the quality of life. Samarkand can be a great example for that.

During the research, the primary task was to identify investment effects in the city. To collect the data, the research team conducted an online survey in different parts of the city with 576 locals. The most common questions were about changes, new services and job opportunities in the city due to the tourism development. In addition to this, statistical data was provided by UzbekTourism to confirm the growth of life quality in the region.

Research on importance of investments for a region

Tourism services were deregulated and Uzbekistan's economy was liberalised in 2016. The country has more than quadrupled its tourism exports between 2010 and 2018 amounting to more than \$1 billion in 2018 (see Table 1). The number of tourists coming to Uzbekistan from 2010 to 2018 increased by nearly 8 percent, while the tourism sector's contribution to GDP was 3.4 percent in 2018. Tourism is critical to the country's economic growth, as it generates over one-fifth of the country's foreign direct investment. Furthermore, tourism has a number of spillover effects on Uzbekistan's economy. The hospitality, retail, and food industries, for example, make up nearly 7.4 percent of the GDP.

Table 1

Indicators	2016	2019
Number of International tourists (million)	2.027	6.749
Export of tourist services (million US\$)	579	1680
Number of hotels	710	1100
Number of tourist operators	672	1153

Source: National Legislation Database, 2019

Samarkand has been developed with tourist infrastructure thanks to government and foreign direct investment. These investments brought new visitors to the city and helped to diversify the economy. They also improved quality of life for the residents of Samarkand, which is the ultimate goal of any investment. In developing tourism infrastructure, Uzbekistan invested in projects like the restoration of the Registan Square, the development of the Samarkand International Airport, and development of transport and road system. The country's tourism authority reported that Samarkand hosted over 3.1 million tourists in 2019 alone, which was a 9% increase over the previous year. The main reasons for the increase were the opening of new hotels and an increase in the number of direct flights to Samarkand. According to the official data, the development of the airport was estimated to cost \$80 million. The airport has a new terminal with a capacity of 2 million passengers per year and established flights to Tashkent, Dubai and Istanbul. Tourism in Uzbekistan has gone up due to the country's reputation as a safe destination for visitors. The country has received a lot of praise for its efforts to open up the country to visitors from all over the world.

German company "Landesbank Baden Wuerttemberg" started its activities in Uzbekistan in 2015. The main goal of its activity is supporting small and medium enterprises. It is the first German investment in Uzbekistan in the sphere of banking. In December 2017, the "Landesbank Baden Wuerttemberg" made a decision to open its branch in Samarkand where the locals could get loans for tourism service activities. It is a significant event in the sphere of investments because it is the first German company in Samarkand. According to data by National Bank of Uzbekistan, Landesbank Baden Wuerttemberg invested \$330 million dollars as a loan for small businesses in Uzbekistan while around 7,5% of this was allocated for tourism related businesses like restaurants, hotels, travel agencies mainly in Samarkand.

"Ipak Yuli" Foundation invested \$171,5 million dollars for construction of Samarkand city in 2017. The construction of Samarkand began in 2019 and completed in 2021. The project provided thousands of jobs and helped to improve living conditions of citizens. The project was implemented by IR "Ipak Yuli" Foundation with the support of the Government of Uzbekistan and China. The Foundation's main goals are to restore historical and cultural heritage of Samarkand city and to make the city a global tourism destination. The Foundation has already

<https://doi.org/10.5281/zenodo.6873998>

ISSN 2521-3261 (Online)/ ISSN 2521-3253 (Print)

<https://journalofresearch.eu/>

completed the restoration of the Registan Square. The restoration works were carried out according to the original architectural drawings of the former traders' bazaar in the 19th century which are really attractive for tourists.

Opinions of local residents about benefits of tourism development in the region

Samarkand witnessed an increase in job opportunities thanks to investment in the tourism sector. Hotels, travel agents, taxi drivers, tour guides, restaurant staff, photographers and many other professions have been in high demand in Samarkand. According to the survey, 13% of them work for a tourism related businesses or have one in their family, while 41% claimed that they have at least one friend or familiar people in this sector and the rest of survey participants didn't know anyone has a connection with tourism services.

In the survey, participants were asked to write their opinions about impacts of investments in the region.

Table 2: Survey results

Positive	A nswers	Negative	A nswers
New job opportunities	1 96	Price increased	9 7
Road infrastructure	8 3	Heavy traffic	2 2
Earnings of residents	2 9	Noise	9
Popularity of the city	2 6	Others	3
Others	6		

The survey results shows that the supply is not enough to meet the demand and goods become more expensive as the city is popular among tourists. The situation happens mostly with utilities and food products. Thanks to the investments, the roads are now in a much better condition and the traffic flow is much smoother, which helps the tourism industry. The prices, however, have now become higher.

Conclusion

Investments in tourism sector in Samarkand region are source of local economic growth and job creation. Investments in tourism sector can be undertaken for a number of reasons, but the most common reasons are: to diversify the economy along with attracting international tourists who are likely to spend more money than locals, to improve the quality of life, reduce unemployment, and improve the reputation of local communities.

The results of these surveys show that the majority of people in Samarkand feel positively about the potential benefits that investments in tourism sector can bring.

Moreover, they express a strong willingness to engage with the government and private sectors in order to make sure that tourism investments bring tangible benefits to local communities. The article also shows that there is a need to identify the most effective investments to make, in order to maximize the benefits from tourism investments.

REFERENCES:

- SALAHODJAEV R. (2010). DETERMINANTS OF TOURISM ARRIVALS TO UZBEKISTAN: EVIDENCE FROM DYADIC DATA. *Tourism Review International*, Vol. 24. Retrieved from https://www.researchgate.net/profile/Rauf-Salahodjaev/publication/345013415_Determinants_of_Tourism_Arrivals_to_Uzbekistan_Evidence_from_Dyadic_Data/links/5fa6a60fa6fdcc06241cea94/Determinants-of-Tourism-Arrivals-to-Uzbekistan-Evidence-from-Dyadic-Data.pdf
- International tourism Uzbekistan, receipts. *World Bank*, Retrieved from: <https://data.worldbank.org/indicator/ST.INT.RCPT.CD?locations=UZ>
- Republic of Turkey Ministry of Trade. Direct foreign investments Uzbekistan: Retrieved from: https://ticaret.gov.tr/data/5c34a90b13b8760ce41004b6/list_investment_projects_by_sectors_2019.pdf
- OECD. (2014). *Development Co-operation Report 2014 Mobilising Resources for Sustainable Development* [Ebook] (p. Chapter 5). The Development Assistance Committee: Enabling effective development. Retrieved from https://www.observ-ocd.org/sites/observ-ocd.org/files/2018-04/informe_coop.desen_2014_ocde.pdf
- OECD. Foreign Direct Investment Statistics: Data, Analysis, and Forecasts - OECD. Retrieved 9 February 2021, from <http://www.oecd.org/investment/statistics.htm>
- Getzner, M., & Moroz, S. (2020). Regional development and foreign direct investment in transition countries: a case-study for regions in Ukraine. *Post-Communist Economies*, 32(6), 813-832. DOI: 10.1080/14631377.2020.1745564
- World Investment Report. (2019). *GLOBAL INVESTMENT TRENDS AND PROSPECTS* [Ebook]. Retrieved from https://unctad.org/system/files/official-document/WIR2019_CH1.pdf
- Baum, A., Poplawski-Ribeiro, M., & Weber, A. (2012). Fiscal Multipliers and the State of the Economy. *IMF Working Papers*, 12(286). DOI: 10.5089/9781475565829.001
- Dynan, K., & Sheiner, L. (2018). GDP as a Measure of Economic Well-being. *Hutchins Center On Fiscal And Monetary Policy At Brookings*. Retrieved from <https://www.brookings.edu/wp-content/uploads/2018/08/WP43-8.23.18.pdf>
- Khachoo, Q., & Sharma, R. (2016). FDI and Innovation: An Investigation into Intra- and Inter-industry Effects. *Global Economic Review*, 45(4). DOI: 10.1080/1226508x.2016.1218294
- Lemoine, F. (2000). FDI and the Opening Up of China's Economy. Retrieved from https://www.researchgate.net/publication/5004368_FDI_and_the_Opening_Up_of_China's_Economy#:~:text=The%20rapid%20expansion%20of%20its,China%20in%20the%20world%20economy.&text=The%20study%20offers%20evidence%20of,FDI%20on%20China's%20manufacturing%20industry.