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# Sources of Financing Innovation Activities of Tourist Services Enterprises

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*Nuriddinova Umida*

*Student of BI-221, SamIES*

*Karimova Aziza Maxomadrizoevna*

*Scientific director, SamIES*

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**Annotation:** Since tourism is currently one of the fastest growing areas of activity, financing this industry is one of the most important tasks, which influences the development of the economy of the entire country. This article discusses enterprises implementing tourism activities, as well as issues related to the principles and sources of their financing.

**Keywords:** tourism, financing, lending, subject of tourism activities, own funds, cash, borrowed funds, investments, accumulation of funds.

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**Introductin.** Creating favorable conditions for financial activity is an important element of tourism management. Not only tourism business organizations (travel agencies, travel agencies, hotels, manufacturing, consulting) need financing, but consumer demand for financing, for example, vacations, also needs financial support. Therefore, financing this area plays a big role in the country's economy.

**Degree of knowledge.** Many scientific researchers have worked on issues related to sources of financing for the tourism sector, including: I. Balabanov, A. T. Bykov, A. Yu. Aleksandrova, G. A. Karpova, E. V. Egorov, N.I. Filatova, I. Schumpeter, K. Marx, I. Fischer and others.

**Main part.** First, let's look at the concept and essence of financing itself, as well as its sources. Financing is understood as providing the necessary financial resources for the entire economy of the country, regions, enterprises, entrepreneurs, citizens, as well as various economic programs and types of economic activities<sup>1</sup>.

According to V.G. Medynsky<sup>2</sup> the financing system should be built on the following principles::

1. target orientation of financing - its linkage with the task of rapid and effective implementation of modern scientific and technical developments;
2. validity and legal protection of funding sources;
3. multiple sources of financing;
4. breadth and complexity of financing, i.e. the possibility of maximum coverage of a wide

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<sup>1</sup>Райзберг Б.А., Лозовский Л.Ш., Стародубцева Е.Б. Современный экономический словарь. -2-е изд.,испр М.: ИНФРА-М.479 с.. 1999.

<sup>2</sup> Медынский, В.Г. Инновационный менеджмент: Учебник / В.Г. Медынский. – М.: ИНФРА- М, 2012. – 295 с.

range of technical and technological innovations and areas of their use;

5. 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 for the tourism services sector are:**

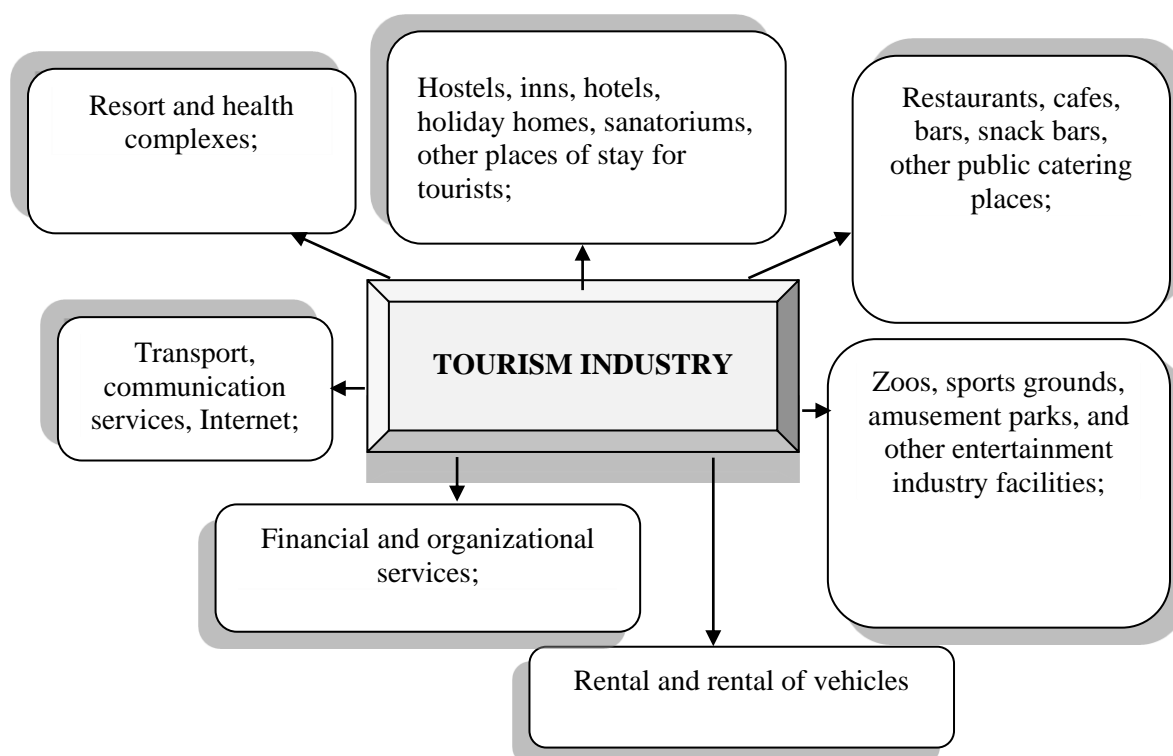
- own funds;
- government funding;
- Borrowed.

Own funds mean the use of your 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 capital. The funds of the founders are the equity capital of the enterprise and in cases where the business does not take place; the founders who invest money in circulation lose it.

The next type of financing is government funding. It is carried out on a non-refundable basis at the expense of budgetary and extra-budgetary funds. As part of the implementation of state support for the activities of the tourism sector, this type of financing is purposefully carried out by the state.

In cases where there is a lack of own funds and there is no government support, the organization may resort to the use of borrowed funds, i.e. bank credit resources. Bank credit resources or lending is understood as a form of financial security in which expenses are covered by a loan from the lender, provided within the framework of the current principles of lending (i.e., urgency, repayment, security and payment).

Having understood the concept and essence of financing itself and its source, below we will consider the different types of enterprises implementing tourism activities: (see Fig. 2)



## Fig.2 Enterprises implementing tourism activities

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

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

As stated above, the tourism industry is a combination of various subjects of tourism activity, which makes it possible to additionally create new jobs, additionally receive funds to the country's budget and provide employment to the country's population. But, today, practice and analysis show the existence of a number of problems, the existence of which are barriers to the development of this area.

The current lack of a fully functioning mechanism for the tourism industry means that Uzbekistan is losing large amounts of financial resources that would have flowed into the country's budget with an increase in tourist flow. 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 on key areas of innovation processes.

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

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

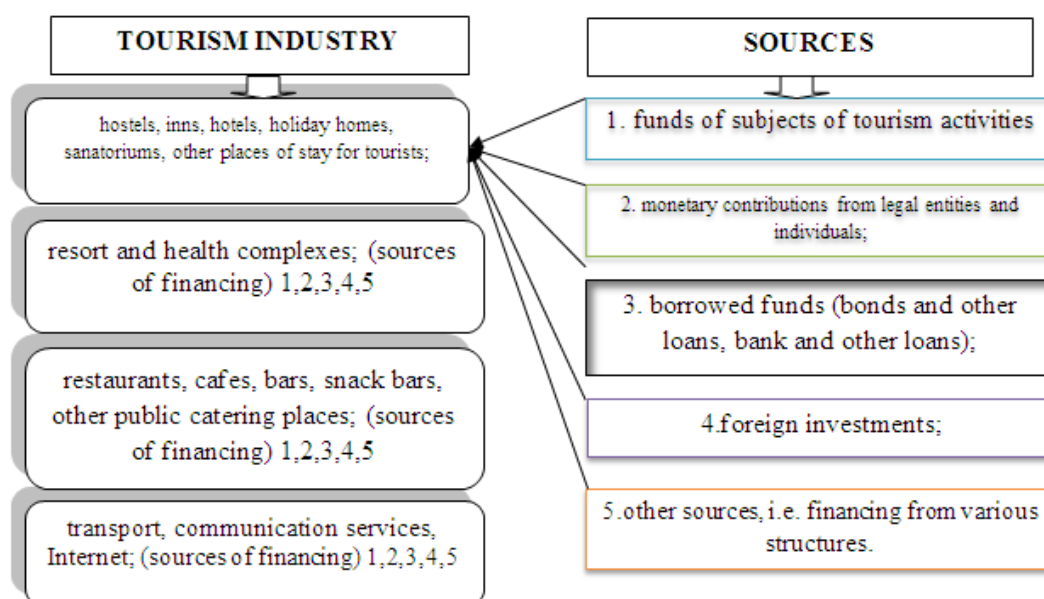


Fig.3 Sources of financing for tourism activities

In addition to the sources of tourism financing listed above, in practice, all types of financing

can be used simultaneously. The main thing is to choose a structure between them that will achieve the goals and objectives of the tourism business.

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

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

Financing from commercial banks of the Republic of Uzbekistan in the form of lending can be equated to the price of a commercial and consumer loan, the interest rate of which is very high. For example, AIKB "Ipak Yuli"<sup>3</sup> issues 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 non-cash form 29.9%, on an Uzcard bank card. For a period of 12 months. Having calculated the interest on the loan received, the analysis shows that the client pays an additional 6,380 million soums for using 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<sup>4</sup> in which the loan is transferred to the account of a travel agency with a 28% rate for a period of 12 months in the amount of up to 100 minimum wages. (Minimum wage - 223,000 soums).

Having studied the Law of the Republic of Uzbekistan "On Tourism", it was revealed that the law does not pay the necessary attention specifically to the sources of financing for this activity. However, the new edition of the Law of the Republic of Uzbekistan "On Tourism" has been supplemented; in order to provide additional financial support for the development of the tourism sector, an extra-budgetary Fund for Support of the Tourism Sphere can be created under the authorized state body.

Extra-budgetary Fund for Support of the Tourism Sphere under the authorized state body:

- is formed from income from tourist taxes, grants from international financial institutions, foreign donors, charitable donations from legal entities and individuals, income from the placement of temporarily free funds of the Fund on deposit and other sources not prohibited by law;
- Directs funds to support the development of tourism and the tourism industry, 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 activities 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 unfavorable actions of individual government bodies;**
  - **the practice of reviewing and canceling the results of privatization.**
  - **due to the too flexible system for introducing changes and additions to by-laws, the investment climate is unpredictable and unattractive for foreign investors.**

Conclusion and suggestions. Based on the results of the study, we offer the following proposals and recommendations aimed at increasing investment and development of this industry:

<sup>3</sup> <http://www.ipakyulibank.com/index.php/chastnym-litsam/potrebitelskoe-kreditovanie/mikrozajmy>

<sup>4</sup> <https://uzpsb.uz/uz/>

1. Adoption of a regulatory legal act, ensuring financing of investment needs and establishing a taxation system for all subjects of activity in the tourism sector (provision of services, handicrafts, consumer demand, etc.);
2. establish additional benefits 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. reduce the interest rate on loans issued for the purchase of transport for travel agencies and travel agencies, the purchase of tour vouchers, the purchase of vouchers for treatment in sanatoriums, resorts, etc.;
5. notifications in the media about the possibility of creating and operating outside the budget Fund for Support of the Tourism Sphere;
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. Creation of a bank whose activities are aimed specifically at the development and support of tourism, as well as tourist activities.

**The latter's task should include:**

- accumulation of funds and provision of financial support to tourism entities;
- cooperation with international banks investing and financing activities in the tourism sector;
- implementation of deposit and savings operations, “my contribution to the development of the tourism sector”;
- sponsorship of events, tourism activities;
- financial support for investments in tourism;
- restoration and construction of tourist and sports complexes;
- consumer credit lending for the private sector (purchase of tour packages);
- support for start-up and existing (developing) businesses;
- provision of preferential loans for tourism activities;
- Issuing loans for training, as well as improving the qualifications of employees working in this activity.

In conclusion, we can say that enterprises engaged in tourism activities are the most important part of the tourism sector. Consequently, a well-developed system of financing the tourism sector will, on the one hand, lead to additional funds flowing into the country's budget revenues, and on the other hand, will create additional jobs and provide employment to the population.

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