



## PROSPECTS FOR INCREASING THE COMPETITIVENESS OF TOURISM BUSINESSES ENTITIES IN UZBEKISTAN DURING THE PANDEMIC COVID 19

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### Abstract

The objective of this research paper is to analyze prospects to increase competitiveness in Uzbekistan through the activities of tourism businesses entities and the assessment of their potential are studied. Among the Central Asian countries, the advantages of Uzbekistan in Tourism potential have been scientifically and theoretically assessed. During the pandemic in Uzbekistan, ways to increase the competitiveness of tourism businesses entities have been identified. Suggestions and conclusions on improving the competitiveness of tourism businesses entities were also made.

**Key words:** Tourism business entities, Tourism competitiveness, Tourism advantages, Business entities and Increasing competitiveness.

### 1. Introduction

President of Uzbekistan Shavkat Mirziyoyev pays special attention to the country's tourism industry. Accordingly, Uzbek authorities make efforts to protect businesses in the sector from the economic impact of the outbreak as much as possible. Due to its historical monuments and cultural legacy Uzbekistan is among the most popular foreign tourist destinations. Uzbekistan has recorded the highest growth rates in the development of the tourism sector. In particular, the end of 2019, the state was visited by 6.7 million foreign tourists. According to the report of the World Travel and Tourism Council in 2020, the total contribution of tourism to the national economy of Uzbekistan made up 4,5 percent (US \$ 2.4 billion). More than 601 thousand people are employed in the area. The pandemic has also driven a deep crisis in the tourism sector, which has become a strategic sector of the economy. In 2020, the country was visited by only 1.5 million foreign tourists, the proceeds from the export of

tourism services amounted to 261 million dollars (5.2 times less than in 2019). According to forecasts for 2021, 1.7 million foreign tourists are expected to come to Uzbekistan and export tourist services worth 400 million US dollars. As a result of the complex situation that occurred in the area, 1 200 units (63 percent) of the means of placement, 1 500 units (80 percent) of the tour operator was forced to stop its activities. This led to the loss of more than 250 thousand jobs. In order to ensure rapid recovery of the sphere, development of domestic tourism, 2 decrees and 1 decree of the president of the Republic of Uzbekistan, 3 resolutions of the Cabinet of ministers were adopted.

Within the framework of these documents, a number of measures have been taken to support the industry including:

- The rate of profit tax for tour operators, turagents, placement vehicles was reduced to 50 percent of the fixed rates.
- The expenses of tour operators for air and railway tickets are subsidized in the amount of 30 per cent of the ticket price, provided that at least five nights remain

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in the means of organizing tours and their placement in the Republic of Uzbekistan for foreign tourist groups consisting of at least 10 people.

Subsidies have also been applied to loans for the construction of means of placement, coordination of facilities with new sanitary and hygienic norms, replenishment of working capital up to 1 billion soums. In three airports, the "open sky" order has been established and the list of countries whose citizens can visit Uzbekistan without a visa has been expanded. For tourists, "Uzbekistan/Safe travel GUARANTEED" sanitary-epidemiological safety system and First Service "Fast Track" was introduced. As well as, tourism is one of the most important and most rapidly growing economy sectors, which carried out on the basis of measures that protect against the risk of possible damage caused by the pandemic of Uzbekistan. Tourism development has great importance and plays a significant role in the development of national economies.

Processes of economic integration and the development of international ties with Central Asia countries are stipulating international tourism development in Uzbekistan. Uzbekistan has a big potential for tourism development: geographical location, natural resources, historical places, national cuisine, religious centres and hospitable people. All these features set up very good preconditions for tourism development. However, these tourism development conditions are not properly used. Uzbekistan is greatly behind the leading countries in the tourism field according to the tourism development. The increasing of tourism business and its international competitiveness are the detailed in development of tourism infrastructure, tourism education and organized opportunities of business entities.

## 2. Literature Review

The importance of competitiveness increase problem is often maintain as scientific literature, but there is no methodologically based theory, which would point to the main factors, increasing national tourism industry

competitiveness. Such insufficient research of national tourism industry competitiveness increase possibilities becomes an obstacle of national tourism industry development. Considerable attention is attached to competitiveness increase in the world scientific literature (Aušra Rondonanskaitė, 2004). The competitiveness can be reproduced in the works of the researchers. Rather later significant results in this field have been achieved by Porter (1990), Cho (1993), Dunning (1992,1993) and Kent Hughes (2005) have analyzed Global Competitiveness Challenge of tourism development countries.

Aspect of financial security of industrial enterprises under influence of global crisis were studied by Tursunov (2020), Yuldasheva *et al.*(2020) and others. In our opinion, the most detailed models for analyzing the country's competitiveness and completely conclusions were proposed by a Lithuanian scientist Aušra Rondonanskaitė (2004). The results of Aušra Rondonanskaitė (2004) which have been got during the research, are very important for Lithuanian tourism strategists, because they let to justify the further solutions of Lithuanian tourism development and competitiveness increase. That would increase the efficiency of governmental budget finance using and make conditions for the sustainable Lithuanian tourism industry competitiveness in the international tourism market (Aušra Rondonanskaitė, 2004).

According to Liu (2017), literature has identified two broad categories of determinants of international competitiveness, specifically macroeconomic conditions and microeconomic strategies. The macroeconomic conditions form a context that creates opportunities for competitiveness at national, regional and cluster level and creates conditions for competitiveness at a company level. According to Newtons, "tourism areas that are able to attract potential tourists and meet their needs are considered competitive." Hassan advocates the belief that "it is the ability to create and combine value-added products with reasonable use of resources while maintaining market exposure compared to other competitors." (Nurfayziev and Nurfayziev,



2018). In spite of such a big interest of this scientific problem, the competitiveness theory of Uzbekistan must be one of most confusing and hardly summarized research fields. This is stipulated by indetermination and equivocal competitiveness conceptions, because this phenomenon is studied in different perspectives and context.

### 3. Methodology

The current situation of Pandemic in some tourist countries gives to Uzbekistan the opportunity to "lure" tourists to us. And here the work done in recent years is very useful: the development of the service sector and the hotel business, new projects to create tourist infrastructure - tourist zones, resorts, parks, recreation and entertainment places. Not the least role is played by the national cuisine, suitable for both guests from European countries and from Muslim countries (Nurfayzieva, 2020).

And of course, the guests will be glad to the cordiality and hospitality of the Uzbek people. The study conducted in tourism showed that there is no single determining factor for the analysis of competitiveness, but that the competitiveness of tourism is associated with the sum of many factors. As a result, various indicators have been developed that will help to summarize the competitiveness of tourism activities in a number of ways. Basically, several elements are included in these indicators, which can be found by different methodologies. Thus, the competitiveness is very complex experience, so it is easier to understand it with the help of models. A major reason for attempting to develop a model of competitiveness that focuses specifically on the tourism sector is that there appears to be a fundamental difference between the nature of the tourism product and the more traditional goods and services for which the fundamental models were developed. The fundamental competitiveness models and their application possibilities and importance are studied the most widely acknowledged models of competitiveness are those developed by Porter (1990) and the World Bank (2021). While these frameworks are both broad, models of competitiveness that do not directly focus on, or

conforming to much attention to tourism, they provide a useful starting point for the development of a more sector-specific approach. A very broad conceptual framework developed to explain the competitiveness of country has presented by Porter (1990). In Porter's theory, a nation's overall competitiveness stems from the micro level, that is, individual firms. Porter (1990) states that the only meaningful concept of competitiveness at the country level is productivity. A rising standard of living depends on the capacity of a nation's firms to achieve high levels of productivity and to increase productivity over time (Khodjamuratova Gulbakhor *et al.*, 2020).

The impact of macro environment to national competitiveness is attached in the Porter (1990) model. Meanwhile national tourism industry competitiveness is closely related with the national politics, economic and social environment, technologies development and ecological environment quality. It is proposed to evaluate political, economical, social, 18 technological and ecological environment factors, increasing competitiveness of national tourism industry. The complex of characteristics determines the competitiveness of national tourism industry. That is why it is suggested to integrate all elements, constituting the national tourism competitiveness, into the model of national tourism industry competitiveness (Figure - 1) (Aušra Randomanskaitė, 2004).

The model of competitiveness proposed by Aušra Randomanskaitė (2004) can achieve effective results for practical application in increasing the competitiveness of the tourism industry of Uzbekistan. In 2020, a total of 1 million 504 thousand tourists visited in Uzbekistan. The government provided tourism services in the amount of 261 million US dollars. In 2021, administration to carry out all the work on the basis of specific plans and detailed calculations on the route of the flight, and not through the general figures, pay more attention to the tourism of the visit. In 2021, a plan was made to provide one million 700 thousand foreign tourists 'visits to Uzbekistan'





Figure – 1: Model of national tourism industry competitiveness



Figure – 2: Model of tourism industry competitiveness of Uzbekistan

Despite the pandemic, the hospitality sector continues to develop in Uzbekistan. In particular, in 2017-2020, the number of accommodation facilities in our country increased significantly. At the end of 2019, 26 147 rooms and 54 799 beds were created in 1188

accommodation facilities. By the end of 2020, this figure was 29218 rooms and 61,506 beds in 1308 accommodation facilities. In 2021, 22 accommodation facilities were launched. The model of Aušra Rondonaskaitė (2004) (Figure 1) is very possible to use for increasing



competitiveness tourism of Uzbekistan. The globalization process of Uzbekistan tourism sector is proceeding in two directions: tourism opportunities (government, tour organizations, tour infrastructure) and tourism demand. First, globalization in the tourism supply is expressing by firms' planning and cooperation integration in the Central Asian market, second planning competitiveness strategy of Uzbekistan in world market on purpose to withstand other global competitors (Figure - 2). Also the permanent growth of the supply, conditioned by global tourism services suppliers, is appreciable.

Over 3 years, the number of tourists has grown 5 times: from 1.3 million foreign tourists in 2016, to 6.7 million in 2019. Due to the pandemic, in 2020, 1.5 million foreign tourists managed to visit the country. at the same time, the export of tourism services amounted to \$ 261 million, and tourism became one of the most affected industries. It should be noted that the pandemic has seriously affected the tourism sector and related industries, the incomes of more than a hundred thousand people have sharply decreased, including guides, artisans, workers of architectural monuments and resort institutions, public catering facilities, transport and others. In 2020, in-country travel was organized for 1.8 million people, and in 2021 this number is expected to skyrocket to 7.5 million.

#### 4. Result and Discussion

It is important to study the potential of Uzbekistan of measure competitiveness of

countries developed by OCED for the analysis of concrete conclusions. The measurement structure included three types of indicators that can be applied to measure competitiveness in tourism developed by OCED – core, future development (OECD Tourism Papers,2020). The 11 core indicators are:

- **Tourism Direct Gross Domestic Product of Uzbekistan -** Uzbekistan's GDP is 3.4 (%) in 2019. Share of economy-wide travel or employment expenditures in published national income accounts or in labor market statistics. Inbound exports are compared to the exports of all goods and services. Domestic tourism spending is equal to GDP. Government individual travel spending is compared to total government spending. Domestic tourism spending is compared with total domestic consumption (i.e. total domestic spending plus all exports). The European Bank for Reconstruction and Development (EBRD) forecasts that due to the coronavirus pandemic, Uzbekistan's GDP will grow by 1.5% in 2020 and by 6.5% again in 2021.
- **Inbound tourism of country:** At the turn of the reforms in 2016–2017, Uzbekistan is achieving significant growth in inbound tourism. From 2016 to 2019, the number of foreign tourists increased from 2.0 million to 6.7 million, respectively.

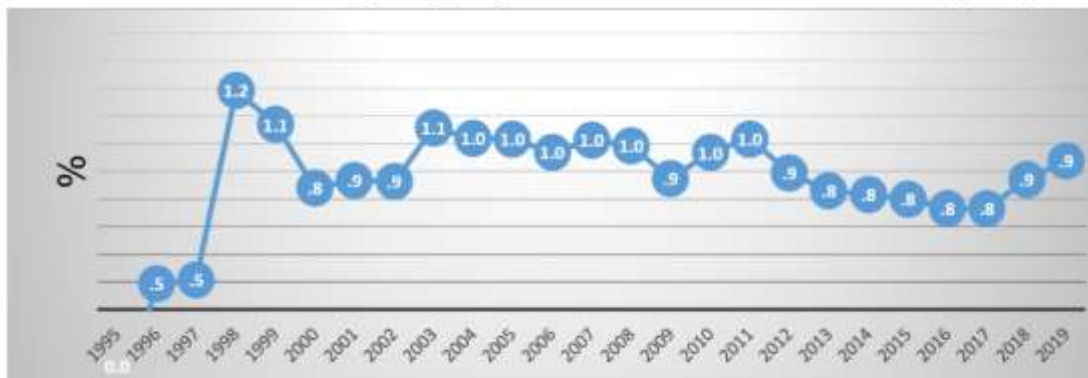


Figure 3. Uzbekistan - Direct Contribution of travel and tourism to employment as a share of GDP (Worldbank, 2021)



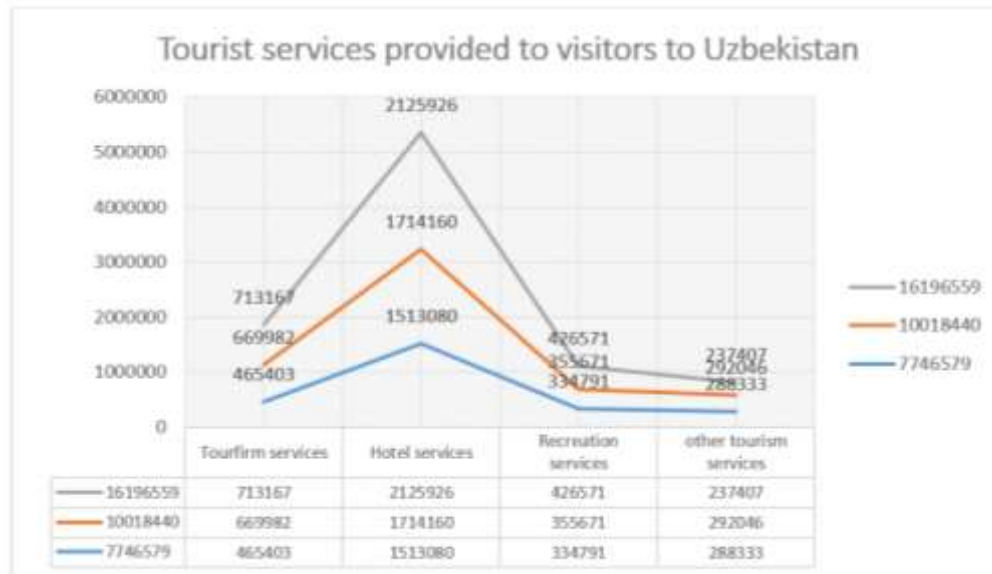


Figure – 4: Dynamic of tourist services provided to visitors to Uzbekistan in period 2016-2019 (2021, Committee of state statistics of Republic of Uzbekistan)

In the same year, according to the World Tourism Organization (UNWTO), Uzbekistan entered the top five countries with the most dynamically developing tourism industry and The Guardian recognized the country as the best tourist destination in the world.

- **Overnights in all types of accommodation.** The decision of the president of the Republic of Uzbekistan “On measures for the rapid development of the Tourism Network “approved the target parameters of the construction of hotels in the Republic of Uzbekistan in 2019-2021. According to this, 212 new hotels will be built, the total number of which is 4664 in 2019. Most hotels are built in Tashkent (41), Samarkand (30) and Bukhara (29). Step by 2021, their number will increase, and up to this period the total number of rooms will be based on 30212 rooms of accommodations, news’s are 1508 hotels. Thus, by 2021, the number of hotels in Uzbekistan will reach 2 394. The number of rooms in them is 50044.
- **Exports of tourism services in Uzbekistan.** Uzbekistan planned to export tourism services 370 mln \$ in 2021. Uzbekistan plans to attract 1.7 mln

foreign and 7.5mln local tourists in 2021, as well as to increase the export of services in the sector to \$370mln. According to president of republic Shavkat Mirziyoyev, pilgrimage tourism is one of the most promising directions that deserve attention. Uzbekistan has hundreds of Muslim shrines, monuments of Judaism and Buddhism. Taking advantage of this opportunity, the country could attract 700,000 pilgrims and ensure the export of services worth \$130mn.

- **Labour opportunities in tourism services.** The government needs to enhance the business-enabling environment for services-related in the education, health, transport, tourism, and a primary target to this end. The government’s support measures should include business development services for SMEs and business literacy programs for potential workers. The structure of the service sector is continually changing. For example, due to the tourism development program, the share of accommodation and food services in total employment increased from 1.1% in 2010 to 3.3% in 2016 (Kym Anderson *et al.*, 2020).



## 5. Conclusion

In accordance with the Resolution of the Cabinet of Ministers No. 433 of July 10, 2020 "On measures to create favorable conditions for the restoration and development of tourism in the Republic of Uzbekistan", monitoring the movement of local and foreign citizens throughout the country in order to improve the system, to develop long-term plans based on the information received and to implement them effectively, the relevant procedures were amended. Despite the pandemic, the hotel business sector continues to grow in Uzbekistan. In particular, in 2017-2020, the number of placement facilities in our country has increased significantly. In 2019, 26,147 numbers and 54,799 places were created in 1188 residences. By the end of 2020, that number was 29,218 and 61,506 in 1,308 residences. In 2021, 22 placement vehicles were launched. However, more than 10 foreign publications have recognized Uzbekistan as one of the most attractive tourist destinations. The work done in Uzbekistan to turn tourism into one of the strategic sectors of the economy is reflected in various ratings and nominations. In particular, in recent years, Uzbekistan has been recognized as the best tourist destination in the world by The Guardian, the fastest growing country in the eyes of Wanderlust and the best developing tourist destination, according to Grandvoyage. As a result of consistently implemented measures, Uzbekistan has risen by 10 positions (22 places) in the Global Index of Muslim Tourism compiled by Crescent Rating. In addition, the World Tourism Organization ranked Uzbekistan on the 4th place in the list of the fastest growing countries in the field of tourism.

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