

The role of tourism in the economy

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Abstract: Tourism is vital for the success of many economies around the world. There are several benefits of tourism on host destinations. Tourism boosts the revenue of the economy, creates thousands of jobs, develops the infrastructures of a country, and plants a sense of cultural exchange between foreigners and citizens.

Keywords: Tourism, Accommodation, Economy, Development, Demand.

Introduction. Tourism is critical in creating goodwill among people and, as a result, socioeconomic growth in the country. Tourism as an industry contributes significantly to the country's foreign exchange reserves and provides direct and indirect job possibilities to a broad segment of the population. Furthermore, supporting a nation's handicrafts and fine arts aids in the preservation of nature's beauty, cultural legacy of the country, and soil tradition, as well as strengthening the process of national integration and global brotherhood. For analytical purposes, it is important to distinguish between different forms of tourism. For example, tourism is often divided into two main categories: international tourism and domestic tourism, which is determined by the tourist's permanent residence's territorial limit. There is no minimum duration of travel required to qualify as a tour, and the important component is the movement away from the permanent residence to the destination or locations that are not in the same region. This article discusses the importance of tourism and the hospitality industry in economic growth.

The most important economic feature of activities related to the tourism sector is that they contribute to three high-priority goals of developing countries: the generation of income, employment, and foreign-exchange earnings. In this respect, the tourism sector can play an important role as a driving force of economic development. The impact this industry can have in the different stages of economic development depends on the specific characteristics of each country. Given the complexity of tourism consumption, its economic impact is felt widely in other production sectors, contributing in each case toward achieving the aims of accelerated development.

A major difficulty in defining the boundaries of the tourism sector is to ascertain what investment costs should be ascribed to the development of tourism. Although heretofore not treated by international agencies as a “sector” in national accounting terms, tourism entails a collection of goods and services that are provided specifically for visitors and would not have been provided otherwise.

Because of its interdependence with other sectors of the economy, it is difficult to analyze and plan for tourism. The lack of reliable statistical data hampers identification of the mechanisms by which tourism generates growth, as well as its potential for development. Yet, in those instances where analysis has been carried out and research has preceded planning, tourism's priority in competing for scarce investment funds has been established. In these cases, long-term programs for tourism development have been designed.

Nature and heritage tourism development has investment needs that differ, in certain respects, from traditional tourist hotel development. There may be a greater need to improve access to the attraction site or facility, and for a mode of development that does not interfere with a sensitive habitat or historic area.

The IDE offers one of the strongest socioeconomic arguments in favor of tourism development. It describes how income generated by the sector is distributed. The analysis can be undertaken at a spatial and at a functional level.

At the spatial level, tourists prefer to travel in regions with little industrial development. They also tend toward areas of little agricultural value. For these reasons, tourism can become a dynamic force in regional economies. Within a country, tourism demand originates in urban concentrations where the highest incomes are found. A percentage of such incomes is normally set aside for tourism in areas that are geographically different from the visitors' home base, reinforcing the process of internal income redistribution. Internationally, a portion of the tourism consumption by developed countries occurs in developing countries, favoring the process of international income redistribution.

At the functional level, the income generated tends to favor employment, which is estimated to contribute more to the total value-added of the industry than other factors do, because so much of tourism involves personal services. It has been estimated that, worldwide, tourism directly or indirectly supports sixty-five million jobs, including hotel managers and staff, taxi drivers, tour operators, and shop attendants, among others. Secondary employment is generated in agriculture, industry, handicrafts, and services.

Demand FACTORS

The Importance of Location. People with incomes high enough for foreign travel are concentrated in a few countries. Most developing countries are far from key points of origin. In this regard, countries like Mexico and some Caribbean islands that are close to the United States and Canada benefit from a comparative advantage. These tourist destinations reaped early success in promoting their attractions. In 1989, for example, the Caribbean region captured 2.58 percent of the world's 450 million tourist arrivals, with gross expenditures estimated at more than US\$3 billion. Tourists have since ventured to further Caribbean islands and coasts such as those of Venezuela and Costa Rica. Travel between neighboring regional countries is also expanding. Foreign-exchange receipts in Paraguay, which receives over 85 percent of its visitors from Argentina and Brazil, increased eightfold between 1976 and 1986.

Income Elasticity. In several countries, travel receipts have been the fastest-growing export item. The tourism sector represents over two thirds of the value of total exports of goods and services from the Bahamas, three fifths of those from Barbados, and over one third from the Dominican Republic and Jamaica. As national incomes increase, expenditure on travel increases even faster. As a result of this trend, international receipts from foreign travel have been increasing by nearly 11 percent a year (over 8 percent in constant prices) or at more than twice the rates of national incomes.

Supply Factors

Public and Private Sector Involvement. Tourism is mainly a private-sector enterprise, but the timely provision of hotel and other visitor services, such as entertainment, food, and sport facilities, requires public-sector participation in the form of infrastructure, promotional support, and fiscal and financial incentives, so as to attract private investment to the sector.

Another important factor directly related to tourism facilities is the availability of credit. As in any commercial activity, the availability of credit on suitable terms is an essential catalyst for sound tourism investment. In a number of countries, when the private financial system does not provide it, the public sector has established credit lines for tourism investment.

Tourist Destination Attributes. Tourist demand is spurred by innovation in the type of holidays offered (new commodities) and by improvements in transport, accommodations, and attractions (quality changes). The tourism sector offers a multidimensional product that, if vigorously promoted, is likely to lead to changes in the pattern of demand and generate new demand for services. Yet, as in any other sector of economic activity, a minimum set of parameters needs to be in place in order to make an

investment viable. In this sense, it is important to identify those attributes of a destination area that are necessary to attract tourism projects and make them viable. Such attributes relate to at least six different categories: climate, natural resources, infrastructure, amenities, culture, and socioeconomic and political factors. The table below presents these categories with their related attributes.

The analysis of current nature and heritage tourism financing is also to be based largely on empirical research, i.e., reviewing operating nature and heritage tourism support facilities and nature and heritage tourism operations, and summarizing the experiences of different cases. Attaining the third part of the objective - recommending measures for facilitating the financing of nature and heritage tourism - will not only involve perceiving practical policy reforms for governments, but also innovative proposals for private and public sector cooperation, collaboration of the local financing institutions with tourism entrepreneurs, and a review of the possibilities for assistance in financing from a number of international development assistance institutions, as well as non-governmental conservation associations. Presumably, this will involve the drafting of innovative proposals and their review by the parties potentially affected by the proposals.

Tourism is critical in creating goodwill among people and, as a result, socioeconomic growth in the country. Tourism as an industry contributes significantly to the country's foreign exchange reserves and provides direct and indirect job possibilities to a broad segment of the population. Furthermore, supporting a nation's handicrafts and fine arts aids in the preservation of nature's beauty, cultural legacy of the country, and soil tradition, as well as strengthening the process of national integration and global brotherhood. For analytical purposes, it is important to distinguish between different forms of tourism. For example, tourism is often divided into two main categories: international tourism and domestic tourism, which is determined by the tourist's permanent residence's territorial limit. There is no minimum duration of travel required to qualify as a tour, and the important component is the movement away from the permanent residence to the destination or locations that are not in the same region.

Elite tourism and mass tourism are two more types of tourism that we encounter. An elite tourist travels with a self-contained mentality and is always self-contained. He might be an antiquarian, a naturalist, or an adventurer visiting locations that few people visit or are unfamiliar with. Because he is a snob by nature and a nonconformist, if not eccentric, his pleasure of the location is lessened as visitor traffic increases. For that reason alone, he prefers less accessible locations. The nature-loving visitor would frequently go around a mountain or a game sanctuary by himself. The relationship between nature and himself is the fundamental desire of such a nature-loving traveler. He wants to share his experience with his friends, relatives, and other group travellers. When visiting a historical place or a monument, the antique lover likes isolation. The difficulties in traveling to a tourist attraction may serve as a challenge for him if he is motivated by the spirit of adventure. He adapts well to local conditions and is unconcerned about accommodations, food, and other amenities.

As a result, tourism, as we know it now, is a worldwide industry. It is a significant economic activity all over the world. It not only directly contributes to the national economy, but it also has important links with numerous other sectors such as agriculture, animal husbandry, handicrafts, building, transportation, entertainment, and so on. Inbound tourism, as a globally traded service, has grown to become one of the world's main trades.

Tourism is a major source of foreign money for many developing countries. Tourism Highlights, according to UNWTO (United Nations World Tourism Organization or World Tourism Organization in short): Tourism accounts for 9% of global GDP in 2014, according to the World Tourism Organization. Tourism is expected to contribute 9.01 percent of total jobs (direct and indirect), or one out of every eleven new jobs produced. The huge beneficial effect generated by the tourism industry has compelled many nations to strengthen their efforts in growing their tourism sector and gear up to grab as much of the ever-expanding worldwide tourist market as possible. As economic development accelerates, it will

encounter a slew of new obstacles. As governments and corporate sectors in many established and emerging nations strive to minimize their financial commitments, and as global oil and commodity prices rise on a yearly basis, the tourism sector is anticipated to be one of the world's fastest expanding industries.

Tourism managers are responsible for managing the day-to-day operations of their organization's tourism services. They oversee all aspects of the business, from marketing and sales to customer service and employee training.

Conclusion. Importance of tourism arises from the numerous benefits and advantages it brings to any host country. But real importance of tourism comes from its nature and how it is defined & structured. And this is what we will explain here. Tourism contributes towards complete growth and development of a country: one, by bringing numerous economic value & benefits; and, second, helping in build country's brand value, image & identity. Tourism industry goes beyond attractive destinations, to being an important economic growth contributor.

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