

THE IMPORTANCE OF INVESTMENT FOR TOURISM INDUSTRY

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Abstract: Investing in tourism contributes to providing more job opportunities, enhancing competitiveness in the tourism sector, and increasing the country's income and general public revenues to achieve economic growth in the country.

Keywords: Investment, Tourism, Tourists, Hotels, Investors.

Introduction. The importance of tourism as a factor in economic development is now widely accepted. Since it is recognized everywhere that the expansion of the international tourist trade generates foreign exchange earnings and stimulates employment and incomes, it is not surprising that for some time now World Bank economic reviews and appraisals have regularly given consideration to the tourist industry in the countries surveyed.

Tourism, like other economic activities, flourishes best when it fits into a context of general economic policies and programs designed to lead to the optimum growth of the economy as a whole. For this, some sort of national planning—at least in setting priorities and seeing that they are emphasized—is required to create a climate for productive investment in all suitable fields. As part of the general economic plan, a coherent national program for the tourist industry can be established. Since much depends on private initiative, the best programs are indicative and flexible: they take into account the various proposals and forecasts of the different private interests and ensure that the public part of the program dovetails in such a way as to form an integrated whole.

Although businessmen do invest in hotels and other tourist facilities even in the absence of a national plan for tourism—particularly if the traffic is presenting itself—a plan, devised in consultation with the tourist industry, acceptable to it, and widely understood, is probably the single most important step that any country can take to ensure a balanced program of investment in the development of tourism.

Although official price controls generally are undesirable, this does not mean that all price discipline should be removed. Hoteliers should be allowed to fix their own prices from year to year, with different rates for the various seasons if they wish. Once the hotelier establishes his schedule of prices for the full year, it should be communicated to the official agency and should be published in official guidebooks well in advance. Hotels should then be compelled to maintain the published rates during the year and should be liable to severe sanctions for exceeding quoted prices. The abolition of price controls in countries which formerly had them has not led to an excessive rise in hotel prices; there is too much competition among hotels for this to happen. Competition has indeed been intensified as increasing numbers of hotels have been built, in part as a result of the stimulus to new construction that removal of the price controls has itself provided. In addition, competition for tourists in other countries induces hotel operators to keep prices in check.

During the development of a country's tourism, concessions in credit extension are often necessary. Since cash is usually a limiting factor in mounting a project, an increase in the debt-equity ratio

can be a useful device: the public credit institution can raise the proportion of the total investment which it is prepared to extend as a loan. In addition, amortization periods can be lengthened so that the burden on operating income is spread; furthermore, long-term credit can induce businessmen in underdeveloped countries to engage in businesses which show a steady return over a period rather than in the short-term operations of little lasting national value which often seem attractive. In doing this, long-term credit has a very desirable instructional effect.

Most countries provide a range of incentives for productive investment in various types of activities, and tourist enterprises are often included. A re-examination of such an incentive system can often ensure that the special needs of tourism are more effectively met. For example, many countries offer a set of tax incentives for listed investment: rebates, allowances, tax holidays, and the like. Tourism often requires a special "package," including favorable real estate taxation, with incentives used as an instrument of the national program: differential treatment may be applied, with zones of high priority receiving the most favorable concessions.

Types of investment needed in tourism

There are many different types of investment that are needed to support the growth and development of the tourism sector. These include:

- **Infrastructure investment:** This includes investment in transportation, accommodation, and other services that are essential for tourists. For example, investment in new roads, airports, and hotels can make it easier for tourists to travel to and stay in a destination.
- **Product and service development investment:** This includes investment in new tourism products and services, such as tours, attractions, and activities. For example, investment in a new museum or theme park can attract new tourists to a destination.
- **Marketing and promotion investment:** This includes investment in marketing and promoting a destination to potential tourists. For example, investment in advertising, social media marketing, and public relations can help to raise awareness of a destination and make it more attractive to tourists.
- **Economic benefits:** Tourism is a major economic driver, generating jobs and revenue for communities around the world. For example, the World Travel and Tourism Council (WTTC) estimates that the global tourism sector generated 330 million jobs and US\$9.6 trillion in GDP in 2022.
- **Social benefits:** Tourism can help to promote cultural understanding, reduce poverty, and create new opportunities for local communities. For example, tourism can help to preserve and promote local culture and traditions, and can provide jobs and income for local people.
- **Environmental benefits:** Tourism can help to protect natural and cultural heritage. For example, investment in sustainable tourism practices can help to minimize the environmental impact of tourism and protect natural and cultural resources for future generations.
- **Governments can create a favorable investment climate:** This includes providing clear and consistent regulations, reducing bureaucracy, and offering tax breaks and other incentives to investors.
- **Governments can invest in infrastructure and other public goods that are essential for tourism:** This can help to reduce the risk for private investors and make destinations more attractive to tourists.

- The private sector can invest in new tourism products and services: This can help to create new jobs and opportunities for local communities.
- The private sector can work with governments to market and promote destinations to potential tourists: This can be done through joint marketing campaigns and other initiatives.

Conclusion. In many underdeveloped countries, where local capital markets are limited, the prime source of funds for hotel investment is likely to be found abroad. Foreign capital will be forthcoming only if the government takes positive steps to encourage it, including the simplification of regulations, reasonable protection of equity, and the assurance that foreign investors will be able to take their profits—or at least a proportion of these that will satisfy them—out of the country. Finally, investment in tourism is stimulated by the general nature of administrative services offered, and the control exercised, by the government. Naturally, entrepreneurs expect vigorous action in national and regional promotional and informational programs and in the maintenance of places of tourist interest such as historic sites and national parks. Furthermore, the government can be of service through its regulations for siting and land acquisition. Labor laws too are often important in setting the context within which hotels, restaurants, and other tourist facilities must operate; since the tourist industry is directed toward an international market, access to specialized foreign personnel is particularly important. In sum, the government can not only take direct action itself but can also create an ambiance of welcome to tourists and to the trade which serves them.

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