

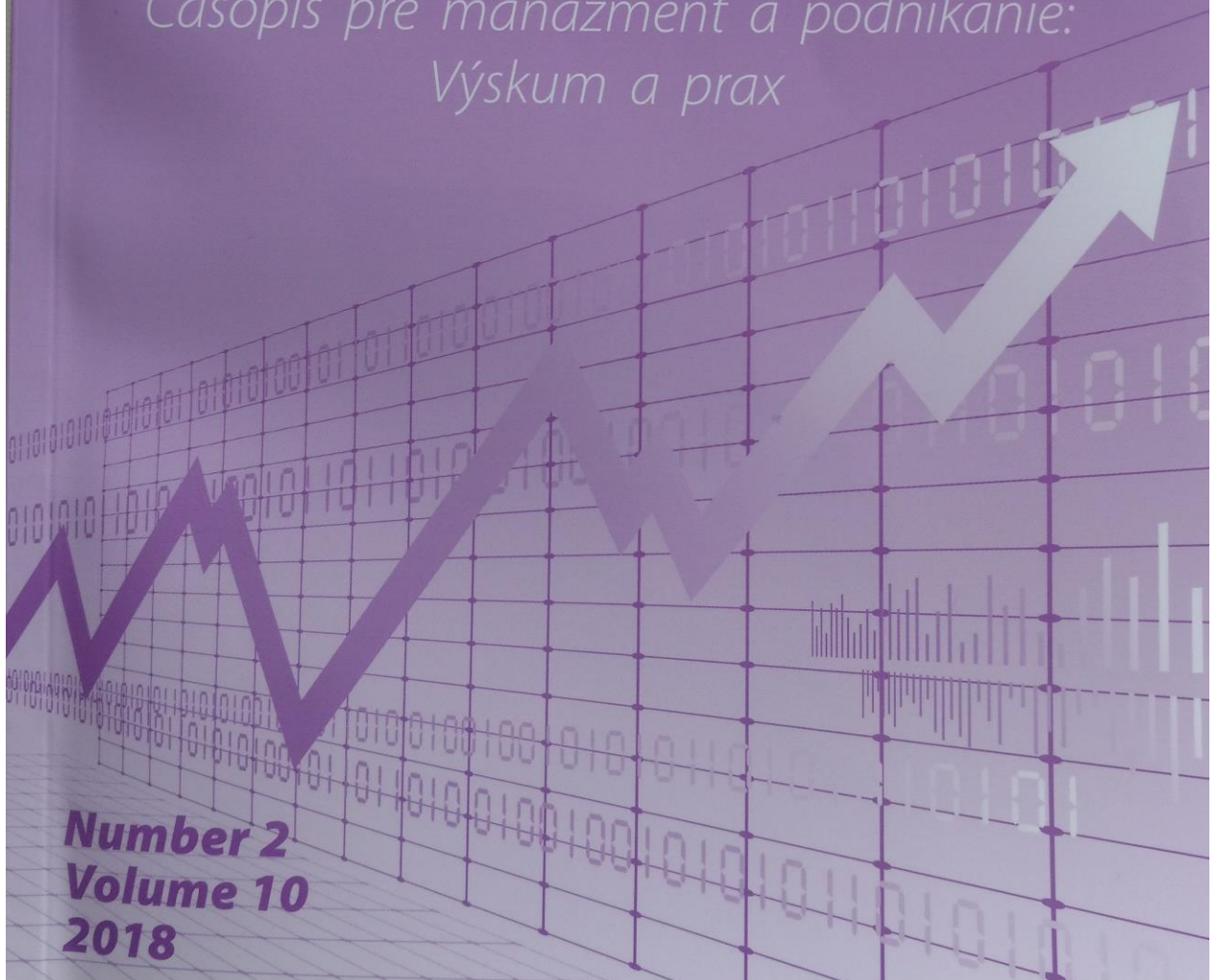
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Faculty of Management**

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## FINANCIAL MECHANISMS OF REGULATION OF THE DEVELOPMENT OF TOURISM INDUSTRY IN UKRAINE

### FINANČNÉ MECHANIZMY REGULÁCIE ROZVOJA CESTOVNÉHO RUCHU NA UKRAJINE

**Abstract:** *The tourist-recreational complex of Ukraine continues to experience a transitional period. But the progressive process of revival and development of the state, the activation of social policy convincingly testify that these difficulties are temporary.*

*The current state of development of tourism and recreation both in Ukraine and at the regional level is defined by academics as unstable, unstable, unsteady. During the first two decades of independence, with positive basic growth rates of tourist flow, there were constant pole fluctuations of the chain rates of its growth (decrease). The number of domestic tourists in the domestic market practically did not change. In the structure of tourist flows and tourism turnover by types of international tourism the advantage remains on the side of outbound tourism, the process of using tourism resources is characterized as insufficiently controlled.*

*Ukraine has significant tourist potential and all prerequisites for the development of domestic, inbound and outbound tourism. A strategy for the development of the tourist industry in Ukraine may be the creation of a world-class tourism product that is capable of meeting the tourist needs of the country as much as possible, and, on this basis, provides a comprehensive development of the territories and their socio-economic interests in preserving the ecological balance and the historical and cultural environment.*

**Keywords:** *tourism, financial mechanisms, services, profit, tourism industry.*

**Kľúčové slová:** *turistika, finančné mechanizmy, služby, zisk, cestovný ruch.*

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#### Introduction

Tourism-and-recreational complex of Ukraine continues to experience a transitional period. But advancing process of revival and development of the country, activation of social policy certifies convincingly that these difficulties are temporary. Changes in gross indicators of tourism development and recreation in the last 20 years are conditioned by objective factors of changes in the social-and-economic system and market reforms, opening of borders, changes in the structure of economy in favour of services sphere, as well as a set of targeted measures of organizational and managerial and economic nature in the industry.

Materials and methods, results and discussion. The positive impact of tourism and recreation on the state of the national economy and individual regions is insufficient, tourism-and-recreational potential available in Ukraine is not used enough, and qualitative characteristics of the changes and deeper analysis of the processes in the industry indicate about existence of a number of problems requiring a scientifically proven solution.

Current state of the development of tourism and recreation both in Ukraine and at a regional level is defined by academics as unstable, non-persistent, unsteady. Constant pole fluctuations of the chain rates of its growth (decrease) were observed with positive basic growth rates of tourist flow during the first two decades of independence. The number of domestic tourists in the inner market practically has not changed. Outbound tourism takes advantage in the structure of tourism flows and tourism turnover by types of international tourism, the process of using tourism resources is characterized as insufficiently controlled. At the same time, level of the development of domestic and inbound tourism by the world community is recognized as one of the indicators of the life quality and social-and-economic development of the countries, and the degree of rational use of resource potential in view of its preservation for the future generations as a precondition for the sustainability of tourism and recreation.

Tourism as a social-and-economic phenomenon, problems and issues of its formation, creation and development of tourism in general are always current for scientific research. In the case of Ukraine, it is important to develop and substantiate the efficient use of the potential of tourism industry at the local, regional and state levels, to ensure the development of the industry of tourism services, to analyze the prospects for further integration of the domestic tourism industry to the international market of tourism services.

According to the Law of Ukraine "On Tourism", dated 15<sup>th</sup> January 1995 it is considered as: "temporary departure of a person from the place of permanent residence for health, cognitive or professional-and-business purposes without engaging in paid activities" [1].

Ukraine has significant tourist potential and all preconditions for the development of domestic, inbound and outbound tourism. A strategy for the development of tourism industry in Ukraine can be formation of a competitive tourism product at a world market that is capable to meet tourist needs of the country's population as much as possible and provides a comprehensive development of the territories and their social-and-economic interests on this basis for preserving ecological balance and historical and cultural environment.

One of the most important factors influencing the development of tourism is the welfare of the population. There is a clear connection between the tendency of tourism development, general economic development and personal incomes of the citizens. Tourism market is very tangible to changes in the economy. Annual income increase of Ukrainian citizens will lead to more intensive tourism activity and, in particular, to increase in the number of consumers with high incomes. The development of tourism in Ukraine will allow creating additional jobs, enriching currency reserve, restoring neglected infrastructure, strengthening the authority in

the world community [3]. It is expected that in the near future there will be intensive development of cultural-and-cognitive, thematic, adventure tourism; the quality of the services provided in the field of tourism will become rapidly better due to strong competition; family expenses will increase faster on travel than other expenses [3]. The most important factors in the tourist mobility of the population are as follows: social-and-economic (welfare, national income per capita, general cultural level of the citizens, fares, accessibility of connections, residents' belonging to one or another social group), territorial (production-and-economic and historical significance of the regions, the number of population, the area of a settlement, density of building), organizational (branching of the transport network, convenience in use of vehicles and travel, quality of service, spending of time for travel), and natural-and-climatic [4].

Efficiency of tourism management can be considered in two directions: economic and social. Basic and the most simple are calculations of trips frequency and travel intensity. A model proposed by Yu.I. Blokhin can be used as a general concept of social-and-economic estimation of tourism development for a big tourist center or region. Tourism can be considered as one of the branches of the economy of the city and region as a whole. In this case, comparative estimation of effectiveness of different options for tourism development should be made taking into account the influence of this industry on the functioning of other industries.

It is possible to accept "profit" as a criterion of optimality which is received by social-and-economic sphere of the region from tourism activity. In general, mentioned profit will be equal to the amount of income from inbound and outbound tourism minus the costs used by the economy of the region for the development of tourism business. This profit represents the part of the profit received by the industry which comes to the disposal of the region and is spent outside this industry (that is the part of the profit spent on expanded restoring of tourism industry is not taken into account).

The components of income can be presented in the expanded form separately by tourists' arrival and departure. The following will be received after tourists' arrival:

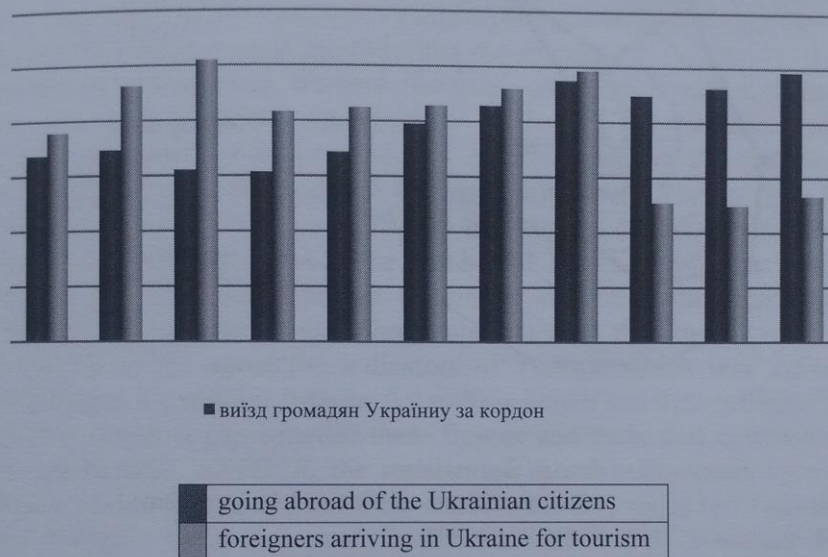
- direct income from inbound tourism in the form of various regional taxes paid by travel agencies and other participants of tourism business;
- income from tourists' expenses for servicing;
- indirect income from visiting hotels, bars, casinos, restaurants, entertainment, visiting historical and cultural centers;
- indirect income from creating additional jobs.

They can receive the following income after tourists' departure:

- direct income from the taxation of tourism business after tourists' departure paid by travel agencies and other business participants;
- income from additional using of transport and other objects of services involved in tourists' departure;
- indirect income from formation of additional workplaces in the system of service engaged in tourists' departure [5].

There was increased demand for the international tourist product in Ukraine in 2006: the Ukrainians began to travel to other countries in great amount. The 2008 financial crisis brought "two waves" of severe financial consequences to global tourism industry. Firstly, the lack of available resources in financial markets limited significantly the development of tourist facilities. Secondly, unemployment rising and income reducing among the population caused an "effect of family expenses optimizing" which was accompanied by a reduction in spending on leisure, the great share of which was accumulated by tourism. Financing of tourism development in Ukraine was carried out according to the final principle.

Fig. 1. Dynamics of tourist flows in Ukraine

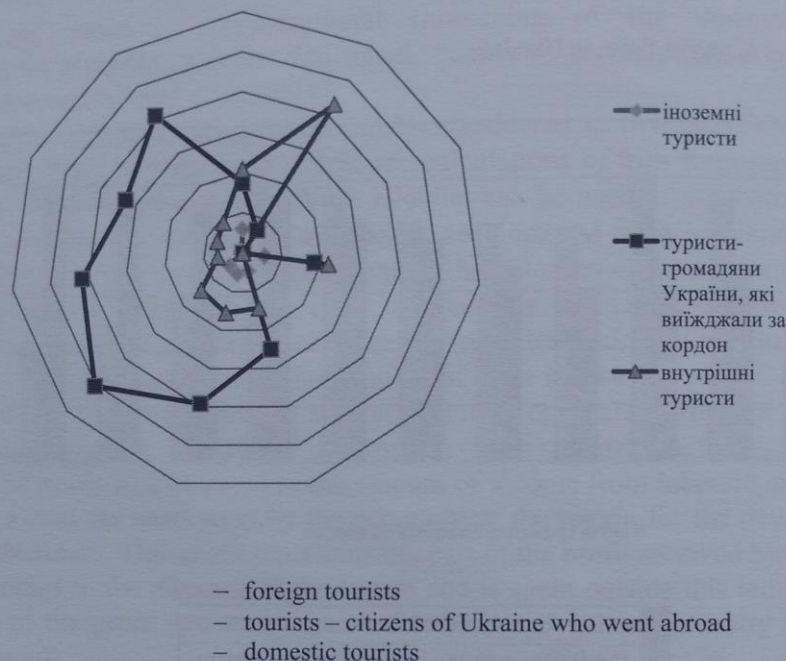


Our Ukrainian national cuisine, historical and architectural heritage, world-famous monasteries, temples, theaters and museums attract foreign tourists. Thus, during 2011, 21.4 million inbound (foreign) tourists visited Ukraine that is 1% or 212 thousand people more than in 2010. First of all, foreign citizens visit Ukraine for private purposes.

In 2013, more than 26 million tourists visited Ukraine that is 1.5 million more than in 2012. Tourism market in Ukraine sustained serious trials in 2014-2015. ATO, devaluation and falling of living standards affected all these factors. Demand for tourism fell by 70%. Outbound tourism flow from Ukraine reduced to 700 - 800 thousand, which was about 2 million people a year. Currently, the main tourism destinations of Ukraine are the coast of the Black and Azov Seas, the Carpathian Mountains, the cities of Kyiv, Lviv and Odesa [2].

Average annual growth of inbound tourism in Ukraine was 6.8% (Fig. 2). during the last 15 years. During 2014-2016, there was a decrease by two in the number of foreign citizens who visited Ukraine, thus, their number was 24.7 million people in 2013, only 12.7 million people in 2014 and 12.4 million in 2015 due to the anti-terrorist operation in some regions and temporary occupation of the part of Ukraine's territory.

Fig 2. Number of tourists served by the subjects of tourism business in Ukraine



During 2013 to 2015, the number of foreigners crossing the border of Ukraine halved (from 25.7 million to 12.9 million people) and in 2016 it increased only by a few percent according to the State Border Guard Service. Citizens of Moldova took the first place among the visitors of Ukraine - 4.5 million people in 2016 or every third visitor. The second and third were Belarusians (1.8 million) and Russians (1.5 million). 3.7 million people or almost 27% of all guests from neighboring to Ukraine countries of the EU (Hungary, Poland, Romania and Slovakia) arrived to our country in 2016. Instead, only about 15% of tourists from other countries of the world visited Ukraine.

However, 95% called private business as the reason for their visit and only 1.3% (172.8 thousand people) called it as tourism of 13.3 million foreigners crossing the border of Ukraine in 2016. More than 2% of foreigners explained their entry into our territory as transit. Belarusians (84.4 thousand) were the half of those who declared tourism as a purpose for entry to Ukraine at the border, a quarter (44.5 thousand) were Russians, and there were Turkish (12,2 thousand) and Israelis (10,7 thousand) among others in 2016.

The amount of recorded crossings of the border with Ukraine by the most numerous visitors of our country - Moldovans (4.5 million) is much larger than the population of this country which indicates: a significant part of these guests arrives very often not for tourism purpose. It is about multiple border crossings by the same people for other purposes. However, the same situation is typical in most countries with a large number of visitors. Though all of them are referred to foreign tourists, but in a classical sense they are not usually tourists. Mostly the thing is exchanges of visits in this or that business by the inhabitants from the border areas who cross the border many times a year "screwing" a "register" in such way.

For example, the visitors from three neighboring countries - Georgia, Bulgaria and Iran were in the first five by number of tourists in 2016 in the traditionally popular Turkey for Western European tourists. For instance, 2.2 million Georgians (while the entire population of Georgia is 3.7 million) and 1.7 million Bulgarians (with the population of 7.1 million inhabitants) visited the country.

The number of visitors from Western European countries is still at times lower in Ukraine than in neighboring Bulgaria or Romania, not mention Turkey. For example, Bulgaria in 2016 was visited by 1 million Germans, 282 000 Britons, 196 000 Frenchmen and 152 000 Italians. But speaking about Ukraine, there were only 171 500 Germans, 77 800 Italians, 70 400 Britons and 54 300 Frenchmen. As we can see, the smallest gap between the number of Italian guests (obviously, this is supported by the relations of former Ukrainian workers), while the largest one - Germans who still come to Ukraine almost six times less than to Bulgaria.

It is important to tell about the indicators of Turkey, which was visited by 3.9 million Germans, 1.7 million Britons, 0.9 million Dutch and 0.55 million Frenchmen in 2016. It is simply a gap between these figures and those that is now in Ukraine. We are significantly inferior in the number of Western European tourists before other Black Sea countries. For instance, there were 282 thousand Germans, 233,8 thousand Italians, 145,6 thousand Frenchmen and 140,6 thousand Britons in Romania in 2015. This is 2-3 times more than in Ukraine, although Romania has the same tourism potential as in Ukraine, twice the population.

However, distribution of tourist flows between the countries of the Black Sea is not constant. Therefore, Ukraine has a chance to compete for redistribution of tourist flows for its own benefit. And it is precisely because the number of guests coming to Ukraine from the countries not belonging to immediate neighbours has increased rapidly since 2014 even with the current problems in tourist infrastructure. The flow of visitors among the latter just from Hungary and Romania increased by third or more from 2014 to 2016. The number of visitors from Israel increased more than twice (from 101 thousand to 217 thousand), from Turkey - by 70% (from 120 thousand to 206 thousand). The number of guests from the USA (from 81.8 thousand to 138.2 thousand), Lithuania (from 30.9 thousand to 52.3 thousand) and the United Kingdom (from 44.2 thousand to 70.4 thousand) grew at the same rate. There were one and a half times more people coming from Azerbaijan in 2016 compared with 2014 (from 70 thousand and 106 thousand). The number of guests from Germany (up to 171.5 thousand), Italy (77.8 thousand), France (54.3

thousand), Czech Republic (49 thousand) and Georgia (48 thousand) increased by 30-40 per cent during this time [10].

There are more than 800 million tourist trips every year in the world where more than a half is within Europe. About 60% of these trips are connected with tourism. The share of tourism in world exports of goods and services is about 13% and 14% in the EU countries. Tourism industry forms 8% of joint gross domestic product of the EU countries and ensures nearly 11% of economic growth where there are 12% of world labour resources.

The main trends of tourism development in the world are:

- reduction the duration and increase the number of tourist trips, which, in particular, has formed demand for tourist offers which make it possible to visit a great number of places in a shorter time;
- active involvement of countries in a competitive struggle for influence on the parameters of the international tourism flow, including through the implementation of state programs;
- introduction of a regulatory framework and fiscal policy favourable for the development of tourism industry;
- creation of effective mechanisms for establishing and maintaining a balance between preservation of natural and historical-and-cultural resources and tourism business.

Tourism boom is expected according to the prognosis of the World Tourism Organization (WTO) in the XXI century: the number of travelers in the world will grow to 1.6 billion people per year by 2020, which means increase in tourist arrivals by 2.4 times compared to 2000. At the same time, by 2020, tourism revenues will grow to \$ 2 billion. It is expected that the leader by the number of tourist arrivals should be China (137.1 million). The second most popular are the United States (102.4 million), then France (93.3 million), Spain (71.0 million), Hong Kong (59.3 million). Daily expenses of tourists, except expenses for air travel, will increase to \$ 5 billion a day. Rapid development of outbound tourism is expected. The largest countries-suppliers of tourism flows can be Great Britain, Germany, Japan, the United States of America, China.

Promising prognosis for the development of tourism industry is associated with a probable business planning of its development indicators and assessment of its effectiveness in terms of uncertainty and risk. These conditions determine specifics of prognoses [6]. It is that the sources of uncertainties and methods of their taking while estimating the efficiency of the prognosis. Methods of estimating uncertainties are also determined by checking the stability of the prognosis (especially for the change of external factors), by formalization the description of uncertainties, by correcting parameters of prognosis. Concepts of limiting (admissible) values of selected parameters (indicators) are introduced. Factors of uncertainty and risk need to be considered if they have a significant impact on efficiency, in particular, on the amount of expenses when implementing the prognosis.

The following types of risks and uncertainties are the most significant while estimating the prognosis:

- risk associated with instability of economic legislation, with current economic situation, with terms of investment and use of profits;
- foreign economic risk (limitation of supply, trade, closure of borders);
- uncertainty of the political situation;
- incompleteness or inaccuracy of information about dynamics of selected technical-and-economic indicators;
- fluctuations in market conditions, prices, exchange rates;
- uncertainty of natural and climatic conditions (for example, mountain winter tourism became risky because of global warming), the possibility of natural disasters;
- production-and-technological risk;
- uncertainty of goals, interests and behaviour of the participants in the market of tourism services;
- incompleteness and inaccuracy of information about financial status and business reputation of the partner (bankruptcy, inability to pay).

Organizational-and-economic mechanism for implementing a prognosis project connected with a risk should include specific elements that allow reducing a risk or lessen negative effects associated with it. It is necessary to foresee specific stabilization mechanisms that would protect the interests of market participants under unfavourable changes in the conditions of prognosis implementation in prediction projects. In some case, it is possible to reduce the level of risk (due to additional costs for creation of financial reserves and stocks, improvement of technologies, risk insurance), and in other case - risk is distributed among the market participants (indexation of prices, providing of guarantees, special forms of insurance, system of mutual sanctions). All such expenses must be obligatory taken into account when determining the effectiveness of a prognosis project. A large number of risks and uncertainties was "laid" while implementing of investment projects in tourism which are decisive in prognostication its development.

One of the most important factors influencing the development of both domestic and international tourism is welfare of the population. There is a clear connection between the tendency of tourism development, general economic development and personal incomes of citizens. Tourism market is very tangible to changes in the economy. Under stable prices, growth of personal consumption from 2.5% increases expenses for tourism by 4%, and growth of personal consumption from 5% - by 10%. In particular, it has studied that increase of incomes of Ukrainian citizens will lead to more intensive tourism activity, including to rise in the number of consumers with high incomes.

The prospects for the development of a tourism sector of the economy depend heavily on the economic principles and methods of state regulation of this industry, which should be combined with the development of marketing research on the market of tourist services and formation of a modern strategy for promotion of regional tourism products.

Positive trends remained in the global tourism industry even in the context of economic crisis. Nowadays there are new powerful tourist markets, new successful players. The most popular types of tourism were identified in the analytical prognosis of the WTO of the development of world tourism by 2020: adventure, cruise, ecological, cultural-and-cognitive, thematic, and extreme. In world practice, tourism has a significant impact on the development of social-and-economic processes in the country and is an important element of its general strategy. Therefore, economic and social prognosis for the development of tourism industry is a part of the prognosis of the development of economy and social sphere of the country. It needs to take into account its peculiarities in modern conditions. And in the future, main directions of tourism development will be determined by the factors of social, economic, political and ecological character. At the same time, processes of uncertainty and existence of risk factors are deepened.

Researchers of tourism industry highly appreciate the effectiveness of its financing. S. Zaharchuk, in particular, notes that "tourism industry is the industry that can give significant profits at relatively low costs because the turnover of capital is 4 times higher in this sector than in average in other industries of the world economy, while expenses for creation one workplace in tourism infrastructure is 20 times less than in industry" [7]. Therefore, the decision of the issue on financial security of tourism industry is of national importance.

According to A. Kulinska financial support should solve the following main objectives of tourism industry:

- achieving of maximum efficiency of use of available financial resources - maximizing the volume of produced GDP based on selection of a rational model of financial support;
- establishing of optimal proportions of distribution and redistribution of produced GDP in order to meet in full the needs of citizens, enterprises of tourism industry, the country;
- comprehensive assistance in attracting all temporarily free funds and received income through the institutions of financial market for the needs of financial support of production of non-productive sectors, in particular, tourism industry in Ukraine [8]. The country should play a leading role in creating a favorable environment for tourism development.

The following state measures of financial nature for the development of the tourism industry are separated in scientific papers:

- financial-and-credit measures aimed at creating favourable financial-and-credit environment for the development of entrepreneurial activity in tourism industry (micro crediting, preferential crediting, state subsidizing, leasing, training on financial-and-credit issues for employees engaged in tourism industry);
- tax measures provide optimization of the amount of taxes for enterprises in tourism industry, provision of tax privileges for specific projects aimed at solving regional and social problems, investment in tourism industry (tax

regulation, optimization of the number and amount of taxes in tourism business, creation of favourable conditions for attracting investments; budget financing the programs of tourism development; granting of tax privileges) [9].

As for state financing of tourism industry, shapes and extent depend on the place and role of tourism in the national economy. The country plays the main role in this process in many countries. Tourism industry can be financed from various sources: budgets of different levels, extra-budgetary trust funds, own funds of enterprises, etc.

Financial support of tourism industry has a number of specific features primarily related to the mechanism of its functioning. In general, this industry needs financing in similar fields of activity (hotel and restaurant business, transport, entertainment infrastructure, folk crafts, etc.), and on the other hand, the social effect of tourism is that not only tourists but also local people use renew infrastructure.

The financing sources of tourism industry are:

- national budget;
- local budgets.

It is necessary to do the following in order to expand financial support of tourism industry from local budgets, [11]:

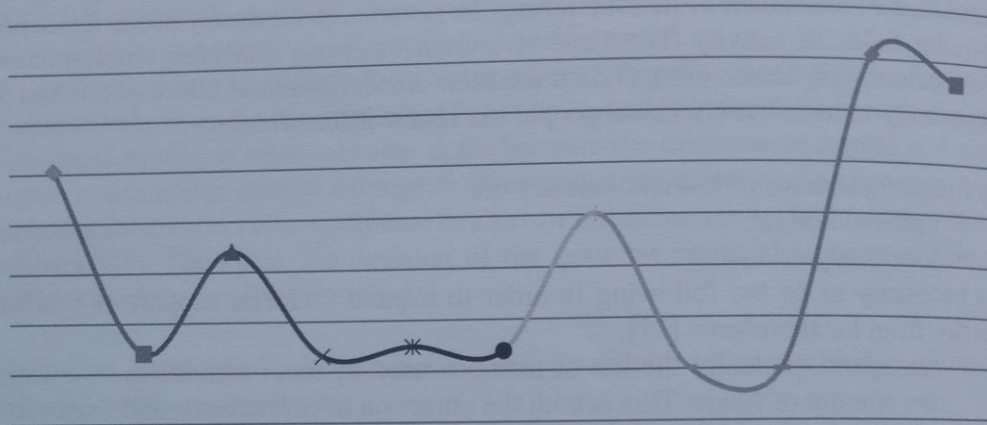
- to expand gradually the list of methods used by local authorities to enlarge the amount of funds. This is both the attraction of investments and expansion of the markets of crediting current needs (in particular, financing the maintenance of water supply networks, repair of buildings in housing and communal services), and access to financial markets;
- to spread a program-specific method of making and using local budgets in order to increase clearness and efficiency of using budget funds;
- to arrange inter-budgetary relations, increase the share of targeted financing, ensure formation of horizontal inter-budgetary relations;
- to ensure expansion of the revenue base of local budgets, give the shares of certain general state taxes (corporate profit tax, introduction the tax on real estate), and search for non-budget financial resources;
- to introduce mechanisms that would regulate allocation of funds for the implementation of innovation-and-investment programs of the development and modernization of production, transport infrastructure of regional significance and creation of new working places;
- private investment;
- international assistance [12].

One of the main sources of financing in the sphere of tourism is budget financing within the limits of expenditures mentioned in the state budget for the relevant year. The volume of budget financing in the field of tourism was 1.59 million UAH in 2011; 2.44 million UAH in 2012 and 1.94 million UAH in 2013. State policy in the field of financial security regulation of tourism does not do it systematically and

gradually, and constantly fluctuates between the need for investment in tourism and the desire to reduce budget expenditures. Obvious are insignificant volumes of budget financing of the tourism industry. Despite this government policy, revenue from tourism to the State Budget of Ukraine has a positive dynamics as depicted in Fig. 3

Although recently a gradual increase in financing in tourism-related spheres in Ukraine has observed, but their volume remains insufficient for effective and full activity of tourism.

Fig. 3. State financing of tourism in Ukraine



Taking into account experience of foreign countries, financing of tourism development has a final positive result in case if used:

- state financial mechanisms for support tourism industry;
- substantiated means and methods of statistical recording of tourism for correct determination of financial flows and financial balance in the field of tourism;
- positive experience of operation of transnational companies in the market of international tourism and taking into account their peculiarities in financing the host countries;
- development of information technologies in tourism as a new approach to its investment.

Another financial aspect of operation of tourism industry is providing tourism enterprises with financial resources; most of them are small where there are problems with their own financial resources; as well as tour operators need a significant amount of current assets to pay for services to hotels and transport companies before the tourist season. The source to enlarge fixed assets can be long-term loans, receiving of which is too problematic now. The main directions of the financing policy of tourism are both direct and indirect sources of financing. It is necessary to select own resources of enterprises, local budget and extra-budgetary

sources as direct sources for financing social tourism. Indirect sources are attracted capital, mainly borrowed, at the expense of private and foreign fund, as well as funds of public organizations, etc. The role of indirect forms of financial support (reduction the rates of certain types of taxes and fees, initiating of privileges, etc.) should be increased in the condition of going from financial and economic crisis and limitation of opportunities for providing direct financial support.

World experience involves the following types of state support to tourist companies, which should be more widely used in Ukraine:

- subsidies which help to solve the problem with cash, especially at the first stage of implementing tourist projects (widely used in Austria, France, Italy, Great Britain);
- preferential loans which allow to compensate the gap between fixed and commercial rate, control over the project implementation, under which a loan is given is carried out during all its term of implementation;
- bonification of interest and guarantee concerning loans and subsidies - the government or special body guarantees loans provided by commercial banks for tourism development. In this case, it is expected to conduct an assessment of the project possibilities to fulfill the conditions fixed in the provision of loans, as well as assess the risk of using guarantees;
- tax privileges granted after a certain tourist project starts to generate income (Italy provides VAT reducing to foreign investors).

Financial instruments that promote the development of tourism industry, which should be used in Ukraine, include:

- 1) budget financing the programs of tourism development, leasing;
- 2) crediting (granting of credits on preferential terms for financing of tourist facilities; reduction of interest rates of bank crediting);
- 3) tax privileges (exemption from the part of taxes) for specific projects, optimization of quantity, reduction of taxes and fees rates, reduction of tax pressure on the subjects of tourism activity, providing tax holidays etc.;
- 4) subsidization - irrevocable provision of funds to cover expences, increase profits;
- 5) support of enterprises by banks, insurance companies, corporations, etc. [12].

The tendency with attraction of foreign investments is negative. Thus, the volume of direct foreign investment in the development of tourism was only 470.5 million US as of 01<sup>st</sup> January 2016 which was less than 1% of the total volume of such investments in Ukrainian economy (Table 1).

Investment in tourism industry is necessary, namely investing in such divisions as: art, sports, entertainment and recreation, activity of hotels and similar objects of temporary accommodation, activity of catering establishments (restaurant business), activity of travel agencies and operators.

Table 1: Financing of tourist enterprises using direct foreign investments in 2011-2016, mln. Dollars

| Indicator                                                                                        | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    |
|--------------------------------------------------------------------------------------------------|---------|---------|---------|---------|---------|---------|
| Direct investments of nonresidents in Ukraine (capital stock and debtor's instruments), in total | 51774,5 | 58624,9 | 65787,0 | 67306,1 | 54041,9 | 51195,6 |
| Direct investments to enterprises of tourism, including:                                         | 1034,5  | 1092,2  | 997,5   | 603,5   | 523,3   | 470,5   |
| temporary accommodation and food servicing                                                       | 450,2   | 721,1   | 822,1   | 446,5   | 382,3   | 353,1   |
| art, sport, entertainment and recreation                                                         | 584,3   | 371,1   | 175,4   | 157,0   | 141,0   | 117,4   |
| Market share of direct investments (capital stock) of enterprises of tourism, in total, %        | 2,3     | 2,2     | 1,8     | 1,1     | 1,2     | 1,1     |

First of all, it is necessary to stimulate financial-and-credit measures which will be aimed at creating a favourable credit environment; fiscal measures which will provide the optimal amount of taxes for enterprises of recreational-and-tourism complex; social-and-psychological measures that would form image of Ukraine as a country conducive to recreation and tourism.

Therefore, investment in tourism sector has many advantages both for the economy of the country and for the investor himself:

- source of foreign currency earnings to the national economy;
- replenishment of a revenue part of the budget due to expansion of the tax base;
- increase in consumer demand;
- creation of new working places;
- enlarging of goods and services production which increase as a result of solvent demand of tourists;
- income of the population working in tourism sector is increased;
- fast payback period [13].

The development of tourism industry in the country during the studied period can be characterized as positive in general. The main reasons that put obstacles for attracting foreign investment include: low confidence in the government, military operations in the East of Ukraine, government interference in the sector of private business, shadow economy, corruption, instability of political situation and taxation sphere. However, the most important reason is the lack of a strategy for economic development of the country. The Government of Ukraine should clearly identify the priorities of the investment activity of tourism industry and it is advisable for this reason to choose measures and instruments of state regulation that it will apply. First of all, it is necessary to stimulate financial-and-credit measures which will be aimed

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In addition, the development of tourism has its disadvantages manifested in the following:

- affects the growth of prices for local goods and services, land and other types of natural resources and real estate;
- promotes outflow of money abroad through tourism import;
- causes environmental and social problems;
- can cause damage to the development of other industries, etc. [14].

In 2017, local budgets were replenished with a tourist tax by 70.2 million UAH that was 29% more than in 2016. Top-5 of tourist centers of Ukraine includes Kyiv, Lviv, Odesa, Ivano-Frankivsk and Zakarpattia regions.

Table 2: Dynamics of tourist tax in Ukraine

| Indicator             | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|-----------------------|------|------|------|------|------|------|------|
| Tourist tax, mln. UAH | 27,7 | 38,4 | 41,7 | 24,8 | 37,1 | 54,1 | 70,2 |

Kyiv received the largest tourist tax of 16.4 million UAH (+ 12% compared to 2016). The top five also included Lviv region with 10.7 million UAH (+ 27%), Odesa region with 9 million UAH (+ 23%), Ivano-Frankivsk region with 3 million UAH (+ 32%) and Zakarpattia region with 2.9 million UAH (+ 32%).

Zaporizhzhia region with 2.7 million UAH took the sixth place in terms of income. Kherson, Kharkiv and Dnipropetrovsk regions closed this rating.

Summary. It is necessary to stimulate the demand for tourism products which although is expensive at the cost, but provides the country with high profits, raises the level of employment and increases competitiveness of the country on the world market in order to solve financial and other problems in the process of the development of tourism industry. In addition, it should improve transport and hotel

infrastructure of the country. Ukraine has to distribute its tourism services by conducting advertising campaigns with the help of mass media both on the domestic and foreign markets. Cooperation with international organizations and support of connections with international investment tourist funds is the integral part of the development of tourism industry.

Thus, the strategic goal of the development of tourism in Ukraine is creating a product that is competitive in the world market, can satisfy maximally tourism needs of the country's population and provide a complex development of the territories and their social-and-economic interests on this basis.

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