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## Improving the Economic Mechanisms for Tourism Development in Uzbekistan

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### ABSTRACT

This article analyzes the issues related to improving the economic mechanisms for tourism development in Uzbekistan. The study explores the economic efficiency of ongoing reforms in the tourism sector, including tax and investment policies, financing methods, and public-private partnership mechanisms from a scientific perspective. In addition, the theoretical views of both foreign and local scholars are critically reviewed, and practical recommendations tailored to the conditions of Uzbekistan are proposed. Based on statistical data and analytical findings, conclusions have been drawn to support the creation of a stable economic environment for the tourism sector.

**Keywords:** tourism economy, economic mechanisms, investment policy, financing, tax incentives, public-private partnership, infrastructure, tourism services, competitiveness.

**Introduction.** In recent years, the tourism sector in Uzbekistan has become a strategic priority and a central focus of state policy. Under the initiatives of President Shavkat Mirziyoyev, large-scale reforms have been launched in the national tourism industry: visa-free regimes have been introduced, infrastructure has been modernized, and investments have been attracted to historical and natural sites. Between 2016 and 2024, the number of foreign tourists visiting Uzbekistan increased severalfold. However, despite this growth, the internal economic mechanisms of the tourism sector remain insufficiently effective.

The economic mechanisms of tourism - namely sources of financing, tax and customs procedures, the investment climate, public-private partnerships, and economic incentives - constitute the core platform for the sector's successful operation. Without systematic improvements to these mechanisms, it will be difficult for tourism to become a genuine driver of economic growth.

The development of tourism in Uzbekistan holds not only economic but also social, cultural, and political significance. As a result of recent reforms, tourism has emerged as a strategic sector and a top priority within national policy. A series of decrees and resolutions adopted after 2016 - including the establishment of the State Committee for Tourism Development, the introduction of the "Uzbekistan - a Country of Tourism" concept, liberalization of visa policies, and renewal of

transport infrastructure -have elevated the industry to a new level.

At the same time, increasing competition in global and regional markets, along with the seasonal and geographical limitations of tourist flows, necessitates the introduction of new and modern economic mechanisms to achieve higher efficiency in the sector. In particular, there is a growing need to attract investment into the tourism sector, promote small businesses, improve service quality, develop export-oriented tourism products, and strengthen cooperation among hotels, excursion agencies, transport providers, and food service businesses.

**Literature Review.** Numerous theoretical and practical studies by international and local scholars have analyzed the tourism sector from an economic perspective. These studies address the impact of tourism on macroeconomic growth, investment activity in the sector, state policies, and particularly, the effectiveness of economic mechanisms.

To begin with, D. Pearce, in his book *Tourism Today: A Geographical Analysis*, evaluates tourism as one of the key drivers of regional and economic development. He argues that improving tourism infrastructure and establishing effective market mechanisms can help stimulate local economies [1].

M. Porter, in *The Competitive Advantage of Nations*, emphasizes the importance of cross-sectoral clusters, value chains, and strategic state intervention to ensure competitiveness in the national tourism sector [2]. Based on his cluster theory, it is necessary to create economic integration between hotels, transport services, food providers, and cultural institutions within the tourism sector.

Researchers such as K. Cooper and J. Fletcher, in their widely cited textbook *Tourism: Principles and Practice*, propose analyzing the core elements of tourism economics through concepts such as supply and demand, market equilibrium, service exports, and foreign currency inflows. They note that economic efficiency in tourism depends not only on the number of tourists but also on the degree of commercialization of tourism services [3].

Among Uzbek scholars, I. Rakhimov highlights the negative impact of underdeveloped tourism infrastructure and low private sector activity on the tourism economy [4]. His research indicates that key infrastructural areas - such as transportation, logistics, and digital services - are developing slowly due to the lack of effective economic incentive mechanisms.

N. Nazarov, in his work, analyzes the effectiveness of state financing mechanisms in the tourism sector and criticizes the inefficient allocation of budget resources and the absence of a guaranteed investment environment [5]. He particularly notes that the legal framework for public-private partnerships is underdeveloped and poorly implemented in practice.

Reports by the UNWTO (United Nations World Tourism Organization) and the World Bank also focus on factors that stimulate tourism economies, such as favorable tax regimes, access to credit, competitive labor markets, and integration into international markets [6, 7]. These reports underline that in many developing countries, the economic potential of tourism is not fully realized due to financing constraints, legal barriers, and investment-related risks.

The analysis of these sources reveals four key directions for improving the effectiveness of economic mechanisms in the tourism sector:

1. activation of market-based mechanisms;
2. improvement of the investment climate;
3. adequate investment in infrastructure;
4. enhancement of the legal and regulatory framework.

**Research Methodology.** To improve the economic mechanisms for developing the tourism sector in Uzbekistan, a variety of research methods were applied. These include systematic analysis, historical and logical approaches, induction and deduction, analysis and synthesis, comparative

and selective case study methods, monographic analysis, and classification techniques. These methodologies enabled a comprehensive evaluation of the current state of the tourism economy and facilitated the development of practical recommendations based on empirical evidence.

**Analysis and Results.** Today, competition in the global tourism market is driven not only by advertising and infrastructure, but also by strong and sustainable economic models. In order to attract investors to the tourism sector, it is crucial to ensure a favorable tax system, a guaranteed legal environment, and financial stability.

However, in Uzbekistan, these mechanisms are not yet fully developed. For example: There is a lack of sufficient guarantees and subsidies for obtaining loans for tourism projects; Standardized tax schemes for tourism services are not yet in place; The legal foundations for public-private partnerships (PPPs) remain underdeveloped.

These shortcomings reduce investor confidence and hinder the formation of a stable financial ecosystem for tourism. As a result, despite growing tourist inflows, the sector's contribution to national GDP remains relatively low, and the pace of capital investment into tourism-related infrastructure and services is insufficient to meet long-term strategic goals.

**Table 1. Key Economic Indicators of the Tourism Sector in Uzbekistan (2018–2023)**

№	Year	Number of Foreign Tourists (million)	Tourism Revenue (billion USD)	Investments Directed to Tourism (billion UZS)
1	2018	5.3	1.04	1200
2	2019	6.7	1.35	1650
3	2020	1.5	0.33	980
4	2021	1.9	0.45	1100
5	2022	3.2	0.95	1450
6	2023	5.1	1.48	2100

**Source: Data from the Tourism Committee under the Ministry of Ecology, Environmental Protection, and Climate Change of the Republic of Uzbekistan.**

According to the data presented in the table, the flow of foreign tourists sharply increased from 5.3 million to 6.7 million between 2018 and 2019. During this period, state policies in the tourism sector, visa-free regimes, and marketing strategies proved effective. However, due to the pandemic, the number of tourists drastically decreased in 2020 and 2021, falling to 1.5 million and 1.9 million respectively. Recovery began in 2022-2023, and in 2023, the number of tourists reached 5.1 million, approaching pre-pandemic levels.

Regarding revenue dynamics, foreign exchange earnings from tourism amounted to \$1.04 billion in 2018 and increased to \$1.35 billion in 2019. In 2020, this figure dropped threefold to \$0.33 billion. However, by 2023, it rose to \$1.48 billion, exceeding pre-pandemic levels. This indicates an improvement in the quality of tourism services and an increase in tourist expenditures.

According to investment trends, investments directed to the tourism sector amounted to 1.2 trillion soums in 2018 and increased to 2.1 trillion soums by 2023. This represents more than a twofold growth over the past five years. This increase in investments is mainly linked to state-granted incentives, cooperation with international financial institutions, and increased participation of the private sector.

The existing problems in sector development and their solutions are as follows:

- **Seasonality problem:** Tourists mostly visit during spring and autumn months, which leads to inefficient use of infrastructure. As a solution, it is necessary to promote domestic tourism during the off-season periods.
- **Uneven service quality:** In some regions, tourism services do not meet international standards. This can be addressed through licensing and professional training.

- **Difficult access to financing:** Conditions for obtaining loans for private tourism businesses are tough. It is necessary to introduce grants and concessional credit mechanisms to support tourism startups.

The recovery and growth process of the tourism sector is progressing actively. However, by reforming economic mechanisms, particularly financing, investment environment, tax, and credit policies, this growth can be made sustainable and comprehensive. Based on the tables and data, effective economic policy remains a decisive factor in turning the tourism sector into a driver of the national economy.

**Conclusion.** Although the development of the tourism sector in Uzbekistan has recently become one of the priority directions in state policy, the effectiveness of its economic mechanisms has not yet been fully ensured. The analyses conducted in this article show that in order to stabilize and deepen progress in the tourism sector, it is necessary to introduce modern economic mechanisms that meet market demands.

Based on the results of the research, the following key conclusions were drawn regarding the role of tourism in the country's economic development:

1. **Tax and customs policy.** It is necessary to introduce a simplified and sector-specific tax regime for tourism entities, as well as simplify tax patents and business licenses for small businesses. Such an approach will help create a level playing field in the tourism sector.
2. **Improvement of the investment environment.** Strengthening the protection of private and foreign investments directed towards tourism, and reviewing public-private partnership agreements based on transparent and financially effective mechanisms is advisable. It is recommended to build infrastructure in tourist zones at the state's expense using a cluster approach, while allowing private operators to manage operations.
3. **Financing and credit mechanisms.** Special financial platforms should be established to provide concessional loans, insurance guarantees, and grants to support startup projects in tourism. This will help activate small and medium-sized enterprises.
4. **Infrastructure and digital technologies.** Developing tourism infrastructure in line with international standards, and widely implementing logistics, mobile applications, online booking, QR-code guides, and digital payment services will enhance tourism potential.
5. **Human resources and human capital.** Supporting specialized educational institutions for the tourism sector, and introducing modular, practice-oriented training programs in cooperation with private education providers is essential. Additionally, attracting foreign experts can improve the capacity of local personnel.
6. **Development of domestic tourism.** Engaging not only foreign but also domestic tourism in economic activities can help eliminate seasonality problems. It is advisable to develop regional trips and special social tourism programs for the working population.

Implementing these recommendations will improve the effectiveness of economic mechanisms in Uzbekistan's tourism sector and contribute significantly to the sustainable development of the national economy.

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