

ECONOMIC ANALYSIS AND RISK FACTORS OF INVESTMENT PROJECTS IN THE SPHERE OF TOURISM

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Abstract: This article systematically analyzes the economic efficiency of investment projects implemented in the tourism sector of Uzbekistan and the risk factors that arise during their implementation. The study substantiates the need to use such indicators as net present value, internal rate of return and payback period to assess the financial results of tourism projects. Also, based on the SWOT analysis and Monte Carlo modeling, investment risk levels are determined. The article puts forward proposals to improve the investment climate through public-private partnerships, digital technologies, service quality, environmental risk and regional cooperation.

Key words: Investments in tourism, economic efficiency, risk factors, SWOT analysis, modeling, digital technologies, public-private partnership, seasonality, investment attractiveness, environmental risk, quality of services, investment strategy.

Introduction

In recent years, the tourism sector in the Republic of Uzbekistan has been recognized as one of the priority areas of the national economy, and large-scale reforms are being implemented to modernize it, attract foreign and local investment, and improve the quality of services. In particular, the National Strategy for Tourism Development for 2022–2026 was approved, and attracting investment in the tourism sector and increasing their efficiency has become one of the main areas of state policy (Resolution No. PP-190 dated March 28, 2022).

In our contemporary world, the process of economic evaluation of investment projects in the tourism sector requires not only an analysis of their financial indicators, but also a comprehensive consideration of their risk level. In particular, factors such as seasonality, political and macroeconomic volatility, global crises, and demand instability can directly affect the success of these projects. Therefore, we all know that a comprehensive approach to making investment decisions, i.e. risk assessment strategies along with economic analysis, are of great importance.

This study focuses on determining the economic efficiency of investment projects in the tourism sector in the context of Uzbekistan, a systemic analysis of existing risk factors, and the development of scientifically based proposals and recommendations to strengthen control over them. At the same time, the analysis also includes the Law “On Tourism” (March 18, 2019) as the legal basis for investment and risk management in the tourism sector. This further increases the theoretical and practical significance of the study [1].

The main objective of this study is to assess the economic efficiency of investment projects implemented in the tourism sector of Uzbekistan, identify existing risk factors and propose modern approaches to their management. The study analyzes the advantages and limitations of investment in tourism based on economic and statistical methods such as SWOT analysis, net present value (NPV), internal rate of return (IRR), Monte Carlo simulation. Practical proposals and strategic directions for eliminating existing problems are also developed.

Literature review

The book "The Economic Impact of Tourism" by Dwyer L. and Forsyth P. examines methods for assessing the economic efficiency of investment projects in the tourism sector [2]. Scientists emphasize the importance of taking into account direct and indirect economic consequences when assessing investment projects in the tourism sector. The study presents methodological approaches to the use of cost-benefit analysis, multiplier effects and computer modeling methods for making investment decisions in the tourism sector. However, the book does not sufficiently study the influence of risk factors on the assessment of investment projects in the tourism sector. In addition, the study pays little attention to risk factors arising from the specifics of local conditions. Therefore, we believe that it would be appropriate to include in the development of the study a comparative analysis of the specifics of risk factors in different countries and regions.

Scientists such as Newell and Seabrook in their article "Risk Assessment in the Tourism and Hospitality Industry" analyzed the methods of identifying and assessing risk factors when assessing investment projects in the tourism sector. The scientists paid special attention to the importance of risk management strategies when making investment decisions in the tourism sector and analyzed them [3]. According to the results of the study, the success of investment projects in the tourism sector depends on such factors as seasonal changes, exchange rate fluctuations, as well as the ability to correctly assess socio-political stability. However, the study did not consider the problems of financing investment projects in the tourism sector in developing countries and ways to solve them. In order to improve the article, it is recommended to analyze the risk factors in more detail using the example of developing countries in Asia and Africa.

Williams A.M. and Shaw G. in their study entitled "Tourism and Economic Development: The European Experience" studied the impact of investment projects in the tourism sector on the development of national and regional economies using the example of European countries. The researchers presented several models of public-private partnership in the implementation of investment projects in the tourism sector [4]. They also concluded that the effectiveness of investments in the tourism sector largely depends on the level of development of the institutional environment and infrastructure in the country. In our opinion, it would be appropriate to study the possibility of risk management through the use of digital technologies in the study.

The following literature review is Chen, JS and Gursoy, D. "An Investigation of Tourists' Destination Loyalty and Preferences". This article analyzes the features of assessing the effectiveness of investment projects in the tourism sector in Asian countries. The study examines the mechanisms of making investment decisions based on the loyalty and preferences of tourists [5]. Scientists have proven the need to take into account cultural, demographic and socio-economic factors when implementing investment projects in the tourism sector in Asian countries. They also found that the intention of tourists to return is the main indicator determining the long-term sustainability of investment projects. In our opinion, this study recommends conducting a neuromarketing study of the cultural characteristics of tourists from different countries and their impact on the effectiveness of investment decisions.

In a study titled "The Tourism Investment Decision-Making Process in Asian Countries," conducted by Asian scholars such as Kim and Lee, the investment decision-making process in tourism in developing Asian countries was examined. The researchers paid special attention to identifying the features of implementing investment projects in tourism in Asian countries. According to the results of the study, the effectiveness of investment decisions in tourism in Asian countries largely depends on the benefits provided by the government and the level of infrastructure development [6]. The researchers also identified the need to take into account risk factors associated with corruption and bureaucratic obstacles when evaluating investment projects in tourism in Asian countries.

In our country, many studies have been conducted on this topic. For example, in the monograph “Features of Investment Project Management in Tourism in Uzbekistan” such researchers as Navruz-Zoda and Ibragimov analyzed the theoretical and practical aspects of investment project management in tourism in Uzbekistan. The study examined the features of assessing investment projects in the tourism sector of Uzbekistan, in particular, issues of taking into account national legislation. The authors proposed existing problems in the implementation of investment projects in tourism in Uzbekistan and ways to solve them [7]. The study also considered the mechanisms for financing investment projects in tourism in Uzbekistan and areas for their improvement. However, the monograph does not sufficiently cover the methods for assessing the impact of risk factors arising during the implementation of investment projects. Therefore, we believe that it would be advisable to introduce methods for quantitative assessment of risk factors arising during the implementation of investment projects in tourism in Uzbekistan for the development of research.

The analysis of the literature presented above shows that there is a wide range of studies on the economic analysis of investment projects and the study of risk factors in the tourism sector. However, while international studies have focused on more general theoretical approaches and the experience of developed countries, Asian and Uzbek studies have paid more attention to the specifics of local conditions. The analysis of existing literature shows that when studying the economic analysis of investment projects and the study of risk factors in the tourism sector, it is necessary to deepen research in the following areas:

Improving methods for quantitative assessment of risk factors arising during the implementation of investment projects in the field of tourism in developing countries, in particular in Uzbekistan;

ANALYSIS AND RESULTS

We conducted this analysis, considering it appropriate to conduct a SWOT analysis for the purpose of economic evaluation of investment projects in the tourism sector and identifying existing risk factors. This analysis is of great importance when making investment decisions in the tourism sector and serves as a valuable source of information for investors in the process of strategic planning.

Table 1. SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> — Uzbekistan’s rich historical and cultural heritage and unique natural resources allow it to sustainably support tourist flows. — The introduction of a system of tax breaks and preferences for local and foreign investors increases investment attractiveness. — Uzbekistan’s geographical location serves as a hub for tourist routes throughout Asia. — National cuisine, crafts and hospitality traditions expand the possibilities for diversifying tourism products. 	<ul style="list-style-type: none"> — Insufficient development of tourism infrastructure (transport, hotels, communications) reduces the effectiveness of investment projects. — The fact that the system of training qualified personnel does not fully meet the requirements of modern tourism services has a negative impact on the quality of service. — The strong influence of seasonality poses a threat to the financial sustainability of investment projects. — The lack of effective implementation of strategies for international promotion and branding of tourism products has a negative impact on the profitability of investment projects.
Possibilities	Threats
<ul style="list-style-type: none"> — There is an opportunity to develop 	<ul style="list-style-type: none"> — Emergencies such as global economic crises

<p>“smart tourism” platforms and improve the efficiency of tourism services through the introduction of digital technologies.</p> <p>— By developing ecological and rural tourism, it is possible to diversify tourist destinations and expand the investment portfolio.</p> <p>— There is an opportunity to increase the tourist flow by modernizing the transport infrastructure and opening new international flights.</p> <p>— The development of integration processes in the Central Asian region makes it possible to form regional tourist routes and expand the scale of investment projects.</p>	<p>and pandemics can lead to a sharp reduction in tourism flows and investments.</p> <p>— Geopolitical instability and security concerns in the region may cause investor uncertainty.</p> <p>— Environmental issues related to climate change have negative impacts on natural tourism resources and threaten the sustainability of rural tourism projects.</p> <p>— In the context of increasing international competition, active actions by other countries in the tourism services market may lead to a decrease in the competitiveness of Uzbekistan.</p>
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Summary of SWOT Analysis and Quantitative Assessment

Based on the results of the SWOT analysis, it is necessary to develop strategies to eliminate weaknesses and minimize potential risks, using existing opportunities, in order to increase the effectiveness of investment projects in the tourism sector.

Table 2. Quantitative assessment (on a scale from 1 to 10 points):

Category	Average score	Note
Strengths	7.2	Government support and the availability of natural and cultural resources are key strengths.
Weaknesses	6.8	Problems related to infrastructure and skilled personnel are pressing.
Possibilities	8.5	Digitalization and diversification of tourism have great potential
Risks	5.7	External economic and geopolitical factors pose the most serious risks

Investment attractiveness index:

The Investment Attractiveness Index (IAI) is calculated using the following formula: $IAI = (\text{Strengths} \times 0.3 + \text{Opportunities} \times 0.3) - (\text{Weaknesses} \times 0.2 + \text{Risks} \times 0.2)$

$$IJK = (7.2 \times 0.3 + 8.5 \times 0.3) - (6.8 \times 0.2 + 5.7 \times 0.2)$$

$$IDK = (2.16 + 2.55) - (1.36 + 1.14)$$

$$IDJK = 4.71 - 2.5 = 2.21$$

This indicator indicates above-average investment attractiveness (2.21 out of a maximum of 6 points). This indicates a positive potential for investment projects in the tourism sector of Uzbekistan, but points to the need to take strategic measures to eliminate potential risks and weaknesses.

Based on the above analysis, work should be carried out in the following strategic directions:

The first is the SO (Strengths + Opportunities) strategy. It would be appropriate to take the initiative in developing digital platforms and ecotourism projects using historical and cultural heritage and government support programs.

The second is the WO strategy (Weaknesses + Opportunities). That is, it is necessary to ensure the diversification of tourism services through the development of infrastructure and improvement of the personnel training system.

Third, the ST (Strengths + Threats) strategy. It is necessary to increase international competitiveness and diversify investment risks by increasing the uniqueness of national tourism products.

And finally, the WT strategy (Weaknesses + Threats), that is, it is necessary to stabilize the investment climate by improving the quality of tourism services, reducing the impact of seasonality and resolving security issues.

According to the results of the SWOT analysis, although investment projects in the tourism sector have high profitability potential, factors such as seasonality, high initial investment and the impact of global crises increase their risk level. Therefore, a comprehensive assessment of these factors is necessary when making investment decisions. According to the results of a comprehensive analysis of risk factors, the factors that have the greatest impact on investment projects in the tourism sector are political instability, changes in demand and global crises. Therefore, investors should pay special attention to these factors when developing a risk management strategy. We believe that this SWOT analysis and quantitative indicators will serve as an important basis for making investment decisions in the tourism sector of Uzbekistan.

Conclusion and suggestions

If we do not see any useful results from any economic activity after it has started, the probability of continuing this activity will decrease accordingly. Therefore, we must constantly monitor the effectiveness and risk level of investment projects, including in the tourism sector.

The results of our analysis show that, despite the high economic efficiency of investment projects in the tourism sector of Uzbekistan, the existing risk factors in this area significantly limit the sustainability of projects. According to the SWOT analysis, it is possible to minimize weaknesses (infrastructure, skills, database) and risks (geopolitical instability, global crises) at the expense of strengths (natural and cultural resources, government support) and opportunities (digitalization, international cooperation). And it should be noted that this process is carried out on the basis of long-term planned strategies.

Also, to strengthen the investment climate in the tourism sector and reduce risks within the framework of the above strategy, it is necessary to consider establishing public-private partnerships, introducing digital technologies, improving the quality of services, strengthening ecotourism and regional integration. Based on the results of the study, the following proposals can be made:

The first is a proposal to introduce a comprehensive risk assessment system. Namely, investment decisions should be made not only on the basis of financial indicators, but also on the basis of risk analysis. To this end, modern methods such as Monte Carlo simulation and scenario analysis should be introduced. This will clarify uncertainties, anticipate possible losses and develop strategies to overcome them. As a result, The success of investment projects will increase and investor confidence will be strengthened.

The second is a proposal for the development of digital technologies and “smart tourism” in tourism investments. The proposal includes the widespread implementation of digital platforms, artificial intelligence, online booking and analysis systems in the management of tourism services and projects. An important point is that this will allow for the efficient use of existing resources, improve the quality of service and promptly respond to the needs of tourists. As a result, the efficiency of investments will increase, and the tourist flow will become stable.

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