

**GCPMED 2020**  
**Global Challenges and Prospects of the Modern Economic**  
**Development**

**PRACTICE OF ATTRACTING INVESTMENTS INTO TOURISM**  
**DEVELOPMENT IN THE RUSSIAN FEDERATION REGIONS**

L. K. Agaeva (a)\*

\*Corresponding author

(a) Samara State University of Economics, Soviet Army Str., 141, Samara, Russia, liliya.agaeva@yandex.ru

**Abstract**

The current socio-economic development of the Russian Federation requires radical systemic changes in accordance with global trends. Our country has a huge territory, where unique natural, cultural and historical objects are located. Therefore, tourism can be one of the most effective tools for achieving a high level of development of the country. The tourism potential of Russia is underutilized, and the share of tourism in the country's GDP is only 3.4 percent. This trend is primarily associated with low investment activity in the tourism sector. The article analyzes the practice of attracting investment in the development of tourism in the regions of the Russian Federation. The main mechanism for investing investment projects in the tourism sector was determined. On this basis it was concluded that the main participant in the investment process in domestic tourism is the state. The main share of attracting investment in regional tourism is due to the implementation of federal targeted programs. During the period from 2011 to 2019, significant positive trends in the development of tourism were noted. Nevertheless, the main problem of domestic tourism is the low investment attractiveness for private investors to form a modern tourist infrastructure. The main direction of increasing investment attractiveness is the creation and development of tourist and recreational clusters. The development of tourist sites in clusters gives a positive synergistic effect. This will allow related industries to develop along with tourism, which will have a positive impact on the socio-economic development of the regions

2357-1330 © 2021 Published by European Publisher.

*Keywords:* Investments, investment attractiveness, regional development, tourism, tourism and recreational cluster



## 1. Introduction

The events of 2020 have dramatically changed the trajectory of economic development in many countries. The restrictions imposed in order to contain the spread of coronavirus infection have caused damage to many areas of activity and the tourism sector has been most severely affected. At the same time, we can note the revival in domestic tourism in many countries, including the Russian Federation. Despite the negative trends in the global economy, tourism remains one of the main drivers of development. For 10 years now, Russia has been actively promoting domestic tourism by the state. The main task of state programs is to increase the investment attractiveness of the tourism sector and financing of the most promising projects. Nevertheless, the trends of tourism development in the regions of the Russian Federation lag behind similar projects in the leading tourist countries. This is primarily due to the low volume of attracting investments in this area due to the lack of attractive conditions for the investor.

Many studies of foreign and Russian scientists are devoted to the problems of attracting investment in the development of tourism. Most foreign researchers focus on the development of a mechanism for attracting foreign investment in the development of tourism. Along with the globalization of foreign direct investment (FDI), tourism, as the earliest and largest international industry, is attracting increasing attention from investors. At the same time, more attention is paid to investing at the macro and national level, and at that time, local investment is poorly studied (Li et al., 2018).

At the same time, the impact of foreign direct investment on the development of tourism in different countries shows heterogeneous empirical results. A study of the direct and indirect impact of FDI on the economic growth of seven European Union (EU) countries with a significant share of tourism revenues and FDI in their economies demonstrated an effect that differs from the tourism development strategy (Sokhnavar, 2019). The results of a study conducted by French scientists show that the volume of bilateral incoming foreign direct investment between France and investor countries is directly proportional to incomes and inversely proportional to the distance between them. It is also found that differences between France and investor countries in terms of taxes, labor costs, the abundance of skilled labor, the supply of public goods, and the total volume of foreign direct investment also play an important role in investing abroad (Cró & Martins, 2020).

The uncertainty of the economic policy (EPU) of tourism investment has a significant negative impact on the volume of investments in tourism. Economic development, financial development and trade have a strong impact on the investment attractiveness of the tourism sector (Demir et al., 2020).

A study of the investment process of tourism development in Poland has shown the need for spatial diversity. It is revealed that there is an obvious need to redirect investments in tourism from the centers to the periphery in order to achieve more sustainable tourism development. In addition, it was found that the main factors determining the tourist attractiveness of cities are market potential, cultural values, social infrastructure and, in some cases, natural values. The tourism potential of cities and rural areas makes it possible to spatially disperse investments and counteract the concentration of phenomena associated with overtourism (Zarebski et al., 2019).

The same trends were revealed in the study of the investment attractiveness of tourism in Serbia. The authors consider rural tourism as a factor in the development of rural areas and agriculture, as well as a factor in reducing rural depopulation. At the same time, financial resources are a significant constraint for

the development of sustainable rural tourism. Therefore, the development of sustainable rural tourism requires financial investments both at the level of service providers and at the macro level (Radovic et al., 2020). Further development of tourism should correspond to the sustainable development goals and have a positive economic, social, cultural and environmental impact on the country (Spencer & McBean, 2020).

Thus, in foreign studies, the priority areas of investment in tourism development are to stimulate the growth of foreign investment, since promising tourist areas are located in developing countries with insufficient investment potential. Also, preference is given to the decentralization of tourism – the transition from the center to the peripheral territories, the development of rural tourism. At the same time, the main point is the compliance of modern tourism with the sustainable development goals.

Ambitious goals for the development of tourism in the regions of the Russian Federation also require huge investments. The implementation of state programs in order to form the supporting infrastructure of tourist sites often faces a lack of financial resources from domestic private investors. Therefore, it is important to consider attracting foreign investment in the tourism sector in the regions of the Russian Federation. The investment attractiveness of the tourism sector for domestic and external investors lies both in the total projected volume of generated revenues and in the conditions of "presence" on this territory (Bolodurina & Mishurova, 2017).

Investments in tourism in the regions of the Russian Federation can become a powerful source of renewal of production of services and economic growth. The development of forms and methods of attracting investment in tourism is of great importance (Sviridova & Negoda, 2020). Therefore, it is necessary to study and identify the main directions in investing tourism in the regions of the Russian Federation, which today have the greatest efficiency. It is also necessary to consider ways to improve the process of investing tourism in the Russian Federation.

## **2. Problem Statement**

Studying the practice of attracting investments in the tourism sector in the regions of the Russian Federation requires determining the main forms of investment. At the same time, it is necessary to systematize the factors that influence the formation of investment attractiveness. This, in turn, requires determining the indicators that potential investors rely on. Analysis of quantitative indicators of investment is necessary to determine its economic efficiency. Quantitative characteristic should reveal the proportion of different forms of investments. It is also necessary to analyze promising areas of investment in the Russian Federation. The overall assessment of the investment process of tourism development in the regions of the Russian Federation is quite important.

## **3. Research Questions**

Research questions in the article are formulated to answer the most pressing questions that arise in the process of investing in the tourism sector in the Russian Federation. The objectives of the study allowed us to identify a number of issues. What forms of investment are used in the regions of the Russian Federation at the present stage. What are the most effective tourist destinations? What is the share of

participation in the investment process of the state and business? What are the main problems of investment attractiveness of tourist sites? How to ensure the attractiveness of tourist sites for a private investor?

#### **4. Purpose of the Study**

The purpose of this study is to identify and analyze the main forms of attracting investments in the development of tourism in the regions of the Russian Federation. This will allow to form an idea of the main directions in this area, to identify their advantages and disadvantages. Intensive development of tourism is conditioned by the state strategy of economic development. The strategy of tourism development in the Russian Federation for the period until 2035 includes: growth of the tourist industry from 3158 billion to 16306 billion in 2035; an increase of more than 2 times the number of domestic tourist trips per resident of the Russian Federation to 2035. An increase in exports of tourism services of the Russian Federation from 8.9 billion dollars to 28.6 billion US dollars by 2035; increase in investments in the tourism sector in 3 times by 2035. (The strategy for the development of tourism in the Russian Federation for the period up to 2035 was approved by the Decree of the Government of the Russian Federation of 20.07.2019. N 2129-p). The implementation of the new strategy involves the formation of a competitive tourism product in the regions of the Russian Federation, which will increase the investment attractiveness of domestic tourism. State goals and objectives of tourism development in the regions of the Russian Federation determined the purpose of the presented study. Identifying existing practices for attracting investments in tourism development will help to form an idea of the main trends in this process. This, in turn, will reveal the possibilities of improving the investment attractiveness of tourism in the region through the formation of a competitive tourist product.

#### **5. Research Methods**

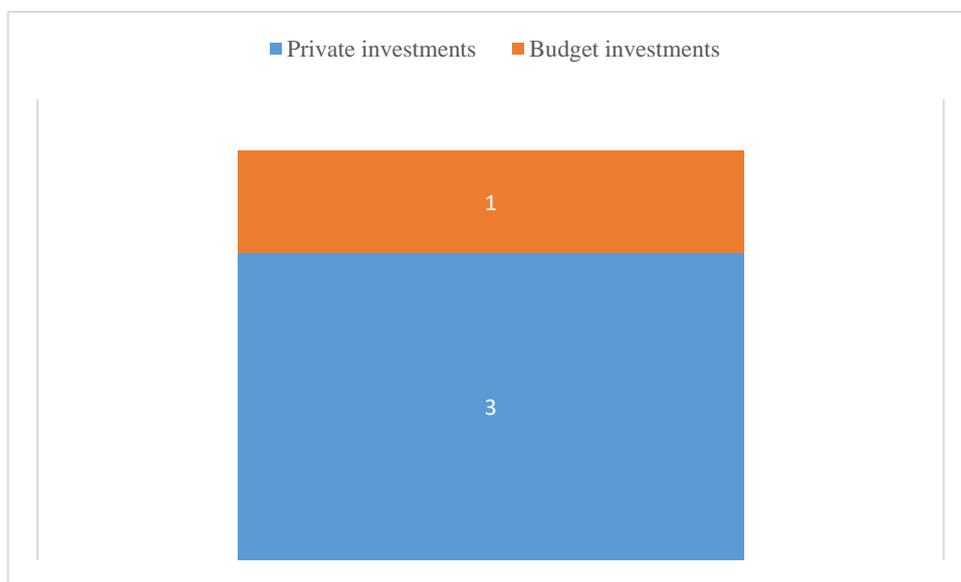
The study uses the method of comparisons and analogies, the method of generalizations, the method of expert assessments, content analysis, graphical and tabular methods of data visualization. The study was conducted as part of research works and activities. The main directions of the study were determined within the framework of research 9-20C "Development of a master plan and justifying architectural and planning materials for a comprehensive investment project for the creation and development of a tourist and recreational cluster on the territory of the Zhigulevsk city district of the Samara region". Participation in the acceleration program of methodological support and training of participants in the competition on the creation of tourist and recreational clusters and the development of ecotourism conducted by the association of strategic initiatives also played an important role in the study.

To determine effective methods of tourism investment, the best foreign and domestic practices of financing investment projects were considered. The study of the regulatory framework allowed to determine the mechanism of public and private investment of projects in the field of tourism. When determining effective investment directions, the concepts of creation and functioning of tourist and recreational clusters were studied.

## 6. Findings

The study made it possible to identify the main mechanism for investing in tourism projects in the regions of the Russian Federation, to determine the main directions in investment, and to consider promising methods of attracting investment in tourism. Active state stimulation of tourism development in the regions of the Russian Federation began in 2011 with the approval and implementation of the Federal target program "Development of domestic and inbound tourism in the Russian Federation (2011 — 2018)". The implementation of the program made it possible to increase the competitiveness of the domestic tourist market, create conditions for the development of tourist infrastructure, and attract investment in the industry. The activities of the program were also aimed at improving the effectiveness of promoting the national tourist product on the domestic and international markets, improving the system of personnel training.

45 tourist clusters were created on the territory of 35 subjects of the Russian Federation. The main amount of funds was directed to the first task: solving infrastructure issues that would allow creating a high-quality tourist product. At the same time, the domestic tourist flow increased almost three times compared to 2011 (+202%) during the implementation of the Federal Target Program. The volume of paid services of hotels and other accommodation facilities at the end of 2018 amounted to 248 billion rubles (+98% compared to 2011). In addition to state funding, the program is expected to attract extra-budgetary investments in a ratio of 3 to 1 to budget funds (Figure 1). The fulfillment of this condition is mandatory for the participants of the competition for the provision of financing of tourist and recreational clusters within the framework of the program.



**Figure 1.** Attract extra-budgetary investments in a ratio of 3 to 1 to budget funds

Source: author.

The structure of the programme budget and its implementation are presented in Table 1.

**Table 1.** Budget structure of the program "Development of domestic and inbound tourism in the Russian Federation (2011-2018)" and its implementation

Indicators	Provided for the implementation of the program	Actually mastered at current prices	Accomplishment
Amount of funds - total	117 066 700	115 026 278,6	2 040 421
Federal budget	24 521 400	22 924 985,12	1 596 415
Budgets of constituent entities of the Russian Federation and local budgets	7 585 200	7 301 013,46	284,186.5
Extra-budgetary sources	84 960 100	84 800 280,06	159,819.9

Source: author.

In general, the budget allocated for the implementation of the program was spent by 98.3%. The ratio of extra-budgetary and budgetary sources was 2.8 to 1, which practically corresponds to the conditions of the program. In 2018, the concept of the federal target program "Development of domestic and inbound tourism in the Russian Federation (2019 - 2025)" was developed. In accordance with the organizational and methodological foundations of the previous program. The achievement of the program's targets is expected to be carried out using a cluster approach and using the principles of public-private partnership. The program involves attracting at least 2.2 extra-budgetary funds for 1 ruble. The program provides for three implementation options: inertial, optimal and ambitious. Table 2 shows the projected amount of funding for the program in three scenarios.

**Table 2.** Projected funding volumes of the federal target program "Development of domestic and inbound tourism in the Russian Federation (2019-2025) "(Concept of the federal target program "Development of domestic and inbound tourism in the Russian Federation (2019-2025)")"

Types of financing	The amount,
1 option (inertial)	
Total funding - total	97919.6
including:	0
the federal budget*	24548.3
budgets of the constituent entities of the Russian Federation	6051.57
extra-budgetary sources	67319.73
Option 2 (optimal)	0
Total funding - total	387637.42
including:	0
federal budget	69266.66
budgets of the constituent entities of the Russian Federation	11799.92
extra-budgetary sources	306570.84
Option 3 (ambitious)	0
Total funding - total	676944.79
including:	0
federal budget	221842.51
budgets of the constituent entities of the Russian Federation	27198.85
extra-budgetary sources	427903.43

Source: author.

Thus, as in the previous program, the financing of tourism development is supposed to be more at the expense of extra-budgetary sources. To date, the program provides for the creation and development of

24 tourist clusters. The volume of cluster financing by year is: 2019 – 5426, 8 million rubles, 2020 - 4986, 2 million rubles, 2021 – 10572, 2 million rubles. The competitive selection of investment projects for the creation of tourist clusters in the constituent entities of the Russian Federation for receiving subsidies continues. The mechanism for attracting investment in the tourism sector in the regions of the Russian Federation primarily consists in state incentives and support of this process. Thanks to the presented programs, more than 50 tourist clusters are developing on the territory of the Russian Federation and the volume of domestic tourism is growing.

Considering the practice of attracting investment in the tourism sector, I would like to note other measures to increase the investment attractiveness of the tourism sector in the regions of the Russian Federation. In June 2020, an all-Russian competition was launched to identify pilot areas for the development of eco-tourism in terms of creating tourist and recreational clusters (TRC) as part of the integrated development of specially protected and adjacent natural areas (The Agency of Strategic Development Center, 2020). The results of this competition should promote the development of small and medium enterprises, growth of employment and incomes of the Russian regions, development of rural areas, promoting synergy between public authorities, entrepreneurs and local residents. 115 applications were submitted for the competition, as a result of the first qualifying round, 35 winners of the TRC were selected. And 17 TRC based on the results of the second stage of the competition. The objectives of this competition are

- involvement of regional interdisciplinary teams capable of developing master plans for tourism and recreation clusters;
- organization of methodological support and training of contest participants who have passed the selection process;
- identification of pilot areas for the development of ecotourism on the territory of the Russian Federation.

According to the results of the competition, the winners receive methodological support for the promotion of their projects to attract investment, and also have the opportunity to receive budget funds to solve the most topical problems of cluster development.

Also, the Rostourism (Federal Agency for Tourism) has developed and sent for approval to the government the national project "Tourism and hospitality industry" (Morozova, 2020). As part of the national project, it is planned to spend 524.8 billion rubles on the development of domestic tourism.

Analysis of the practice of attracting investments in the tourism sector showed that despite the positive trends, there is still a problem of attracting extra-budgetary funding for the implementation of investment projects. Therefore, in the future, it is necessary to pay special attention to increasing the investment attractiveness of tourist sites on the territory of the Russian Federation to attract private investments. The first step in this direction is to define independence and freedom for business. To do this, it is necessary to define clear, transparent and accessible regulations for participation in joint projects with the state in the field of tourism. It also means that public authorities can develop an information field where it will be possible to interact with various cluster participants, offer ideas and discuss them on an open basis.

Updating the domestic and foreign experience of investing in the tourism sector allowed to see the most problematic places to get a more complete effect. Therefore, due to the constant changes in market

conditions, consumer preferences, marketing strategies and other important micro and macroeconomic indicators, it is necessary to constantly monitor and apply new methods not only in project management of investment in the tourism sector, but also to check this topic in related industries to enhance the implementation effect. If we develop these areas comprehensively and in parallel, it will help to strengthen the synergistic effect of project management by creating a single field of impact. Thus, the state should provide an information platform and its infrastructure in order to more effectively attract private and foreign investors, as well as more efficiently invest public money in a particular direction. Among the main directions of improving the process of investing in the tourism sector, within the framework of the functioning of tourist and recreational clusters, is the development of public-private partnership. Promising areas for the development of PPP in the field of tourism can be joint projects of ecological and environmental content, ensuring the development of tourism, preservation, expansion and sustainable use of the regional system of specially protected natural areas; attracting private partners for the restoration, maintenance and inclusion in tourist destinations of decaying cultural monuments of regional significance, development and implementation of large investment projects in the field of entertainment (Guseva & Amelkina, 2017).

## 7. Conclusion

The current stage of tourism development in the regions of the Russian Federation requires a specific approach to the investment process. This primarily requires increasing the investment attractiveness of tourist sites in the regions and should be accompanied by strong state support. Global trends in tourism development suggest the active attraction of foreign investment, the shift of tourism from the centers to the periphery. The main concept of world tourism development is compliance with the sustainable development goals. The analysis of various indicators characterizing the development of domestic and inbound tourism in the Russian Federation has determined the trend for sustainable growth of this direction. Various types of state support in the form of federal targeted programs, development strategies and national projects were also considered. Thanks to this, it was determined that the state authorities are interested in further development of the tourism sector and will increase funds for the implementation of various activities, including within the framework of the national project. This will improve the investment attractiveness of domestic tourist sites and increase extra-budgetary investments.

## References

- Bolodurina, M. P., & Mishurova, A. I. (2017). Systematization of criteria for determining the investment attractiveness of the tourist potential of the territory. *Innovative Development of the Economy*, 2, 61-67.
- Concept of the Federal target program Development of domestic and inbound tourism in the Russian Federation (2019-2025). <https://tourism.gov.ru/contents/deyatelnost/programmy-i-proekty/federalnaya-tselevaya-programma-razvitie-vnutrennego-i-vezdnogo-turizma-v-rossiyskoy-federatsii-2019-2025-gody-/>
- Cró, S., & Martins, A. M. (2020). Foreign direct investment in the tourism sector: The case of France. *Tourism Management Perspectives*, 33, 100614.

- Demir, E., Gozgor, G., & Paramati, S. R. (2020). To what extent economic uncertainty effects tourism investments? Evidence from OECD and non-OECD economies. *Tourism Management Perspectives*, 36, 100758.
- Federal target program Development of domestic and inbound tourism in the Russian Federation (2011-2018). <https://tourism.gov.ru/contents/deyatelnost/programmy-i-proekty/gosudarstvennye-programmy-realizovannye-rosturizmom-do-2020-goda/federalnaya-tselevaya-programma-razvitiy-vnutrennego-i-vezdnogo-turizma-v-rossiyskoy-federatsii-2011-2018-gody/>
- Guseva, M. S., & Amelkina, D. V. (2017). Interaction of the state and business in the development of domestic and inbound tourism. *ARS Administrandi*, 9(2), 217-236.
- Li, T., Liu, J., & Zhu, H. (2018). The international investment in theme parks: Spatial distribution and decision-making mechanism, an empirical study for China. *Tourism Management*, 67, 342-350.
- Morozova, T. (2020). Rosturizm has developed a national project for the development of tourism. <https://www.vedomosti.ru/economics/articles/2020/10/08/842599-rosturizm-razrabotal-natsproekt-po-razvitiyu-turizma>
- Radovic, G., Petrovic, M. D., Bajrami, D. D., Radovanovic, M., & Vukovic, N. (2020). Can proper funding enhance sustainable tourism in rural settings? Evidence from a developing country. *Sustainability*, 12(18), 7797.
- Sokhnavar, A. (2019). Does foreign direct investment accelerate tourism and economic growth within Europe? *Tourism Management Perspectives*, 29, 86-96.
- Spencer, A. J., & McBean, L. M. (2020). Alignment of tourism investment to the SDGs in Jamaica: An exploratory study. *Worldwide Hospitality and Tourism Themes*, 12(3), 261-274.
- Sviridova, N. D., & Negoda, A. A. (2020). Investment activity as a form of regional tourism development. *Scientific Result. Business and Service Technologies*, 6(1), 22-29.
- The Agency of Strategic Development Center (2020). All-Russian competition for creation of tourist and recreational clusters and development of ecotourism in Russia. <https://www.centeragency.org/ru/projects/121>
- The strategy of development of tourism in the Russian Federation for the period up to 2035 is Approved by the order of the Government of the Russian Federation of 20.09.2019 N 2129-p). <https://www.garant.ru/products/ipo/prime/doc/72661648/>
- Zarebski, P., Kwiatkowski, G., Malchrowicz-Mosko, E., & Oklevik, O. (2019). Tourism investment gaps in Poland. *Sustainability*, 11(22), 6188.