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Article

Improving The Financing of The Tourism Sector

Xudoyberdiyeva Hilola Himmatovna

1. Tashkent State University of Economics, Independent Researcher (PhD)

* Correspondence: -

Abstract: The article aims to analyse existing financing mechanisms in the tourism sector and identify ways to improve them. The significance of the topic stems from the need to develop tourism infrastructure, enhance service quality, and attract investment. The article examines opportunities to finance tourism projects through bank loans, public funding, private investment, and public-private partnerships. Institutional factors, seasonality, and investment risks affecting access to financial resources are discussed. The author's approach focuses on assessing financing mechanisms against the criteria of resource availability, economic efficiency, and sustainable development. The proposed scientific contribution is an integrated approach to combining financing sources that considers the characteristics of tourism projects and their seasonal cash flows. The conclusion highlights the need to expand access to long-term financial resources, improve the investment climate, and strengthen financial support instruments.

Keywords: tourism sector, financing mechanisms, tourism infrastructure, investment, bank loans, public-private partnerships, financial resources, investment risks, seasonality, sustainable tourism.

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1. Introduction

The development of the tourism sector in Uzbekistan is important for expanding service exports, ensuring employment, and making effective use of the economic potential of the regions. Modernising tourism infrastructure, constructing hotels and other accommodation facilities, improving transport services, and creating new tourism products require sustainable financing. Therefore, attracting financial resources to the tourism sector and improving the mechanisms for their use constitute an important scientific and practical issue.

The financing challenge is not solely the availability of capital; it is the alignment of capital structure with the operating cycle of tourism enterprises. Accommodation facilities and destination infrastructure typically involve substantial upfront investment and long asset lives, whereas tour operators, guides, travel agencies, and small hospitality providers require flexible liquidity to cover booking, staffing, promotion, and supplier payments before revenue is collected. Treating these diverse requirements as a single financing problem may lead to inappropriate loan maturities, excessive refinancing needs, and inefficient capital allocation.

A further characteristic of tourism is the interdependence of complementary assets. A commercially viable hotel may still generate insufficient revenue where access roads, public transport, visitor information, waste management, and cultural-site services remain underdeveloped. Consequently, the social and territorial benefits of certain tourism investments may exceed the cash flows captured by an individual enterprise. This provides an economic rationale for carefully targeted public infrastructure investment

and, where appropriate, structured public-private cooperation, while preserving rigorous project appraisal and transparency [1], [2].

According to preliminary data from the National Statistics Committee, 11.7 million foreign citizens visited Uzbekistan for tourism purposes in 2025. This figure increased by 3.7 million, or 46.8%, compared with 2024. In particular, 3.3 million visitors came from the Kyrgyz Republic, 2.7 million each from Tajikistan and Kazakhstan, 984.4 thousand from Russia, and 278.9 thousand from China [3]. The increase in tourist arrivals intensifies the need for financial resources to expand the capacity of accommodation, transport, catering, and other services.

Growth in visitor arrivals provides useful evidence of expanding potential demand, but the number of border crossings should not be interpreted as a direct measure of hotel occupancy, overnight stays, or expenditure per visitor. For financing decisions, aggregate arrivals need to be complemented by regional visitor distribution, average length of stay, tourism expenditure, the share of organised trips, and seasonally adjusted occupancy. These additional indicators would allow lenders and investors to distinguish destinations with substantial monetisable demand from locations where arrivals are largely associated with short or transit visits.

The effectiveness of financing the tourism sector depends not only on the volume of funds but also on their cost, maturity, and compatibility with project cash flows. The seasonality characteristic of the sector, initial investment costs, and the long payback periods of certain infrastructure projects require a tailored approach to financing. Accordingly, bank loans, private investment, public financial support instruments, and public-private partnership opportunities need to be combined. It is also important to assess the economic performance of the resources attracted.

The relevance of the topic is also determined by regulatory documents aimed at developing tourism and stimulating investment. The Decree of the President of the Republic of Uzbekistan No. PF-87 dated 15 May 2025, "On Measures to Increase the Role and Importance of Tourism in the Economy by Significantly Increasing Tourist Flows and Rapidly Expanding the Range of Tourism Services in 2025–2026", sets tasks related to improving tourism infrastructure, implementing regional development programmes, and attracting investment to the sector [4]. In addition, Resolution No. PQ-348 of the President of the Republic of Uzbekistan dated 19 November 2025, "On the Organisation of the Activities of the Tourism Committee of the Republic of Uzbekistan and Measures for the Accelerated Development of the Tourism Sector", is aimed at ensuring the sustainable development of the sector, improving service quality, and increasing the competitiveness of national tourism products. The resolution provides for the development of tourism infrastructure, attraction of investors, support for entrepreneurial activity, and management of tourism facilities through public-private partnerships [5].

Specific mechanisms for providing financial support to tourism were also established in earlier documents. In particular, Presidential Decree No. PF-102 dated 18 July 2024, "On Additional Measures to Improve Tourism Infrastructure in the Republic of Uzbekistan and Further Increase the Flow of Foreign Tourists", provides for the opening, through commercial banks, of a credit line in national currency equivalent to USD 10 million to provide working capital to resident tour operators engaged in inbound tourism [6]. This mechanism demonstrates the importance of cooperation between banks and public financial institutions in meeting the financial needs of tourism entities.

Earlier studies approach tourism financing from several directions. International research links financial inclusion with the development of regional tourism economies [7]. It also proposes reward-based crowdfunding as a source of start-up capital for small tourism businesses [8]. Russian studies examine the efficiency of budget funds spent on tourism infrastructure [9]. They also consider public-private partnerships as a way to finance tourism clusters [10]. Local studies cover public and private sources of financing for tourism enterprises [11]. They also consider public-private partnerships, green bonds, investment funds and crowdfunding [12]. The effect of strategic financing on the investment attractiveness of the sector has been studied as well [13]. Policy literature adds that project appraisal should consider service quality and resource efficiency alongside

private returns [1]. It also stresses transparent preparation and risk allocation in public-private partnerships [2]. These studies show the value of diversifying financing sources, improving public support and attracting private capital. However, they discuss bank credit, budget support, private equity and alternative financing separately and do not explain which source should cover fixed investment, seasonal liquidity or project-specific risks. This article addresses that gap conceptually by linking each expenditure item to the maturity, repayment profile, risk sharing and monitoring requirements of the financing instrument. The proposed framework is an analytical contribution and not an econometrically estimated model.

The research object is tourism-sector entities in Uzbekistan and the processes involved in financing tourism projects. The subject of the research comprises the economic relations associated with the formation, attraction, and use of financial resources in the tourism sector, financing mechanisms, and the factors determining their effectiveness.

The aim of the research is to analyse the state of tourism-sector financing based on 2025 data and develop proposals for its improvement. To achieve this aim, the following tasks have been set:

a. To examine the sources and terms of tourism financing;
b. To analyse tourist flows and infrastructure needs;
c. To identify factors affecting the use of financial resources;
d. To develop proposals for improving bank lending, investment, and public-private partnership mechanisms.

The research uses statistical and comparative analysis methods, as well as a systems approach. Financing mechanisms are assessed according to the availability, cost, maturity, and economic efficiency of resources.

2. Materials and Methods

A comparative analysis of financing mechanisms demonstrates the need to select them in accordance with the characteristics of tourism projects. Bank loans make it possible for an enterprise to retain its ownership share; however, interest payments and collateral requirements increase its financial burden. Private equity makes it possible to attract funds without increasing debt obligations, but requires agreement on the investor's participation in profits and management. Government subsidies help cover part of project costs, while public-private partnerships make it possible to distribute resources and risks among the parties involved in infrastructure projects. Therefore, the cost and maturity of a financing source, as well as its compatibility with project revenues, should be the main criteria for its selection.

To improve the financing of the tourism sector, it is proposed that investment costs and working-capital requirements be planned separately. Long-term resources are appropriate for projects such as hotel construction and renovation, while short-term financing aligned with seasonal revenues is more suitable for covering current operating expenses. Aligning the principal repayment schedule with cash flows from the sale of services may reduce the payment burden during the low season. The effectiveness of this approach should be assessed using the debt service coverage ratio, project profitability, and investment payback period.

The assessment follows four analytical stages. First, financing needs are divided into investment expenditure, routine working capital, and contingency liquidity. Second, potential sources are compared in terms of maturity, effective funding cost, collateral requirements, ownership implications, and accessibility. Third, expected cash flows are assessed on a monthly or quarterly basis to identify seasonal financing gaps and debt-servicing constraints. Fourth, the selected structure is evaluated against commercial outcomes, public policy objectives, and environmental or social externalities where relevant. This sequence allows consistent comparison across projects without assuming that one instrument is appropriate for all tourism enterprises. Seasonality of demand is a recognised feature of tourism that complicates the matching of cash inflows and debt service [14].

For an individual investment project, net present value can be expressed as $NPV = -I_0 + \Sigma[CF_t/(1 + r)^t]$, where I_0 is the initial investment, CF_t is the net cash flow in period t, r is the discount rate, and the summation covers the project horizon. Debt service coverage is measured as $DSCR_t = CFADS_t/(Principal_t + Interest_t)$, where CFADS represents cash flow available for debt service. These measures should be assessed jointly with the internal rate of return, the break-even occupancy or sales level, and the time required to recover invested capital. A positive NPV under a base case does not necessarily guarantee adequate liquidity during the lowest-revenue months. Net present value is the standard capital-budgeting criterion in corporate finance [15].

Scenario analysis is therefore proposed as a supporting decision tool. The baseline forecast should be compared with plausible downside cases involving lower visitor demand, reduced average expenditure, delayed project completion, rising operating costs, or increased borrowing rates. A proposed financing arrangement would be considered more resilient when it remains serviceable under reasonably defined stress conditions, incorporates a suitable liquidity reserve, and limits currency mismatches between revenues and obligations. No project-level stress-test results are reported here because detailed borrower cash-flow datasets are not available within the evidence used for this article.

3. Results

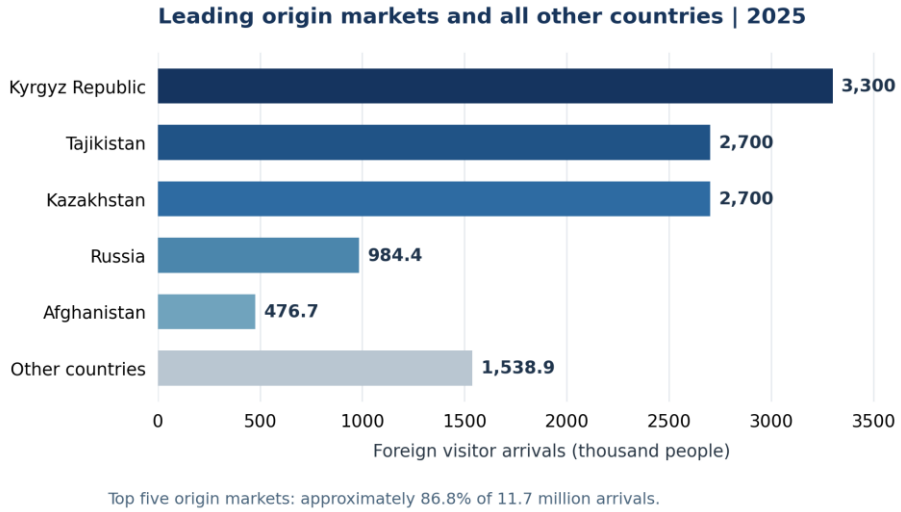


Figure 1. Distribution by country of foreign citizens who visited Uzbekistan for tourism purposes in 2025 (thousands of people).
Source: Author's visualisation and calculations based on the preliminary 2025 visitor-arrival figures presented in the manuscript [3]. Values are rounded; "Other countries" is the residual relative to 11.7 million arrivals.

According to the chart, in 2025, 3,300 thousand citizens from the Kyrgyz Republic, 2,700 thousand each from Tajikistan and Kazakhstan, 984.4 thousand from Russia, and 476.7 thousand from Afghanistan visited Uzbekistan for tourism purposes. These five countries accounted for approximately 86.8% of total visits. The fact that most visits came from neighbouring countries indicates the need to take demand in these markets into account when financing tourism infrastructure. Before directing investment towards hotels, transport, and service facilities, it is advisable to further examine tourists' length of stay, expenditure, and demand for services.

For investment appraisal, concentration in a small number of origin markets should be examined from both an opportunity and a risk perspective. It may facilitate targeted transport links, multilingual digital marketing, and customised short-stay products, but it also creates exposure to changes in travel costs, border procedures, household purchasing power, and regional transport conditions. Financiers should therefore examine destination-level demand diversification, rather than relying solely on national

arrival growth, when projecting accommodation utilisation and the future revenue of tourism facilities.

When financing tourism projects, it is necessary not only to attract resources but also to assess indicators that ensure their repayment. In this regard, a project's net present value, internal rate of return, debt-servicing capacity, and break-even point help substantiate financial decisions. Using these indicators together makes it possible to determine whether project revenues can cover costs and debt obligations, justify financing terms, and assess risks in advance.

Table 1. Economic Indicators of Tourism and Related Services in Uzbekistan

No.	Indicator	Reporting period	Value
1	Exports of tourism services	2025	USD 4.8 billion
2	Volume of accommodation and food services	2025	Approximately UZS 227 trillion
3	Growth in the volume of accommodation and food services compared with the previous year	2025	10.4%
4	Investment in fixed capital in accommodation and food services	January–June 2025	UZS 3.8 trillion
5	Investment in fixed capital in transportation and storage activities	January–June 2025	UZS 15.2 trillion
6	Investment in fixed capital in arts, entertainment, and recreation activities	January–June 2025	UZS 1.2 trillion

According to the table, in 2025, Uzbekistan's exports of tourism services reached USD 4.8 billion, while the volume of accommodation and food services amounted to approximately UZS 227 trillion, representing a 10.4% increase compared with the previous year. In January–June of the same year, investment in fixed capital amounted to UZS 3.8 trillion in accommodation and food services, UZS 15.2 trillion in transportation and storage, and UZS 1.2 trillion in arts, entertainment, and recreation. These indicators demonstrate the importance of coordinating investment directed towards different sectors in developing tourism-related infrastructure. However, since these activities also serve other consumers, their total investment volumes cannot be directly regarded as financing for tourism.

The indicators in Table 1 show a growing tourism-related economic environment, but they do not disclose the precise structure of financing received by individual tourism enterprises. To translate this macroeconomic context into project decisions, Table 2 compares major financial instruments by their intended uses, their main limitations, and the conditions under which they are most appropriate. This comparison is normative and does not represent observed allocation shares or a survey of bank lending.

Table 2. Comparative Assessment of Financing Instruments for Tourism Projects

Financing instrument	Appropriate project need	Main financial constraint	Recommended structuring and control
Long-term bank loan	Hotel construction, renovation and durable equipment	Collateral requirements; fixed debt-service obligations	Match loan tenor to asset life; assess DSCR and project NPV
Seasonal credit line	Tour operators and hospitality working capital	Revenue volatility; refinancing and liquidity risk	Link borrowing limits and repayments to the seasonal cash cycle
Private equity / joint venture	Growth projects and new destination facilities	Ownership dilution; governance and exit disagreements	Define shareholder rights, reporting duties and investor exit terms
Public subsidy or guarantee	Projects with justified spillovers or an access-to-finance gap	Budget dependence; selection and additionality risks	Use transparent eligibility, time limits and outcome-based monitoring
Public-private partnership	Shared-use visitor infrastructure and destination services	Complex procurement and long-term risk allocation	Undertake feasibility and value-for-money appraisal; assign risks clearly
Crowdfunding / targeted green finance	Small innovative products and eligible resource-saving upgrades	Uncertain fundraising; eligibility and disclosure requirements	Verify project feasibility, investor communication and use-of-proceeds reporting

Source: Author's comparative synthesis based on the mechanisms discussed in [1], [2], [8], [11], [12]; recommendations are analytical rather than observed financing conditions.

The comparison suggests that financing diversification is beneficial only when its instruments are functionally complementary. Adding multiple short-term loans to fund a long-lived hotel asset does not constitute prudent diversification, whereas combining adequate equity, long-term investment finance, and a separately managed seasonal working-capital facility can reduce maturity mismatches. Likewise, public support is most defensible when it addresses an identifiable financing constraint or generates measurable benefits that private investors cannot fully capture.

Improving the efficiency of financial resource use in the tourism sector depends on project selection and the determination of financing terms. Alongside the tourism potential of a region, existing infrastructure, demand for services, seasonal revenues, and the project's payback period should be taken into account. It is advisable to combine long-term loans with private capital when constructing hotels and tourism complexes, while flexible credit instruments should be used to meet the working-capital needs of small tourism enterprises.

To operationalise the proposed project-selection approach, financing agreements should identify both the risk owner and the metric used to monitor deterioration. Table 3 outlines a practical risk-and-performance dashboard applicable to a lender, investor, project sponsor, or public agency. The indicators are not proposed as fixed legal thresholds; project-specific benchmarks need to be calibrated to enterprise size, business model, seasonal demand, and the terms of the financing agreement.

Table 3. Risk Monitoring and Financing Responses for Tourism Enterprises

Risk dimension	Early-warning indicator	Financing or management response	Primary monitoring party
Demand and seasonality	Monthly occupancy, bookings, average spending	Seasonal repayment profile; flexible liquidity reserve	Enterprise and lender
Debt-servicing pressure	DSCR and projected free cash flow	Revise debt schedule; tighten cash-flow monitoring	Lender and project sponsor
Investment and construction	Cost-to-complete, delays, contingency use	Stage disbursement against verified milestones	Investor, contractor and lender
Foreign-exchange exposure	Currency of revenues versus liabilities	Limit open currency positions; assess hedging options	Treasury function and lender
Public support effectiveness	Verified outputs, usage and jobs generated	Outcome-linked disbursement and ex-post review	Responsible public authority
Environmental and social impacts	Energy and water intensity; local employment	Link eligible funding to measured safeguards and targets	Project sponsor and financier

Source: Author-developed monitoring framework, informed by the project-appraisal and risk-allocation principles in [1], [2].

4. Discussion

In practice, regular reporting of these indicators can improve the timeliness of corrective action. A deterioration in advance bookings may justify an early review of short-term liquidity, whereas cost overruns during construction require the reappraisal of total funding needs and completion risk. Where a public subsidy or a public-private arrangement is involved, monitoring should also capture service accessibility and other agreed public outcomes, not merely disbursement or accounting expenditure.

The results of the analysis indicate that improving tourism financing should not be limited to increasing the volume of funds. Diversifying financing sources, aligning loan repayments with seasonal cash flows, and regularly evaluating the outcomes of investment projects are priority areas. The effectiveness of allocated resources should be monitored through the volume of services, jobs created, project profitability, and fulfilment of debt obligations.

At the institutional level, an integrated information system for tourism finance could record the type and purpose of each project, its location, financing source, committed and disbursed amount, repayment period, and selected performance results. Such a dataset would help distinguish investment directly attributable to tourism enterprises from

investment in wider industries that also serve non-tourism customers. It could also support comparisons across regions, enterprise sizes, and project types, provided confidentiality and reporting quality are adequately protected. Tourism satellite accounting offers an established framework for separating tourism-related demand from other economic activity [16].

A phased implementation strategy is advisable. In the initial stage, banks and tourism enterprises could introduce standardised seasonal cash-flow projections and project appraisal templates. The second stage could promote targeted co-financing of viable infrastructure projects, with transparent evaluation and documented risk allocation. The third stage could institutionalise periodic ex-post assessments, allowing authorities and financiers to reallocate support toward instruments with demonstrably better economic and service-delivery results. This sequence emphasises governance and measurement as much as the volume of capital mobilised.

5. Conclusion

The study has shown that the growth of tourism-service exports and the volume of tourism-related services in Uzbekistan is increasing the need to improve financing mechanisms. Combining bank loans, private investment, public support, and public-private partnership opportunities is important for developing the sector. When determining financing terms, it is necessary to take into account the seasonality of tourism activities, project cash flows, and investment payback periods. Furthermore, total investment directed towards tourism-related industries cannot be interpreted directly as the volume of tourism financing. The effectiveness of the use of allocated funds should be assessed alongside their amount.

Based on the findings, the following recommendations are proposed:

a. Align loan maturities and repayment schedules for tourism projects with seasonal revenues and expected cash flows.
b. Diversify financing sources and expand the use of private capital and public-private partnership opportunities in infrastructure projects.
c. Allocate government subsidies and other forms of financial support according to clear selection criteria and regularly monitor their results.
d. Evaluate project performance based on profitability, the debt service coverage ratio, the payback period, and the number of jobs created.
e. Develop a system of comparable statistical data on loans, investments, and public support attracted for tourism projects.

These proposals will help expand tourism entities' access to financial resources, improve the validity of investment decisions, and ensure the efficient use of funds.

The principal methodological contribution of the study is the matching principle: fixed-asset expenditure, seasonal working capital, and public-benefit infrastructure should not be financed through identical instruments without regard to repayment timing or risk-bearing capacity. The proposed comparative matrix and monitoring framework translate that principle into a transparent set of choices for financial institutions, investors, tourism enterprises, and public authorities.

The findings remain subject to limitations. The analysis relies on secondary aggregate statistics and published policy materials; it does not estimate causal relationships between particular financing instruments and enterprise performance, nor does it measure the actual distribution of tourism lending by firm. Future empirical research should combine project-level loan data with monthly occupancy, expenditure, operating cash flow, and repayment performance to test the proposed financing framework and identify the strongest determinants of financial sustainability across Uzbekistan's tourism destinations.

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