

## The importance of tourism and tourism investments

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### Abstract:

*The importance of tourism investment to a country is great, both for tourism and for the economy as a whole, because capital goods tourist comprise tools which increase the production capability of the tourism economy and identify significant degree, the level of tourism development country or region. Investments in the tourism sector are a set of public resources and private resources, which creates difficulty in assessing the economic effects of tourism development and the development of a suitable strategy. Investments in infrastructure are of particular importance; by recognizing their contribution constitutes essential for planning and better programming tourism development, especially from the public sector. Creating a network of tourist infrastructure of the tourism product differentiates improves tourist image of the country or area of destination and promoting tourism development process. Investments in the tourist sector are characterized as capital intensive, due to the high cost of infrastructure and tourism superstructure 1. The country that wants development of the tourism sector must take a series of measures to coordinate the plan of rational economic development.*

**Key words:** Tourism, capital investment, development, Resources, Economic

## THE IMPORTANCE AND NECESSITY OF TOURIST INVESTMENT

Tourism is considered by the government as the most promising economic sector of the country. The realization of the tourism

product means necessary tourist capital, aimed at the continuous investment of financial resources for the construction, maintenance, and modernization of a number of objects of tourist infrastructure and superstructure. Tourism is a complex mutual complementary products and services, production units, physical and human resources, which affect the implementation of a series of investments in infrastructure and superstructure, in order to achieve production and consumption of tourism repeatedly changed in a host country<sup>1</sup>. The capital is one of the most important factors of the tourism product, which affects the ability and the size of the tourism economy, and therefore the size of the total tourist demand. Thus, the concentration of a financial framework based on a programming term economic and environmental development of the country and backed by the financial resources of different, is a necessity and a condition satisfactory to the development of tourism and overall development of the country that hosts and accommodates tourists. The importance of tourism investment to a region is great, both for tourism and for the economy as a whole, because capital goods tourist comprise tools which increase the production capability of the tourism economy and identify significant degree, the level of tourism development country or region. Investments in the tourism sector are a mix of public resources and private resources, which creates difficulty in assessing the economic effects of tourism development and the development of a suitable strategy. Investments in infrastructure are of particular importance. By recognizing their contribution constitutes essential for planning and better programming tourism development. Creating a network of tourist infrastructure of the tourism product is different, improves tourist image of the country or area of destination and promoting tourism development process. Investments in the tourist sector are characterized as capital intensive, due to the high cost of infrastructure and tourism

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<sup>1</sup> Pearce, D.1989. "Tourism Development", Second Edition, Longman Scientific and Technical

superstructure. R. Erbes (1973) states about tourism that "It is a" heavy industry,<sup>2</sup> in terms of investment, because tourism does not represent a sector of the real economy, but a set of activities that depend on sectors and branches (transport, construction, public buildings, etc.). "The country that wants development of the tourism sector should be take a series of measures to reconcile the rational development plan of the economy.

### **THE ROLE OF THE STATE IN RELATION TO TOURISM INVESTMENT IS:**

- ✓ Must first determine the level of development that aims to take the tourist sector. This requires as a first world tourist market research and ongoing adoption of specific programs, which are as massive tourism development, as well as elite tourism development in accordance with the definition of tourist areas.
- ✓ Be determined, clearly, the role of public and private sector in tourism development.
- ✓ Be determined role origin of national or international capital invested in tourism sector.
- ✓ Tourism investment inflows cause economic activity through:
  - ✓ Family sector
  - ✓ Produces sector
  - ✓ Public sector

Tourism investments are considered, in general, the establishment of venture capital from investor in tourist businesses, with a view to bring them some income in the future.

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<sup>2</sup> Durand, H., Guirand, P. and Spindler, J. 1994. "Economie et politique du tourisme", Ed.L.G.D.J., Paris,1994.

## CATEGORIES TOURIST INVESTMENT

J. Heytens (Heytens, J. 1974) identifies three major categories of tourism investments:

- ✓ Investment which does not stem from tourist income, where we can mention the planning of infrastructure, organization management, etc..
- ✓ Investments deriving indirect tourism revenues, such as water supply, distribution of electricity, road, airports, tourist advertising funded hotel and airline businesses, etc. Investment by deriving income directly tourism, hotels, restaurants, swimming pools, tennis courts, taxis, entertainment centers, financed by investment etc. The first two categories of investments largely taken over by the state, despite having the second category there is an association between the state and private investors, while the third category belongs almost exclusively to the private sector.

By P. Fabre, the investment required for the development of tourism in a country distinguished in two categories:

- ✓ Investments in businesses that sell goods and services which are consumed directly by visitors
- ✓ General Investment in infrastructure and public services.

State contribution to tourism development is expressed in two main directions, one of them being the creation of a favorable climate for favorable investment.

As to the first, they received several factors which are able to meet the requirements of the first direction:

- ✓ The prospect of a general development.
- ✓ The public announcement of tourist development programs.
- ✓ The role of government and administrative support.
- ✓ Creation of the overall infrastructure.

## THE MAIN CAUSE THAT IMPACTED POSITIVE TOURIST INVESTMENTS IN ECONOMY

Tourist investments economic impacts of multiple causes in the process of developing the tourist economy. Their scope depends on the nature, size and quality of the structure of the different categories of investments realized in the tourism sector. Tourism investments are able to cause a series of macro-economic impacts, direct or indirect, in the host country for tourists.<sup>3</sup>

The main cause that impacted positive tourism investment in the economy and social life of a country are:

- ✓ Bring new employment opportunities.
- ✓ Utilize tourism resources assets.
- ✓ Economic development procedure tourist Shpejtësojnë
- ✓ Cause impacts multilateral mechanism driving the tourist economy manufacturer
- ✓ Strengthening the supply of tourism goods and services.
- ✓ Improve tourist production and competitiveness.
- ✓ Cause significant impacts in productive grades and in different regions.
- ✓ Extend the working cycle of economic activity tourism and thus create potential sources of public revenue increase.

The level and scope of the potential economic impacts of the above depends on many factors, which vary from place to place, where we can mention:

- ✓ The level of tourism development that is country or region.
- ✓ The overall strategy and program of tourism development.
- ✓ Tourism development measures (p.sh. Funding of tourism businesses).

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<sup>3</sup> Fabre,P. 1979. "Tourisme international et projets touristiques dans les pays en developpement", Ministere de la

- ✓ Institutional framework for tourism development.
- ✓ National and regional policies to develop tourism.

In relation to tourism investment (public or private) is necessary for every investor, can assess the return of capital to be invested. Thus, one can choose the most efficient investment, d.m.th what more maximizes its return of capital.

## **FOUR MAIN FACTORS AFFECTING INVESTOR INTENTIONS**

The main factors affecting the investors' goals, related to the economic benefits that will result from implementation of those tourist investments, respectively:

1. The pace of development of production methods and new products in the tourist economy.
2. The cost of acquisition and the use of capital products in tourist economy
3. The cost of the financial capital required for the purchase of physical capital in the tourist economy.
4. State policy to strengthen investment activity in the tourist economy.

## **THE FINANCING AS A BASE AREA OF STATE INTERVENTION IN THE DEVELOPMENT OF TOURISM**

The financing and construction of infrastructure is one of the most important policies that can affect the development of tourism and overall development of a country or different regions within a country, characterized underdeveloped. Successful development of tourism in a host country is directly related to the creation of a financial framework for the creation of necessary infrastructure and superstructure in quantity and quality required to provide annual production of tourist consumption. More specifically, tourism as a special tourism consumption includes the main categories of consumer society

(accommodation, food, transport, entertainment, shopping, etc.) necessary for the man to his residence as a tourist destination and resort. So, considering tourism as an individual consumption special annual qualitative and quantitative, it becomes necessary the realization of the implementation of a financial policy for the construction and improvement of basic infrastructure and services of public benefit, which are capable of meeting the needs the general structure of social production and the country, as well as the visitor needs and expectations.

According to world literature, basic sources of financing tourism development are <sup>4</sup>:

- ✓ financial policy of the state.
- ✓ global financial organisms.
- ✓ domestic private capital.
- ✓ private foreign capital.

## **THE IMPORTANCE OF LOCAL GOVERNANCE AND STRATEGIC PARTNERS**

Regarding the role of the state, a key point to be faced in promoting sustainability policy in general and tourism in particular sustainability relates to the different roles that can compete government bodies at central and local levels. Local governments generally considered most appropriate to coordinate the development of tourism at the local level and direction of the development agenda of sustainable tourism destination<sup>5</sup>. Since the period of the Brundtland Commission, the local government in particular has been under close surveillance by its role in the direction of the sustainable development agenda in the context of tourist destination. Local tourism structures in tourist destinations have a duty to promote the destination and to undertake joint activities with

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<sup>4</sup> Wanhill ,S. 2001. "Issues in Public Sector Involvement", in Faulkner B, Moscardo G. and Laws E (eds),

<sup>5</sup>Bramwell, B. (2011). Understanding the sustainable development of tourism. *Annals of Tourism Research*; 38 (4).

private businesses in order to improve coordination and cooperation with the tourist offer and national level. This system offer significant tourist destinations managed by the actions of their government entities and generally by government actors tourist central and local level. On the one hand, in fact, the totality of the factors influenced the attractiveness of destinations, especially in its quality levels, the economic, social and territorial approved by a government. By institutions in turn, responsible for tourism have played a leadership role in the development of its offer and are they actors strategies and actions for the promotion and development of tourism.

- ✓ Provide standards and guidelines for the marketing and promotion of the destination.
- ✓ Develop a marketing strategy for the destination, including the setting of the destination brand in a joint process.
- ✓ Definition and implementation of marketing activities (for destination site, brochures, public relations, etc.).
- ✓ Establishment of Tourist Information Centres.

Politics in a tourism context is thus a tool to create a balance between protecting the interests of stakeholders of the tourism industry, people affected by tourism and providing an action plan to guide decisions and to achieve rational outcomes. Local government functions and powers in relation to rely on tourism<sup>6</sup>.

- ✓ Territorial Management
- ✓ Local Development Planning
- ✓ Public services
- ✓ Infrastructure Investments
- ✓ Marketing destination
- ✓ Support the local economy
- ✓ Community involvement

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<sup>6</sup> Lisa Ruhanen (2012), Local government: facilitator or inhibitor of sustainable tourism development? *Journal of Sustainable Tourism*.



✓ heritage and traditions of the community.

A key challenge is the orientation of local government increasingly global foreign forces in local development in order to achieve the development of a common vision of the local population. As a provider of social services, as regulators of economic activity and management of the natural environment, local authorities have more direct instruments at their disposal to influence the development.

UNEP / ICLEI<sup>7</sup> It suggests that local authorities are best agencies in place to manage tourism in a destination. It is also broadly supported the view that the key to successful implementation of policy is the emphasis on local participation. For this reason, local involvement is essential for planning and destination management<sup>8</sup>.

## **FAVORABLE FISCAL POLICIES**

The government will promote fiscal policies which derive from economic objectives, while stimulating new investments, employment and attracting foreign capital. Appropriate tax system and favorable business environment are the most important pillars for sustainable development of the private sector in the country. Therefore, continuous improvement of 7 tax system and tax compliance are core priorities of the Government of Kosovo. This ambition is aimed at expanding the resource base to finance Kosovo's economic development and social cohesion agenda, and at the same time maintaining the competitive advantage of the country's business environment. The government will work to conclude the process of fiscalization of all businesses through: raising awareness of redeem Fiscal equipment, offering incentives for whistleblowers in this process; encouraging small and medium enterprises in the financial statements, reducing obligations and simplify the

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<sup>7</sup> UNEP / ICLEI (2003).

<sup>8</sup> Ryan, C. (2002) Stages, Gazes and Constructions of Tourism. In *The Tourist Experience*, C. Ryan, ed

tax reporting procedures. In parallel with the establishment of the internal revenue tax, will lower the threshold for payment of the VAT progressively<sup>9</sup>.

## **PROMOTING INVESTMENT**

Strategic orientations for investment promotion platform relating to the strengthening of the private sector and promote investment, including foreign direct investment. Institutions under the Ministry of Trade and Industry (MTI), such as the Agency for Investment and Enterprise Support in Kosovo Business Registration Agency of Kosovo, the Kosovo Standardization Agency will be in the accomplishment of these strategic orientations. In this regard will be used potentials of the Ministry of Diaspora, especially the business networks created in the Diaspora.

## **COMPLETION:**

The tourism industry is considered one of the most strategic sectors of development in Kosovo, due to its contribution to economic and social impacts - cultural increasingly sensitive. Tourism is an important economic subsystem, bearing a specific weight and constituting a key factor of regional development. This has dictated the need of adopting occasional tourism development strategies for responding to general context of economic development and proceeded to global model of sustainability in developing tourism policy planning. But despite this high focus on drafting the legal framework and institutional transformation of the tourism concept from theory to practice it has encountered many obstacles in the tourism industry in the regions of Kosovo. This is due to the exclusion of destination stakeholders in the decision process of local

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<sup>9</sup> Programi I qeveris se Republikes se kosoves

development, which has brought them face the challenges associated with the development of the tourism sector.

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