

CURRENT STATE OF THE TOURISM INDUSTRY IN UKRAINE: PROBLEMS OF DEVELOPMENT AND WAYS OF IMPROVEMENT

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Abstract. *The paper deals with justifying the importance of the tourism industry as an effective component of the development of social, cultural, economic, political spheres of a region and a country. The purpose of the paper is to investigate the current state of the tourism sector in Ukraine; identify major problems of the tourism sector; suggest effective ways of its further development. It is proved that the development of tourism services, both domestically and internationally, requires high quality of such services and search for ways of its effective functioning. The paper touches upon the role of tourism in the economy, current state of tourism operations, distinguishes factors influencing the development of this industry.*

The study covers main indicators of tourist industry development in Ukraine as well as analysis of tourist tax revenue and tax payments to the state budget of Ukraine.

The paper also explores the main problems that hinder the effective development of tourism in Ukraine, particularly in environmental, social, economic, political spheres which need to be addressed. The factors that reduce the volume of foreign tourist inflow to Ukraine and negatively affect the active promotion of the tourism product are identified. The paper proposes ways of improving the socio-economic development of both the tourism sector as well as the region and the state as a whole. The article emphasizes the creation of a positive image of Ukraine as a tourist state and this process should be based on the infrastructure modernization of tourism, resort, and recreational spheres. Among the effective ways to improve the tourism business efficiency in Ukraine, the article proposes stimulation of travel companies to promote inbound tourism, which will help to generate high profits and replenish the state budget regularly.

Keywords: *tourism, tourism sphere, tourism industry, tourism flows, inbound tourism, outbound tourism.*

Introduction. Taking into account the current conditions of national economy development, deepening European integration processes, the development of tourism becomes one of its most important components which allows to earn high profits there by contributing to the development of social, cultural, economic, political spheres both for the region and the country. At the same time, the development of tourism on the domestic as well as international markets, requires the provision of quality tourism services and search for effective directions for its further efficient functioning and development.

Analysis of recent research and publications. The problems of tourism sphere development and the search for ways of effective development of tourism were reviewed by such scientists as O. Lyubitseva, O. Melnichenko, M. Naumova, V. Pazenjuk, P. Puzentylo, N. Farinyuk, V. Fedorchenko, V. Shvedun and others. Researchers contributed to the further development of theoretical, methodological, scientific, and practical recommendations on the efficiency and promotion of tourism in both international and domestic markets.

Considering the high level of available economists' scientific research, further studies still require to be conducted, namely on: identification of the main problems of tourism development in Ukraine, ranking of the national tourism on the international market, research of current trends in the tourism industry of Ukraine, forming of effective suggestions on ways of tourism development in Ukraine.

The purpose of the research is to study the current state of the tourism sector in Ukraine, to identify sector's the main problems and suggest effective ways of its further development.

Materials and methods. The methodology of the study is based on using such methods as scientific abstraction, analogies and theoretical generalization – to study theories regarding tourism sector in Ukraine, determination of its role in the economy; system analysis – to study current state of domestic tourism sector; graphic method – to represent visually the theoretical and practical results of the research; structural-logical –

to construct the study logically; theoretical generalization – to highlight the specific features of tourism industry improvement process on both regional and state levels.

Results of research and discussion. The development of the tourism industry plays an important role in the development of country and region, as well as important for an individual person. With its favorable geopolitical location, Ukraine has a significant tourism and cultural potential: shores of the Black and Azov seas, mountainous and foothill zones, resorts with spring rivers, healing waters rich in minerals, and healing muds.

At the same time, transport infrastructure has become more developed in Ukraine in recent years, the hotel infrastructure is developing rapidly, and the quality of tourism services is improving.

Despite several positive trends, the result of the negative aspects of tourism sector development was excess of Ukrainian citizens travelling abroad over foreign tourists travelling to Ukraine. This can be explained by the fact that majority of travel companies in Ukraine focus their activities on a more profitable outbound tourism. As a result, the number of Ukrainian citizens leaving the country is much higher than the number of foreign tourists. This tendency negatively affects the national budget of Ukraine. Thus, the current state of the tourism industry in Ukraine is an indication that it is both unsatisfactory and non-competitive on international tourism market.

According to the State Statistics Service of Ukraine [1], the flow of outbound tourism increased by 1505.3 thousand people in 2013-2018. This can also be explained by the increase of capability of Ukrainian citizens to purchase tours. In addition, the number of Ukrainian citizens who went abroad in 2018 increased by 1,373.7 thousand comparing to the previous year. During 2013-2018, the number of Ukrainian citizens who went abroad has increased by 4049.8 thousand people. At the same time, tourism flows from other countries to Ukraine in 2018 comparing to 2013 decreased by more than three times - by 156.4 thousand people. In 2018, the number of foreign tourists who visited Ukraine decreased by 36.3 thousand comparing to the previous year. Also, the

number of foreign citizens who visited Ukraine in 2018 has decreased almost twice comparing to 2013 – from 14207.0 thousand people to 24671.2 thousand people. In addition, domestic tourism flow decreased from 702.6 thousand in 2013 to 456.8 thousand in 2018. Table 1 shows that the number of tourists which were served by Ukrainian tourism industry operators during 2013-2018 increased by 1103.1 thousand people.

Among the reasons of tourist inflow volume reduction in Ukraine, there is a number of problems in the environmental, social, economic, political spheres that need to be resolved. The tense political situation in Ukraine due to annexation of Crimea, the war in eastern Ukraine, impacted the structure and volume of inbound and domestic tourism flows.

1. Indicators of tourism industry development in Ukraine in 2013-2018, thsd. people

Indicators	Years						
	2013	2014	2015	2016	2017	2018	2018/ 2013, %
Citizens of Ukraine who traveled abroad	23761,3	22 437,6	23141,6	24668,2	26437,4	27811,1	117,0
Foreign citizens who visited Ukraine	24671,2	12711,5	12428,3	13333,1	14229,6	14207,0	57,6
Number of tourists who were served by tourism industry operators in Ukraine	3454,3	2425,0	2019,5	2549,6	2806,4	4557,4	131,9
Foreign tourists	232,3	17,1	15,2	35,1	39,6	75,9	32,7
Tourists who are citizens of Ukraine who traveled abroad	2519,4	2085,3	1647,3	2060,9	2289,8	4024,7	159,7
Domestic tourists	702,6	322,7	357,1	453,6	477,0	456,8	65,0

* prepared based on State Statistics Service of Ukraine data

Occupation of the Crimean Peninsula resulted in loss of 30% of overall recreational and tourism potential of Ukraine. Thereby a considerable part of the Ukrainian tourists who preferred to spend holidays on the seaside, had to go abroad or to abandon this type of vacation. Such events prove that military conflicts in short time can lead to the destruction of even a sufficiently developed tourism industry.

Besides the mentioned issues, the material-technical complex needs a renewal, infrastructure requires becoming more developed and aligned with international standards of service. It is also important to improve the level of organization and development of the entertainment industry, cultural and historical sights.

Another problem that hinders the development of Ukrainian tourism industry is low interesting and lack of international promotion of this industry as well as limited information about it. The evidence of this is the structure of tourism flows to Ukraine from other countries.

In 2013-2019 about 80% of foreign tourists came from bordering countries (Moldova, Belarus, Russia, Poland, Hungary, Romania, Slovakia), which traditionally visit Ukraine with the purpose of vacation or visiting families. Only 20% of tourism inflows were related to other tourism purposes. At the same time, in 2018 only 0.5% of foreign citizens came to Ukraine with the purpose of tourism. Therefore, creating a positive image of Ukraine as a country with a powerful tourism and recreational complex, effective promotion of tourist services should be one of the most important Ukrainian state policy directions in the field of tourism.

According to the Ministry for Development of Economy, Trade and Agriculture, there was a slight decrease in the number of foreign tourists flows to Ukraine in the first half of 2019, compared to the same period of the previous year (90.4%), which was caused by a decrease in the number of tourists from bordering countries [2].

Historically, the greatest share of foreigners entering Ukraine is citizens coming from bordering countries. This share dropped from 85.5% to 80.7% since 2016, which may be caused by the introduction of amendments to the Customs Code of Ukraine on 01.01.2018. According to it the duty-free transfer of goods across borders has been significantly restricted [3]. In opposite to this drop of bordering countries exchange in first half of 2019 comparing the first half of 2018, the structure of the inbound tourism flow from non-bordering countries substantially changed. Significant growth of tourism in flow occurred from the following countries: Lithuania - by 32.0%, Latvia - 18.1%,

Germany - 17.5%, Canada - 11.4%, China - 11.1%, France - 6.0%, USA - 5.6%, Czech Republic - 5.6%, Italy - 3.9%, Great Britain - 2.7%, Bulgaria - 2.4%, Georgia - 4,5% [2] (Table 2).

2. Tourism flows to Ukraine from other countries in the first half of 2016 – 2019, thsd. people

Country	Years				
	2016	2017	2018	2019	2019/2016, %
Moldova	1 986,8	2 013,2	1 949,6	1 795,5	90,4
Belarus	674,9	1 048,0	1 064,5	909,6	134,8
Russia	596,2	620,3	645,3	623,6	104,6
Poland	555,5	553,0	532,4	513,5	92,4
Hungary	581,3	608,0	447,4	417,3	71,8
Romania	374,8	400,6	354,8	353,7	94,4
Slovakia	206,7	168,9	151,8	127,7	61,8
Turkey	87,8	115,5	134,2	125,8	143,3
Israel	76,5	99,9	125,7	121,0	158,2
Germany	70,5	87,6	98,7	115,9	164,4
USA	61,7	71,6	80,5	85,1	137,9
Great Britain	29,9	35,4	57,2	58,8	196,7
Lithuania	21,1	34,0	40,9	54,1	256,4
Italy	32,4	35,6	40,5	42,1	130,0
Azerbaijan	43,1	42,0	42,5	41,3	95,8
Czech	18,4	25,6	29,6	31,2	169,6
France	22,9	26,9	29,1	30,9	134,9
Bulgaria	18,3	21,0	22,4	22,9	125,1
Georgia	21,4	23,3	21,7	22,7	106,1
Latvia	12,1	16,7	18,7	22,1	182,6
Others	327,8	281,5	333,6	356,8	108,8
Total	5 820,1	6 328,6	6 221,1	5 871,6	100,9

* prepared based on Ministry for Development of Economy, Trade and Agriculture data

During 2017-2019, Ukrainian tourist out flow abroad was growing steadily, which is due to introduction of a visa-free regime with EU countries from June 11, 2017. According to the data as of the first half of 2019, the increase of Ukrainian tourist outflow comparing to the same period in 2018 was 5.6% (in the first half of 2018 the increase was 3.3%). Mostly, the citizens of Ukraine travel to the bordering countries, share of which gradually decreased since 2016 from 88% to 77.7%.

The redistribution of tourism flows can be explained by the following events: introduction of a visa-free regime with EU countries; introduction of amendments to the Customs Code of Ukraine on 01.01.2018, which significantly limited the duty-free movement of goods across borders; expansion of low-cost air travel and opening of direct flight routes. At the same time, qualitative changes in the structure of outbound tourism flow to non-border countries were noticeable. There was a significant increase in flows to: Austria - by 157%, Germany - 60.9%, Spain - 50.1%, Egypt - 46.0%, Bulgaria - 42.4%, Greece - 43.8%, Italy - 30.5%, Cyprus - 23.6%, Georgia - 18.4%, Turkey - 14.6% and the UAE - 13.9% [2] (Table 3).

3. Tourism flows from Ukraine in the first half of 2016–2019, thsd. people

Country	Years				
	2016	2017	2018	2019	2019/2016, %
Poland	5 129,4	4 341,8	4 813,6	4 599,1	89,7
Russia	1 712,2	2 673,6	1 847,3	2 106,6	123,0
Hungary	1 356,2	1 447,1	1 539,4	1 586,8	117,0
Egypt	168,0	350,1	503,0	734,4	437,1
Moldova	769,6	753,9	793,4	694,4	90,2
Turkey	349,4	510,3	500,4	573,2	164,1
Belarus	539,1	570,7	627,8	559,4	103,8
Romania	412,8	460,5	564,0	528,6	128,1
Slovakia	434,3	385	485,7	512,6	118,0
Germany	143,3	151,7	205,6	330,9	230,9
Italy	56,7	71,4	138,5	180,8	318,9
Austria	51,3	52,5	54,6	140,3	273,5
UAE	78,3	90,3	87,6	99,8	127,5
Spain	33,0	43,4	65,3	98,0	297,0
Greece	42,6	40,8	49,1	70,6	165,7
Israel	64,4	71,3	70,0	69,0	107,1
France	48,4	48,6	55,9	60,6	125,2
Georgia	41,5	50,2	50,6	59,9	144,3
Cyprus	34,8	24,4	34,0	42,1	121,0
Bulgaria	21,7	24,0	30,1	42,9	197,7
Others	281,3	325,7	383,9	537,4	191,0
Total	11 768,3	12 487,3	12 899,8	13 627,4	115,8

* prepared based on Ministry for Development of Economy, Trade and Agriculture data

The importance of the development of the tourism industry for Ukrainian economy is also proved by the fact that tourism industry is the main source of national budget

income in more than 40 countries of the world. The largest share of tourism revenue is associated with regions with a high level of economic development.

According to the State Fiscal Service of Ukraine, the amount of tourist tax payments in the first half of 2019 was UAH 57.9 million, which is 71.2% more than in the first half of 2018 (in the first half of 2018 - UAH 33.8 million). Total revenue amount from the tourist tax payment was 90.7 million UAH in 2018, which is 29.2% more than in 2017. At the same time, the increase of tourist tax payments was 30% in 2017 comparing to 2016 [4]. Such increase was due to the change of approach to tax accrual stated in Law of Ukraine as of 23.11.2018 No. 2628 “On Amendments to the Tax Code of Ukraine and some other legislative acts of Ukraine on improving the administration and revision of the rates of individual taxes and fees” [5].

According to the Law of Ukraine, starting from January 1, 2019, the marginal rates are set by local councils of up to 0.5% (for domestic tourism) and up to 5% (for inbound tourism) of the minimum wage set for January 1 of the reporting (fiscal) year for one person for one day of temporary accommodation.

The largest increase in revenues from tourist tax payment in the first half of 2019 comparing to the same period in 2018 was in Lugansk (by 3.2 times), Cherkasy (by 2.7 times), Vinnitsa (by 2.7 times), Kherson (by 2.2 times) and Zhytomyr (by 2.1 times) regions.

As for 2018, the largest revenue received from tourist fee payments to the local budgets were: Kyiv city - UAH 33.0 million (36.4% of the total amount of the tourist tax); Lviv - UAH 13.4 million (14.8%); Odessa - UAH 11.6 million (12.7%); Zakarpatska - UAH 3.8 million (4.2%); Ivano-Frankivsk - UAH 3.7 million (4.1%) regions [4].

There is a positive trend in tax payments to the State Budget of Ukraine by enterprises engaged in tourism activities. In the first half of 2019, the amount of tax payments from legal entities and individual entrepreneurs engaged in tourism activities was UAH 2,194.5 million, which is 15.4% more than in the first half of 2018 (in the first

half of 2018 - UAH 1,902.0 million). In 2018, the amount of tax payments from legal entities and individual entrepreneurs engaged in tourism activities was UAH 4,222.2 million, which is 20.7% more than in 2017. At the same time, the growth of payments received from legal entities was 19.2% and growth of payments from individual entrepreneurs was 38.1%.

The most significant increase in tax payments from legal entities and individual entrepreneurs in first half of 2019 comparing to first half of 2018 was in Ivano-Frankivsk (by 45.7%), Zakarpatska (by 27.6%), Lugansk (by 27.6%), Kharkiv (by 23.8%) and Donetsk (by 22.0%) regions.

The largest increase in tax payments by tourism related entities in 2018 was in: Kyiv city - UAH 1,363.8 million (32.3% of the total); Lviv - UAH 447.4 million (10.6%); Odessa - UAH 287.6 million (6.8%); Dnepropetrovsk - UAH 235.2 million (5.6%) and Kharkiv - UAH 195.4 million (4.6%) regions. At the same time, in 2018 comparing to the previous year, the largest increase in tax payments from tourism enterprises was: in Zakarpatska (by 33.2%), Lviv (by 27.4%), Poltava (by 26.0%), Kyiv (by 24.5%), Volyn (by 24.4%) and Kirovohrad (by 23.7%) regions [4].

Therefore, the development of tourism in Ukraine has a stimulating influence on the development of transport infrastructure, hotel and restaurant business, retail trade, food industry, construction, telecommunication, insurance, leisure and entertainment, culture, and sports. At the same time, the efficient functioning of tourism sector stimulates the development of the local economy, and creation of additional permanent and seasonal employment. This has an important role, as greater labor demand decreases social tensions.

In addition to the mentioned factors, tourism development aligned with demographic trends, material and social status of the population, level of education, duration of holidays, employment level, etc. At the same time, there is strong correlation between country's tourism development, general economic situation and personal income of citizens. The tourism market is extremely sensitive to changes in the

economy. Under conditions of stable 2.5% personal consumption prices growth, tourism services expenses grow by 4%. While such prices grow by 5%, tourism services expenses grow by 10% on average [6].

The tourism sector in Ukraine holds fifth place in the state budget income structure. Taking this into account, the creation of positive image of Ukraine as a tourist country should be based on modernization of infrastructure, tourist and resort-recreational industries [7].

Based on the results of the study, the main ways of solving tourism sphere issues in Ukraine and active promotion of tourism services should be: improvement of regulatory-legal framework for development of tourist and recreational services in Ukraine; close cooperation of authorities with scientific organizations; stimulation of domestic tourism development; state support of social tourism through the development and improvement of appropriate national programs which will guarantee the benefits for setting up of tourism businesses; investments in tourism industry development; facilitation of competitive advantages development; improvement of tourism safety; participation in international tourism industry development programs.

Conclusions. Revitalization of tourism in Ukraine is one of the high priority directions of domestic economy development. Solving problems that currently hinder tourism development will increase economic income to the state budget. Taking into account the fact that Ukraine has a strong tourism and recreation potential, active promotion of the tourism product will increase employment levels and create conditions for rapid economic development. Stimulation of travel entities for inbound tourism development will generate high profits not only for tourism industry but also other sectors of the economy and the country. That is why development of effective strategic plans and improvement of regulatory framework can enhance Ukraine's tourism image, accelerate the tourism industry, and increase budget income.

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СУЧАСНИЙ СТАН ТУРИСТИЧНОЇ ПРОМИСЛОВОСТІ В УКРАЇНІ: ПРОБЛЕМИ РОЗВИТКУ ТА ШЛЯХИ ВДОСКОНАЛЕННЯ

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***Анотація.** Стаття присвячена обґрунтуванню значення туристичної галузі як ефективної складової розвитку соціальної, культурної, економічної, політичної сфер регіону та країни. Метою статті є дослідження сучасного стану туристичного сектору в Україні; визначення основних проблем туристичного сектору та запропонувати ефективні шляхи його подальшого розвитку. Доведено, що розвиток туристичних послуг як на внутрішньому, так і на міжнародному рівні вимагає високої якості таких послуг та пошуку шляхів їхнього ефективного функціонування. У статті визначається роль туризму в економіці країни, сучасний стан туристичних операцій, виділяються фактори, що впливають на розвиток цієї галузі.*

Дослідження охоплює основні показники розвитку туристичної галузі в Україні, а також аналіз надходжень туристичного податку та податкових платежів до державного бюджету України.

У статті також досліджуються основні проблеми, які перешкоджають ефективному розвитку туризму в Україні, зокрема в екологічній, соціальній, економічній, політичній сферах, які потребують вирішення. Визначено фактори, що зменшують обсяг притоку іноземного туризму в Україну та негативно впливають на активний розвиток туристичного продукту. У статті пропонуються шляхи покращення соціально-економічного розвитку як туристичного сектору, так і регіонів та держави загалом. У статті наголошується на створенні позитивного іміджу України як туристичної держави, і цей процес мусить базуватися на модернізації інфраструктури туристичної, курортної та рекреаційної сфер. Серед ефективних шляхів підвищення ефективності туристичного бізнесу в Україні пропонується стимулювання туристичних компаній для просування в'їзного туризму, що допоможе отримувати високі прибутки та регулярно поповнювати державний бюджет.

Ключові слова: туризм, сфера туризму, туристична галузь, туристичні потоки, в'їзний туризм, виїзний туризм.