

IMPROVEMENT OF THE MECHANISMS OF TOURISM AND HOSPITALITY INDUSTRY REGULATION

MELHORIA DOS MECANISMOS DE REGULAMENTAÇÃO DO TURISMO E DA INDÚSTRIA HOTELEIRA*

Mikhail Stadolin
State University of Management, Moscow, Russia
stadolin007@mail.ru

Olga Petrina
State University of Management, Moscow, Russia
petrina2007@mail.ru

Andrei Sorokin
Moscow City University, Moscow, Russia
sorokinaa@mgpu.ru

Anastasiya Polovnikova
Moscow City University, Moscow, Russia
polovnikovaav@mgpu.ru

Vasiliy Zhuchkov
Moscow Polytechnic University, Moscow, Russia
v.v.zhuchkov@staff.mospolytech.ru

Abstract: The article is devoted to the topic of improving the mechanisms of regulation of the tourism and hospitality industry. It is established that state authorities need to strive for the formation of a unified system of public administration of the tourism and hospitality industry that would cover the strategy and tactic of introducing state policy for the industry and be implemented by means of public administration mechanisms. It is also determined that assessment criteria for the efficiency and effectiveness of public administration of tourism and hospitality industry can serve as a basis for monitoring the activities of state authorities in such vital directions as population employment, the nation's cultural level, national wealth, international prestige of the state, infrastructure of the economy of the country and its regions, population welfare, and the innovation and investment climate. The study shows that the organizational mechanism of public administration of the tourism and hospitality industry requires a reform of the regulation system itself, as well as a clarification of the distribution of powers between the central and regional executive authorities.

Keywords: Mechanism. Tourism and hospitality industry. Reform. Responsibilities. Destination. Power. Hospitality business.

Resumo: O artigo é dedicado ao tema de melhorar os mecanismos de regulamentação da indústria do turismo e da hospitalidade. Estabelece-se que as autoridades estatais precisam lutar pela formação de um sistema unificado de administração pública da indústria do turismo e da hospitalidade que abranja a estratégia e a tática de introduzir uma política estatal para a indústria e

* Artigo recebido em 20/03/2022 e aprovado para publicação pelo Conselho Editorial em 18/06/2022.

que seja implementada por meio de mecanismos de administração pública. Também está determinado que os critérios de avaliação para a eficiência e eficácia da administração pública do turismo e da indústria hoteleira podem servir como base para monitorar as atividades das autoridades estatais em direções vitais como o emprego da população, o nível cultural da nação, a riqueza nacional, o prestígio internacional do Estado, a infra-estrutura da economia do país e de suas regiões, o bem-estar da população e o clima de inovação e investimento. O estudo mostra que o mecanismo organizacional da administração pública da indústria do turismo e da hospitalidade requer uma reforma do próprio sistema de regulação, bem como uma clarificação da distribuição de poderes entre as autoridades executivas central e regional.

Palavras-chave: Mecanismo. Indústria do turismo e da hospitalidade. Reforma. Responsabilidades. Destino. Poder. Negócios de hospitalidade.

1. INTRODUCTION

The development of the tourism and hospitality industry allows many world countries to receive significant funds for the state budget, increase the income of related sectors of the economy due to the multiplier effect, and improve the infrastructure of tourist destinations. In most countries, the manifold impact of the tourism and hospitality industry on the economy is regulated by a specially created central executive body.

However, the degree of public administration of the tourist sector varies between the world countries and depends on the level of their economic development. This fact entails the emergence of several main models of public administration of the tourism and hospitality industry, the study of which can allow to identify certain regularities in the organization of the tourism and hospitality industry.

2. LITERATURE REVIEW

The peculiarities of the development of the tourism and hospitality industry are explored in the works of E.V. Arbatskaia (2020), I.V. Bushueva (2020), Iu.O. Maksimova (2020), A.Iu. Nebesnaia (2021), N.V. Parushina (2020), N.V. Sokirskaia (2020), and others. Nevertheless, there are several issues associated with the substantiation, classification, and characterization of the main models of tourism and hospitality industry management that remain unresolved. The experience of various countries shows that the success of tourism and hospitality industry development is contingent on how this industry is perceived at the state level and how much state support it receives.

3. METHODS

The methods employed as the theoretical and methodological basis of the study are: the methods of analysis, synthesis, and comparison used for the study of the current state of tourism and hospitality industry development and the foreign experience of administration of the industry; the method of systematization deployed to clarify the conceptual apparatus of state policy in tourism and hospitality; empirical research methods (observation, comparison, and measurement) used in the development of applied recommendations on determining the directions of improvement of the economic and information and analytical mechanisms of administration of the industry's development; statistical methods used to research the economic levers of public administration related to the calculation of inter-budgetary transfers for the redistribution of funds between the budgets of different levels.

The information base for the study includes legislative and regulatory acts, statistical compilations and materials of the Federal State Statistics Service, publications on economics and management of tourism and hospitality industry, and the materials of our own generalizations (Frolova et al., 2018; Lebedev et al., 2018; Levchenko et al., 2018).

The study intends to systematize the aspects of tourism and hospitality industry development, develop the measures for coordination of the main actors of public administration, and substantiate the economic provisions for improving the system for the regulation of tourism and hospitality industry in modern conditions.

4. RESULTS

Although the need for public administration of the tourism and hospitality industry is evident, its implementation requires a special approach. On the one hand, the tourism and hospitality industry is a complex of multiple industries and is therefore in greater need of the coordination of its economic activities than any other; on the other hand, excessive government presence and regulation suppresses entrepreneurial initiative, which serves as a basis for the formation and development of market relations.

Furthermore, the tourism and hospitality industry is of great economic, political, and socio-cultural significance in every country, as a result of which the formation of public administration bodies is a rather complex process. As evident from world practice, there is no

perfect formula that would allow the state to create the optimal structure of public administration of this industry.

Analysis of the principles of public administration of tourism services allows distinguishing several characteristic positions currently observed in the world tourism and hospitality market: strict authoritative regulation of all aspects of tourism in the country; integration of tourism and hospitality with related industries; soft approaches to the regulation and coordination of tourism activities by the national tourism administration; indifference to tourism as a social and economic phenomenon.

Thus, organizational systems of management of the tourism and hospitality industry existing today vary from independent or related ministries to national administrations directly subordinate to the government. In addition, some countries only administer tourism services at the level of regional authorities and others lack the levers of state influence on the sphere of tourism and hospitality altogether.

Examination of the modern mechanism of public administration of the tourism and hospitality industry shows that in the Russian Federation, this process is not very efficient due to the shortage of investment. In this case, the state policy for the development of the tourism and hospitality industry has to be understood as the strategy and tactic of public authorities on the introduction of measures to preserve national heritage and create favorable conditions for its protection and use.

At the same time, the state policy is founded on the principles of equality in identifying the cultural heritage and faith of peoples, assistance to the restoration of its objects, careful handling of historical and modern monuments, the timeliness of restoration work, and constant care for the preservation of objects and areas of cultural heritage (Figure 1).

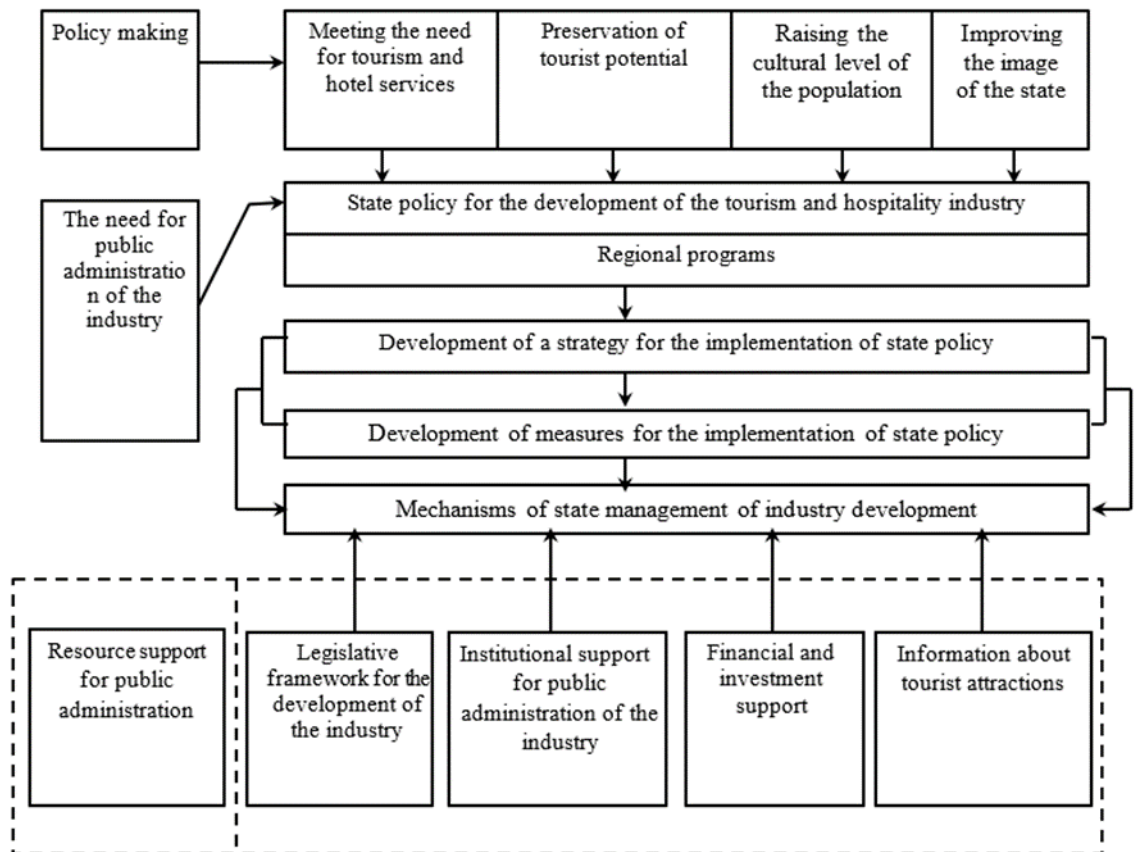


Figure 1: The system of public administration of the tourism and hospitality industry

The objects of public administration of the tourism and hospitality industry are the objects used in tourism activities, and its subject is the executive bodies responsible for making managerial decisions and monitoring their implementation, as well as the work of subordinate institutions and organizations.

In this case, approaches to the formation of state policy in the tourism and hospitality industry can be classified by three directions: improvement of the legislative framework, identification of the institutional features of public administration, and allocation of funding for the preservation of national heritage.

Based on the analysis of contemporary Russian legislation and the summary of foreign experience, we substantiate the need to improve the mechanisms of public administration of the tourism and hospitality industry. In this context, the mechanisms present the set of methods, techniques, and instruments for resolving contradictions in the coordination and regulation of the activities of business entities, ensuring the protection of cultural heritage, and increasing the nation's level of culture.

To introduce an effective state policy in this sphere, it is necessary to use a comprehensive mechanism of public administration of the tourism and hospitality industry comprising the organizational, legal, economic, socio-psychological, and informational and analytical blocks.

Analysis of the organizational structure of public administration bodies in the tourism and hospitality industry reveals the vertical inconsistency of these institutions, the lack of proper horizontal linkages at the regional level, and the need for governance reform. The conducted content analysis of the existing programs for the development of the tourism and hospitality industry gives reason to conclude on the presence of inconsistencies in the system of public administration of this sector, specifically: misalignment of the content of public policy with the forms of its implementation, the growing need for funds and opportunities in the state and local budgets, and the priorities of the tourism and hospitality industry. These factors hurt the efficiency and effectiveness of public administration of the tourism and hospitality industry (Table 1).

Table 1: Assessment of the efficiency and effectiveness of the state system of tourism and hospitality industry regulation

Areas of influence of the state program on the socio-economic development of the country (regions)	Efficiency assessment criteria	Effectiveness indicators
Employment	Improvement of population employment through increasing the number of jobs in the tourism and hospitality industry	The ratio between the increase in employment and the total population
The cultural level of the population	Increasing the number of tourist facilities and accommodations	Profitability of tourism services
National Wealth	Rise of the share of national income, local incomes of regions from tourism services	The share of GDP from tourism services in the total GDP
The international prestige of the country	Increase in the number of cultural heritage sites classified as world heritage	The rise in the number of cultural heritage sites classified as world heritage
The infrastructure of the economy of the country and regions	Increase in the number of tourism enterprises, hospitality businesses, and restaurant services	The rise in the number of enterprises serving tourist facilities
Public welfare	Increase of nominal income through increasing	The ratio of the wages of people employed in the

	employment in the tourism and hospitality industry	tourism and hospitality industry to the national average wage
Innovation and investment climate	Increased innovation and investment in the tourism and hospitality industry	The volume of innovation and investment in the tourism and hospitality industry

Tourism and hospitality industry directly influences the entire economy due to the following factors: it presents a source of income for the local population, stimulates the development of industries related to the production of consumer goods, as the influx of tourists increases demand for many types of goods, thus promoting the development of their production; promotes the development of entertainment and educational spheres, since in order to attract visitors, local authorities pay great attention to hospitality resources, preservation of monuments and museums, and building various attractions; promotes the development of transport enterprises and the expansion of car service; stimulates the development of means of communication, since tourists use mail, telephone, and the Internet to maintain contact with the place of permanent residence; leads to an increase in demand for local industry products and souvenirs; contributes to a considerable inflow of funds in foreign currency into the country.

The economic mechanism of public administration of the tourism and hospitality industry includes three modules: the legislative module, the module of financial income forecasting, and the control and analytical module. In this regard, based on systematizing empirical data on the industry's development, we develop a method for planning budget revenues to the general and special funds, redistribution of tax revenues from tourism activities, and the use of credit and investment resources to finance activities to protect cultural heritage.

In this case, budgetary funds are redistributed through the introduction of inter-budgetary transfers, which are justified by means of statistical analysis methods and specialized software. To provide an example, we can consider the activities for the protection of cultural heritage. The estimated amount of expenses for the protection of cultural heritage (V_{pch}) can be determined by the formula:

$$V_{pch} = V_a + V_h + V_m + V_p \quad (1)$$

where V_a signifies expenditures on archaeological monuments; V_h – expenditures on historical and architectural monuments; V_m – expenses for monuments of monumental art; V_p – the cost of electronic passportization of cultural heritage objects.

$$V_a = Q_a \cdot N_a \cdot C_a \quad (2)$$

where Q_a – the number of archaeological monuments; N_a – the average annual norm of expenses for archaeological research of a single object; C_a – the correction factor.

$$V_h = Q_h \cdot N_h \cdot C_h \quad (3)$$

where Q_h – the number of historical and architectural monuments; N_h – the average annual norm of expenses for the restoration and maintenance of one monument; C_h – the correction factor.

$$V_m = Q_m \cdot N_m \cdot C_m \quad (4)$$

where Q_m – the number of monuments of monumental art; N_m – the average annual norm of expenses for the restoration and maintenance of one monumental art monument; C_m – the correction factor.

$$V_p = Q_p \cdot N_p \cdot C_p \quad (5)$$

where Q_p – the number of electronic passports of cultural heritage objects; N_p – the average annual norm of expenses on the electronic passport of a single object; C_p – the correction factor.

It is also possible to use an e-government model, which gives the opportunity to effectively compile a register of monuments and sites of tourist activity and national and regional programs, as well as to process the necessary statistical information and track changes in the regulatory framework for the protection of cultural heritage. This will allow making public administration decisions quickly, establishing sound communication of executive authorities at all levels with businesses and citizens, assessing the effectiveness of the regulatory and legislative framework, analyzing the reporting of business entities related to tourism, and making timely adjustments to the state policy on the protection and use of cultural heritage.

Another proposition is providing an investment tax credit. The peculiarity of obtaining an investment tax credit is that the credit is returned in the form of an increase in tax payments due to the overall growth of profits, which is achieved as a result of an innovative project – the creation of a tourist cluster. Unlike conventional bank credit, the investment tax credit for a tourism and hospitality industry enterprise does not require additional credit resources and the payment of interest on certain conditions, which make the investment onerous.

The advantages of investment tax credit for the state is the stimulation of the development of innovation and investment activity, increasing taxable base and revenues to the state budget, and the growth of employment, as it involves increased attention from the tax authorities, whereas the advantage for the private sector is that investment tax credit allows replenishing the shortage of investment resources through implementing promising innovation and investment projects.

The conditions for granting investment tax credit is a stable financial condition of the enterprise in the tourism and hospitality industry, focus on investment in the use of the investor's

own financial resources, and a sound business plan, the implementation of which will ensure greater efficiency of service activities, the growth of total revenue and profit tax amount as a source of compensation for the investment tax credit, and an acceptable payback period of the funds borrowed through the investment tax credit.

Investment tax credits are proposed to be granted for the period of implementation of a project or program, yet for no more than three years, by deferring tax obligations on tax accrued from profit from the activities of a tourism and hospitality enterprise as part of the implementation of an innovation and investment project. Interest for the use of such a credit is proposed to be charged on the amount of the deferred tax liability.

The described proposition is relevant to the creation of tourism clusters in regions with a high level of tourist attraction as innovative forms of development of the tourism and hospitality industry. This course of action will improve the socio-economic status of the country as a whole and its individual regions, provide competitive tourist and hotel services on the national and international markets, and ensure a closed cycle of service activities.

Moreover, crediting of sanatoriums and resorts will encourage the development of the provision of innovative services, in particular: SPA-services, cosmetology services, aesthetic dentistry; aroma-, speleo-, phyto- and bioresonance therapy. In this case, close attention should be paid to the development of effective measures to support the promotion of the tourism brand of the Russian Federation in the international markets of tourism and hotel services.

5. DISCUSSION

The reliability of the presented approaches is confirmed by the fact that the process of tourism and hospitality industry administration requires the implementation of a set of organizational, socio-economic, managerial, and other measures as the main components of effective implementation of public policy (Agamirova et al., 2017; Konovalova et al., 2020; Nikazachenko et al., 2018). In this case, the specificity of the socio-economic and political conditions of development of the world countries of the world explains the variety of approaches to the public administration of the tourism and hospitality industry.

The issue of the development of the tourism and hospitality industry needs to be addressed in two directions: resolving the general issues of public administration, including the development of the legislative framework, the coordination of the work of executive bodies, international collaboration with other states, statistical data collection and processing, as well as

the coordination of marketing activities: participation in exhibitions and international unions in the sphere of tourism, management of tourism offices.

In doing so, we propose to create a combined ministry covering along with tourism and hospitality services other related industries. Meanwhile, the development of the tourism and hospitality industry is contingent on many factors generated at two main levels: the macroeconomic and the microeconomic. The macroeconomic level refers to the activities of the highest levels of the government that are aimed at the development of the tourism industry and, consequently, shape the microeconomic level.

Aside from the aforementioned, state policy can be implemented by means of identifying and realizing the key directions of state policy, allocating budget funds for the development and implementation of programs for the development of the tourism and hospitality industry, establishing the fundamentals of safety in tourism and hospitality, and providing legislative regulation of relations in the tourism and hospitality industry (tourism, hotels, sightseeing, and other services offered to citizens).

It is also proposed to use an e-government model, which is based on the use of a single information base and direct and feedback between the public administration and users and proves effective in improving the quality of public administration decisions on tourism and hospitality, as well as allows the administration system to assess the improvement of the current regulatory and legislative framework and analyze reports on the development of tourism and hospitality industry.

6. CONCLUSION

To draw a summary, it can be stated that public authorities need to direct their efforts toward creating a unified system of public administration of the tourism and hospitality industry, which would cover the strategy and tactics for the implementation of public policy on the operation of the industry and be implemented through public administration mechanisms (legal, organizational, economic, socio-psychological, and informational and analytical).

In this, criteria for the assessment of public administration effectiveness and efficiency of can serve as a basis for monitoring the activities of executive authorities in such vital spheres as employment, the nation's cultural level, national wealth, international prestige of the state, economic infrastructure of the country and its regions, the welfare of the population, and the innovation and investment climate.

Furthermore, the improvement of the legislative mechanism of public administration of the tourism and hospitality industry presupposes changes in legislation regarding the financing of protective measures, privatization, and leasing of tourist facilities. These changes, in turn, have to account for the special features of the formation of the organizational, economic, and informational and analytical mechanisms of public administration of individual sectors of the economy.

In particular, the organizational mechanism of public administration of the tourism and hospitality industry needs a reform of the administration system itself and a clarification of the distribution of powers between the central and regional executive authorities, which opens up the opportunity to establish horizontal connections between the links of the executive branch at the regional level, thus defining the functional responsibilities of civil servants and ensuring the transparency and consistency of power actions.

In this case, the specification of additional sources of funding for the development of the tourism and hospitality industry is associated with the introduction of amendments to the Budget Code of the Russian Federation and the justification of transfers between state and local budgets and the amount of value-added taxes and profits in the industry. This will guarantee financial income for the development of the tourism and hospitality industry.

REFERENCES

Agamirova, Ek. V., Agamirova, El. V., Lebedeva, O. Ye., Lebedev, K. A., & Ilkevich, S. V. (2017). Methodology of estimation of quality of tourist product. *Quality - Access to Success*, 18(157), 82-84.

Arbatskaia, E. V., Khoreva, L. V., & Shcherbakov, V. V. (2020). Sovmestnoe ispolzovanie tsifrovyykh logisticheskikh servisov potrebiteliami i proizvoditeliami turistskikh uslug [Shared use of digital logistics services by consumers and producers of tourism services]. *Economics and Management*, 26(3(173)), 255-263.

Bushueva, I. V. (2020). Transformatsiia sistemy gosudarstvennogo regulirovaniia sfery turizma [Transformation of the system of state regulation of tourism]. *Service in Russia and Abroad*, 14(5(92)), 61-71.

Frolova, V. B., Dmitrieva, O. V., Biryukov, V. A., Avramenko, G. M., & Lebedev, K. A. (2018). Development of control system of financial and economic results of an enterprise. *International Journal of Engineering and Technology(UAE)*, 7(4.38), 167-170.

Konovalova, E. E., Shelygov, A. V., Artamonova, L. S., Dolina, O. N., & Boikov, A. I. (2020). Development of forms of the hotel business organization in modern conditions. *Journal of Environmental Management and Tourism*, 11(4), 857-862.

- Lebedev, K. A., Reznikova, O. S., Dimitrieva, S. D., & Ametova, E. I. (2018). Methodological approaches to assessing the efficiency of personnel management in companies. *Journal of Advanced Research in Law and Economics*, 9(4(34)), 1331-1336.
- Levchenko, T. P., Koryagina, E. V., Rassokhina, T. V., Shabalina, N. V., & Lebedeva, O. Ye. (2018). A project-based approach to ensuring the competitiveness of a region's tourism-recreation complex. *Journal of Environmental Management and Tourism*, 9(8(32)), 1707-1713.
- Maksimova, Iu. O. (2020). Innovatsionnye tekhnologii upravleniia i regulirovaniia sfery turizma i gostepriimstva [Innovative technologies for management and regulation of the tourism and hospitality sphere]. *Universities for Tourism and Service Association Bulletin*, 14(2-1), 118-124.
- Nebesnaia, A. Iu. (2021). Strategicheskie napravleniia razvitiia turistskoi industrii v regione [Strategic directions of tourism industry development in the region]. *Current Directions of Scientific Research of the XXI Century: Theory and Practice*, 9(1(52)), 72-86.
- Nikazachenko, A. L., Yudashkina, E. E., Vlasov, G. V., Novikova, V. V., & Lebedev, K. A. (2018). Modern approaches to assess tourism industry-related environment. *Journal of Environmental Management and Tourism*, 9(2(26)), 298-303.
- Parushina, N. V., & Zhuravleva, A. A. (2020). Strategicheskoe upravlenie personalom v industrii turizma i gostepriimstva kak faktor konkurentosposobnosti predpriatiia [Strategic personnel management in tourism and hospitality industry as a factor of enterprise competitiveness]. *OrelSIET Bulletin*, 3(53), 63-68.
- Sokirskaia, N. V., & Pavlichuk, K. I. (2020). Innovatsii v gostinichnom i restorannom biznese [Innovations in hotel and restaurant business]. *Young scientist*, 21(311), 190-193.