

## Factors and Terms of Development of Domestic Tourism

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**Abstract:** World practice shows that Public-Private Partnership is one of the main techniques of expanding the resource base and mobilization of unused reserves for economic development, increase of efficiency of state and municipal property management. Practical experience of application of efficient organizational and economic and also legal instrument in the Republic of Tatarstan has been considered in the study. Regional features of Public-Private Partnership in basic branches of economy of the republic and sectors of infrastructure as well have been analyzed in detail. For the economic point of view, Public-Private Partnership is considered as the method of increase of social and economic efficiency in functioning of municipal authority and business community of the region as well as their investment attraction and competitiveness.

**Key words:** Tourism, state, business, partnership, society, efficiency, budget

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### INTRODUCTION

Formation of institutional economy and effective mechanisms of management of region economy development should be grounded on analysis and most acceptable methods to address the issues of specific area. Local budgets are one of the fundamental bases of state budget system. Sufficiency of financial base for formation of full-fledged budget, which is capable to adequately implement all social guarantees of citizens, is the purpose of local authorities' activity (Maiello *et al.*, 2011). Not all regions of the Russian Federation and hence cities have got equal social and economic conditions and what is more important, initial conditions for their creation and development. Geographical location, exploration of natural resources, climate, density of population, its age structure, existing production capacity etc., are meant under such conditions. Above-mentioned conditions determine the possibilities for area development. Limitation of the above-mentioned conditions makes it impossible to create a developed financial base which forms local budget. Such situation is quite common in mono-industry cities (Molchanova and Livshin, 2012).

### MATERIALS AND METHODS

Methods of research applied in this study are the following; analysis and synthesis of the literature, survey, method of monitoring, analogy and comparison. Basic results in the study have been presented in the form of

mechanism of Public-Private Partnership development by attracting investment for economy development. Real difficulties of Public-Private Partnership have been listed.

Main conclusions and general overview of possible results of practical using are in potential areas of domestic tourism development. Practical interest in terms of budgets revenue replenishment has been presented.

Underdevelopment of industry in the city except for one branch led mono-cities to consciousness of necessity of complex area development. Dependency of financial base of the city on the activity of single large industrial object is fraught with serious social and economic issues. Suspension of activity of the backbone enterprise inevitably leads to reduction of income of all groups of the population, regardless of the scope of their efforts application. Employees of a backbone enterprise are directly dependent on the results of its financial and economic activities; the rest of the population engaged in other enterprises in the city is experiencing an indirect dependence. Both equally receive less income, the first ones due to unsatisfactory results of main production, the other ones due to the reduction or absence of effective demand for their production (works executed, services rendered). As a result, deficit budgets are formed in such cities. Limit for deficit of the budget equal to 10% of the approved annual income is set by the budget code of the Russian Federation (Article 92).

A tourism activity can be one of the potential sources of budget income replenishment in such cases. Tourism

activity in the Russian Federation relates to one of the prioritized economy branches (Fattakhova, 2011). At the same time, tour operator and travel agency activities and also other activities for traveling organization are meant under tourism activity. This study focuses on those aspects of tourism activity that contribute to social and economic development of local areas. Domestic and incoming tourism are related to such types of tourism activity. Prospects for domestic tourism are less distant than incoming tourism to areas which are non-central districts, where the business and industrial infrastructure of the country is concentrated. Revenues from domestic tourism can be one of the potential sources of budget income replenishment for small, mono-industry cities and cities that do not have extensive social infrastructure due to this reason.

This raises a legitimate question about the sources of funding for projects for the development of domestic tourism in the cities with budget deficit. That's why, the role of state is irreplaceable in the regulation of this field of activity.

The action of Federal target program "Development of domestic and incoming tourism in the Russian Federation (2011-2018 years)" approved by the resolution of the government of the Russian Federation dated August 2, 2011 No. 644 should be noted (Anonymous, 1996). In this program, considerable attention is paid to the development of tourism in the Russian Federation and in particular it is noted: "One of the main transition to innovative socially oriented type of economic development of the country is the creation of conditions for improvement of living standards of citizens in the Russian Federation including the development of infrastructure, tourism and recreation as well as ensuring the quality, availability and competitiveness of the tourism industry in the Russian Federation". Therefore tourism, particularly the domestic one is one of the factors of economy development of the country, strengthening of competitive positions in the international market of travel services.

In the international rating of competitiveness in the tourist sector published by the World Economic Forum Russia took 59th position from 133 countries, while the natural resources of our country are estimated at 5 place and objects of cultural heritage at 9th (Anonymous, 2009). Besides domestic tourism is one of the ways of health improvement of the nation by establishing the conditions of healthy lifestyle.

The mechanism of the multiplier effect on the development of domestic tourism is quite transparent: additional workplaces are being created, employment is increasing, prosperity of the population in the country is

increasing and social and economic issues (income, accommodation, etc.) are being solved. Related fields such as: collective accommodation facilities, transport, communication, commerce, production of souvenirs and other products, food, agriculture, construction and others are involved as well.

Naberezhnye Chelny City of the Republic of Tatarstan has tourist and recreational potential. Natural and recreational resources (spa resorts, national park Nizhniaya Kama), objects of national cultural and historical heritage are located on its territory, important social events are held.

Presence of different tourist and recreational resources of the region makes it possible to develop almost all types of tourism including recreational (beach), cultural and educational, business, active, wellness and ecological tourism, sport and recreational fishing as well as sea and river cruises, rural tourism, etc. (UNWTO, 2001). It seems to be reasonable to develop the following types of domestic tourism in the territory of Naberezhnye Chelny City and surrounding area.

Trips with cultural and educational purposes (for instance, archeological sites of settlements of ancient Bulgar, national holidays, local cuisine); around 20% of domestic tourist flow accounts for this type of tourism according to statistics.

Business tourism (congress tourism, etc.) is of particular interest for our city due to the development of the international cooperation on the production sites JSC KAMAZ.

Active tourism is a mountain skiing (mostly Elabuga district), hiking, water tourism (down the River Kama), equestrian (horse races became a regular feature of the national holiday Sabantuy), cycling, extreme tourism and others.

Wellness tourism is traditionally in requisition in Russia and is the most important for health maintenance, increase of citizens' living standards. Unique spa resorts, hospitals and sanitariums are located in the suburban area.

Ecological tourism is relevant in any location because each region has a unique flora and fauna. At the moment a share of this tourism type in the general structure of Russian tourism market is negligible (<1%).

River cruises; >100 motor vessels with a capacity of 150-300 people are plying around the water areas of the country. Cruise tourism is always in demand, however, its growth is limited currently with the issues of deterioration of vessels and infrastructure of berthing facilities and also due to the presence of the sites on inland waterways where it is difficult for cruise vessels to pass.

Rural tourism is rather new and perspective area which allows townspeople to join the traditional way of rural residents' life (vast area of Tukayevsky District). The essence of this tourism type is in the rest in rural area where all organizational support of tourist accommodation (including food, leisure, service, etc.) undertakes the host family. Rural tourism is the possibility of rest for those who, for whatever reason, cannot afford other types of tourism. Clear air, domestic atmosphere, virgin nature, natural products, silence and unhurried life are its attractive features.

Industrial tourism is rather new tourism type. It is aimed for industrial objects which are intended not only for consumer goods production (JSC KAMAZ, PJSC KBK, JSC Chelny-Khleby, JSC Bulgarpivo, etc.) but performing vital services as well (Hydro Power Plant, Central Heating and Power Plant, PJSC Chelnyvokanal and others).

Trailerism is a perspective type of tourism as the car fleet of Russian citizens has been increasing >2 million autos per year, however, the formation of roadside infrastructure which is developing with significant delay is necessary for development of this tourism type.

Prospects of domestic tourism are accompanied by a number of barriers preventing its active development:

- Poorly developed infrastructure providing tourist facilities (cultural and leisure, entertainment facilities, etc.) that is a barrier for private investment attraction to the tourism area
- Low level of tourist infrastructure development (hotels, unsatisfied condition of many tourist places of interest, absence of qualitative roadside infrastructure)
- Absence of affordable loans for potential investors
- Lack of professional staff
- Insufficient promotion of the tourist product on domestic tourist market

Domestic tourism has significant opportunities and perspectives of development, however initial investments as for any investment product are required to turn it into a source of income for local budget (Asadullina, 2014). Two methods for financial sources are available in this case: first one; public, second one; private. Apparently, the first method is limited due to the deficit of the majority of local budgets and lack of financing of social needs of citizens. The second method has a significant backlog, however a mechanism of minimization and risk insurance against investment loss is necessary. Such mechanism to a certain extent is a Public-Private Partnership.

One of the first investigations dedicated to the role of Public-Private Partnerships (PPP) in tourism were conducted by the World Tourism Organization (UNWTO) in 2000. About 98% of interviewed public and private structures from 90 countries emphasized the role of PPP as "very important" and "important" in the terms of increasing competition.

Tourism branch relates both to public and private sector of economy. There is an imminence of engagement of both sectors as the changes of priorities in the long-term period are as large as the differences between and inside the countries.

Bodies of private sector occupy a central position of hospitality services rendering. This may include transport, entertainment services and sales of tourist products on the market, for instance with tour operators and airlines. Intrusion of public sector into the activity of private sector is caused by a number of factors, primarily this is the regulation of activity for prevention of unprofitable infrastructure and superstructure and removing obstacles to a more efficient work of private sector.

Now a days, tourism sector occupies one of key, major budget revenue generating positions in many leading economies of the world. For example, in China tourism share in the gross domestic product, excluding the related branches, is equivalent to 167 billion dollars. In the USA, tourism branch gives 400 billion annually, in small France; 97 billion. According to estimates of different expert organizations, the world tourism flow reached the mark of 935 million people last year. In lay terms every 7th inhabitant of our planet is a tourist. And this is just the beginning, according to the same projections the tourist traffic will have doubled by 2020. UNWTO notes the following areas of PPP creation in tourism as the leading ones:

- Financial support of airlines, aimed for increasing of their load
- Organization of cooperative programs for promotion of travel destinations
- Formation of discount programs for different types of tourist services
- Reducing of charges for participants of international tourism exhibitions
- Creation of joint groups for collection and analysis of information on the condition of tourist market

Increasing of efficiency of tourist facilities management. Such Public-Private Partnerships in the tourism can be cited as examples. Public Agency for tourism promotion in Hungary (MagyarTurizmus) in cooperation with national associations in tourism sphere

developed the marketing strategy focused on the neighboring countries and tours with minimal time spent for relocation and flight (Pankaj and Pankaj, 2013).

Korean Tourism Organization in cooperation with the company "VISA card" developed the discounts program for tourists-owners of plastic VISA cards. Particularly, they can take an advantage of discounts from 5-50% for restaurants services, mobile talks, shopping centers, amusement parks and a number of other tourist services. A number of countries organized and are holding successful marketing programs in cooperation with business structures. For example, New Zealand; "100% Pure New Zeland" and Thailand, "Amazing Thailand" which gave an option to these countries to occupy 7th and 14th positions, respectively from 133 countries in the rating of Countries Competitiveness in the sphere of tourism held by the World Economic Forum (James, 1995).

## **RESULTS AND DISCUSSION**

Analysis of modern condition of tourism sector of the Republic of Tatarstan shows that it has been developing quite dynamically in recent years, although not stably. The Republic of Tatarstan has a tourist and recreational potential which is determined by:

- Cultural and historical heritage
- Natural and resource opportunities
- Ethnographic composition
- Presence of the metropolis Kazan

Republic of Tatarstan occupies 8th position in the rating of Russian regions under the number of registered annual overnight stays. Regarding Kazan metropolis there is almost 50% in its share of overnight stays in the Republic of Tatarstan.

At the moment, there are 5 basic obstacles on the way of tourism development in the Republic of Tatarstan. Firstly, it is low tourist attraction to Kazan among the population of the Russian Federation as well as abroad. Secondly, this is low number of developed tourist attractions outside Kazan. Thirdly, this is the absence of clear and strong tourism brand. Also, it should be noted that there are huge distances between different tourism facilities of the Republic of Tatarstan. Finally, fifthly, this is low budget for tourism development in the correspondent ministry.

All this requires, a search of new mechanisms and instruments for increasing of use of tourism potential in the region. Public-Private Partnership is the appropriate mechanism. According to the concept of federal target program "Development of domestic and incoming tourism

in the Russian Federation (2011-2018 years)" (Anonymous, 1996) efficient interaction of authorities, science, business, social institutions are provided in tourism with purposes of development and implementation of large-scale tourism projects aimed for developing of tourism attraction of the regions. That is increase of inland tourist traffics, formation of high-quality tourism product which corresponds to international standards.

Analysis of experience of foreign countries allows indicating four basic models of organization of Public-Private Partnerships in tourism:

- Cooperation: it implies equal shares in profits, management (50/50) and joint and several liability of risk occurrence and decision-making (for instance, the company "Destination Management Company" in Austria (Datta and Iskandar-Datta, 2013)
- Management: attraction of business-structures as the professional managers by the state (for example, transfer of palaces, museums and other tourist facilities in the management of Austria)
- Association: non-commercial union created by its participants for addressing of certain issues (for instance, formation of new policy of Barcelona "From One Barcelona To Many Barcelonas" promotion on the basis of Municipal Committee for Tourism "TurismodeBarcelona" (Handel, 2014)
- Concession: transfer of public ownership facilities to commercial structures under a concession agreement for temporary use (for instance, transfer of funicular and national parks to private structures in Slovenia)

As practice shows, in the industry of hospitality on the regional level the PPP in the form of tourist zones for prioritized directions of tourism development are the most practice-oriented models. Republic of Tatarstan is divided into 6 tourism areas: Kazan tourism and recreational area, Tetushy-Bulgarian tourism and recreational area, Yelabuga tourism and recreational area, Biliar tourism and recreational area, Kama tourism and recreational area and South-East tourism and recreational area. According to initial tasks of formation they should be a catalyst for the development of such types of tourism as cultural and educational, pilgrimage, mountain and winter tourism and city tourism.

**Summary:** Business structures are aimed a priori on economically efficient functioning thus their management system is focused on the selection of the best alternative. Representatives of public, municipal authorities do not have individual interest in the efficiency of management,

possession of the territory entrusted to them, state-owned facilities. It is necessary to drastically change the motivational system of officials, otherwise the implementation of Public-Private Partnership idea in the conditions of Russian mentality is predicted with serious difficulties. Level of satisfaction with social needs of citizens is the final result of civil servants activity (Casado and Pelaez, 2014). One of quality parameters of public and local authorities functioning is living standards of population. The state of local budgets is an indicator of citizens' living standards. Expenditures of local budgets are one of the direct evidences of social needs funding level (Anonymous, 2011).

Municipal managers are not only the body, which distribute funds accruing to local budget but the representatives of public authority, which has the most powerful instruments for management of municipal economy in the broadest sense of the term that implies obligatory prediction of risks, their insurance and diversification (Fayolle *et al.*, 1992). Absence of motivation for local authorities in the efficiency increasing of municipal economy management is showed in the investigation of any of the sections of local budget. One of the most important functions of management and also one of the basic principles of management is the motivation of individuals who make decisions and implement them. One of the main elements of functioning of Public-Private Partnership mechanism in Russia should be the development of legal and regulatory framework which allows establishing a clear correlation between the productivity of local authorities (efficiency of their management) and their remuneration, prospects of carrier growth and privileges of position.

### CONCLUSION

Initial purposes of tourism land zoning for the Republic of Tatarstan includes the development of prioritized types of tourism and strengthening of positive impact of the branch on economy of the region. Besides in the terms of certain tourism zone the mechanism of PPP can be used much more efficient since focusing on the development of specific tourist offer.

Successful implementation of Public-Private Partnership is conditional greatly upon the interest of main participants of this potential union. There can be the following motivational incentives from the viewpoint of a private investor:

- Presence of a stable and efficient source of funding of core activities in the face of the state

- Reducing of time for passing the red tape during solving of managerial and organizational issues
- Guarantees of compensation for financial risks
- Branding of the company as a subject of market economy which cooperates with the state (Mescon *et al.*, 1988)
- Providing benefits for rent, tax, lending
- Possibility to operate monopolistically in certain area
- Possess exclusive access to the limited resources (natural resources, resources of public support)

The other side of this union is presented by public authorities in the face of representatives of municipal institutions usually. It is assumed that most municipal managers do not experience any influence of motivational and/or stimulating instruments in determining the most effective method of state property management. Therefore, establishment of partnership relations with private business is not always considered as a perspective competitive strategic alternative of state or municipal property management.

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