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Innovative Reforms and Economic Strategies in the Development of Domestic Tourism in Uzbekistan

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Abstract: This study investigates the innovative reforms and economic strategies crucial for the development of domestic tourism in Uzbekistan. The primary objective is to enhance the organizational-economic mechanisms underpinning this sector, with particular emphasis on addressing issues related to local governance and information asymmetry. The methodology employed includes analyzing the multi-layered structure of domestic tourism networks, drawing on theories from Milgrom and Roberts, as well as economic activity models from A. Smith and D. Ricardo. This approach allowed for a comparative analysis with other economic sectors, focusing on both macroeconomic and microeconomic factors. The research emphasizes the necessity of comprehensively studying these mechanisms while considering both macroeconomic and microeconomic factors. Results indicate that the organizational-economic mechanism for domestic tourism in Uzbekistan is complex, involving legal, infrastructure, financial, informational, and personnel support. These aspects collectively contribute to stable tourism activities, economic growth, and social improvements. The mechanism's success is linked to its flexibility in responding to external and internal tourism environment factors. Recommendations include expanding training programs to improve tourism literacy and refining economic mechanisms, such as optimizing tourist expenditures to enhance demand. Ultimately, domestic tourism, by retaining financial resources within Uzbekistan, fosters significant economic benefits and supports broader socio-cultural development.

Keywords: Domestic Tourism, Tourism Concept, Tourism Market, Infrastructure, Tourism Market Innovation, Visual Model.

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1. Introduction

In Uzbekistan, within the framework of reforms aimed at restructuring the economy, modernizing key sectors, and innovatively developing them, special attention is paid to the tourism sector. The state program aimed at implementing the Development Strategy of New Uzbekistan for 2022-2026 sets out specific tasks. In particular, the goal of "Promoting the potential of domestic tourism and, by 2026, increasing the number of local tourists to more than 12 million under the 'Travel Across Uzbekistan' program" was outlined. The effective realization of these tasks requires refining the organizational-economic mechanisms of domestic tourism (Arabov, 2024).

The economic content of the concept of "domestic tourism," along with the organizational-economic mechanisms for developing domestic tourism, need to be improved, especially in the context of the local governance structure known as "mahalla seven." Addressing the negative effects caused by information asymmetry in tourism can

help eliminate uncomfortable situations arising during tourists' visits to various tourist destinations across the country. Therefore, promoting the development of domestic tourism becomes a pressing issue (Salimov, 2023).

2. Materials and Methods

To conduct this research on the development of domestic tourism and the organizational-economic mechanisms that support it, the following methodological approaches were employed:

Through this approach, the organizational and economic mechanism of domestic tourism was studied as a multi-layered network. This approach, based on the theories of economists such as B. Milgrom and J. Roberts, allowed for the identification of economic relationships between the actors in the tourism network by incorporating both macroeconomic and microeconomic components. This method enabled a deep analysis of the connections between network elements to understand the integrity of the system and the dynamic nature of development.

This method involved analyzing the organizational and economic mechanism of developing domestic tourism by comparing it with other economic sectors. Based on the economic activity and growth models of economic philosophers like A. Smith and D. Ricardo, the internal and external environmental factors of the tourism network were examined. This allowed for the comparison of tourism activities and their effectiveness with other sectors.

3. Results

The organizational-economic mechanism of domestic tourism has a complex structure. Although various research studies have been conducted on this topic, a comprehensive, in-depth study of the object is still lacking. This mechanism envisions organizing economic relationships among the subjects of the domestic tourism network by incorporating macroeconomic and microeconomic components. The inclusion of the term "development" in this context emphasizes the theoretical and practical orientation of this mechanism (Tsviliy, 2024). The organizational-economic mechanism of domestic tourism can also solve a range of other issues.

The concept of "development" is broad and includes both the extensive expansion of tourism activities and the optimization of service provision to intensify tourism activities. The organizational-economic mechanism of domestic tourism is closely linked with development objectives. The effectiveness of this mechanism depends on the achievement of specific development goals.

The objectives of developing domestic tourism depend on external and internal factors in the tourism environment. Since external factors in domestic tourism fluctuate due to rapid changes in the modern economic environment, this organizational-economic mechanism has a set of systematic characteristics that distinguish it from other specific goals. It must be capable of performing its main functions under varying demands and development goals, as well as maintaining operational parameters when external environmental changes occur (Molina, 2023).

The organizational-economic mechanism of domestic tourism supports the normal flow of economic processes, ensures the stable operation of the economic system and its objects, and creates the necessary conditions and tools to prevent disruptions in tourism activities, ensure compliance with laws, regulations, contractual obligations, and prevent violations. The following five aspects can be highlighted:

- Legal support: Developing laws that ensure the normal flow of tourism activities.
- Infrastructure support: Ensuring the availability of physical-technical elements for organizing historical-cultural tourism.
- Financial support: Identifying sources of investment and creating favorable conditions for investment in cultural tourism.

- Information support: Providing information to tourists and organizing cultural tourism using new information technologies.
- Personnel support: Regular and timely preparation and retraining of skilled personnel capable of delivering quality tourism services at all levels—higher, middle, and lower.

In our republic, the activities of the main component and form of tourism—domestic tourism—need to encompass planning, direction, coordination, and the organizational-economic mechanism's elements. Each of these areas is regulated through coordination (table 1).

Table 1. Organizational-economic and social-legal mechanisms for developing domestic tourism

Organizational	Economic	Social	Legal
Raising the tourism literacy of the population	Increase in income of the population in regions with developed domestic tourism	Improvement in the well-being of the population in neighborhoods or regions with developed domestic tourism	Development of measures by the state to promote domestic tourism
Applying foreign experiences in practice	Circulation of monetary mass and its movement within the country	Cultural exchange between regions	Monitoring the implementation of developed programs
Developing scientific research and solutions in education	Regulating seasonality	Strengthening of values Increase in festivals and events Activation of museums and cultural centers Development of shopping centers in regions	Development of educational research and solutions

When examining the organizational-economic and social-legal mechanisms for developing domestic tourism, the level of service provided to tourists plays a crucial role in the development of the respective neighborhood (mahalla) or region. In this regard, it is recommended to establish additional educational centers in regions visited by tourists to enhance the local population's tourism literacy.

Enhancing tourism literacy among the population: As previously mentioned, it is appropriate to organize training courses at neighborhood centers (MFY) as part of this effort. These centers should provide knowledge and skills on tourism theory, hygiene and epidemiological requirements in service provision, improving oral communication, and the organizational aspects of tourism.

Economic mechanisms in domestic tourism: When considering economic mechanisms in domestic tourism, it is necessary to analyze tourists' expenses when visiting specific regions and the process of forming supply based on demand. Domestic tourism significantly benefits the national economy, stimulating the circulation of monetary mass within the country.

The circulation of monetary mass and its movement within the country: Unlike international tourism, in domestic tourism, the monetary mass does not leave the

country. Citizens spend their savings to serve tourists, contributing to the economic mechanism. As a result, domestic tourism has a positive impact on the country's economic growth and the improvement of social life.

Increase in celebrations and events: Currently, the government is paying special attention to national holidays and events. For each celebration, the government adds four or five days of holidays. This contributes to the growth of domestic tourism. Our research will focus deeply on holiday-related issues.

Legal attention to domestic tourism: From a legal perspective, attention to domestic tourism is one of the essential processes (Cao, 2024). If there is no legal support or evaluation from the government, there will be no order in this sector.

Political mechanism: It would not be an exaggeration to say that the political and legal attention given to domestic tourism guarantees economic development. For example, the introduction of laws protecting tourists' rights and regulating businesses serving the tourism industry significantly impacts the economy's growth.

The development of specific laws by the state to promote domestic tourism is a clear example of this. For instance, we can refer to the Decree of the President of the Republic of Uzbekistan dated February 7, 2018, No. PQ-3514, which established the program for the development of domestic tourism, titled "Travel Across Uzbekistan!"

Additionally, another example is the Decree of the President of the Republic of Uzbekistan dated February 9, 2021, No. PF-6165, "On measures for further development of domestic and pilgrimage tourism in the Republic of Uzbekistan," and the Decree of the President of the Republic of Uzbekistan dated January 12, 2024, No. PF-9, "On measures to sharply increase the flow of foreign tourists and further accelerate domestic tourism." These decrees form the basis for the domestic tourism development program.

The state, which has the central role of overseeing economic mechanisms and representative functions, plays a pivotal role. The organizational-economic mechanism provides the necessary strength and tools. As a unified system, the organizational-economic mechanism serves as the foundation for implementing functions within domestic tourism (Chiwawa, 2023). These functions play a key role in the development of domestic tourism.

Creating conditions for the development of domestic tourism. In the context of the reforms being carried out in New Uzbekistan, the transition to digitalizing the economy or business processes in society serves as an example of creating conditions for the development of domestic tourism. For example, a unified interactive portal was created to collect public opinion on the legal documents developed by the state for the purpose of advancing domestic tourism. Organizing direct work with public feedback through this portal, where the documents developed for the purpose of promoting domestic tourism are uploaded, is a step towards creating the necessary conditions for the development of tourism. This function, in turn, contributes to the development of the economy.

Regulating the development of domestic tourism. The following function involves processes related to controlling the activities of entrepreneurs or tourists in the tourism sector.

Our country has great potential in tourism, and there are still many untapped sectors and works that need to be developed (Luckyardi, 2022). Our main approach should focus on a dual strategy in domestic tourism—just as a coin has two sides, we need to consider both the tourism business representatives and the conditions created by the state for domestic tourism.

On April 30, 2022, our President signed a decree "On additional measures to diversify domestic tourism services." The purpose of this decree, as the name of the year indicates, is to ensure the dignity of human beings and provide them with enjoyable leisure opportunities during the "Year of Honoring Human Dignity and Active Mahalla." In achieving economic growth and good results, paying attention to rest and health as a

human factor plays a significant role. Furthermore, from June 1, 2022, the "Travel Across Uzbekistan!" program was developed by the state.

In conjunction with this program, supporting programs or projects were prepared to facilitate domestic travel throughout the regions of the republic. These include initiatives like "Youth Tourism Month," "Youth Tourism Week," "Youth Tourism," "Young Tourist," "Tourism Mahalla," "Tourism Village," "Tourism Settlement," "I Study the History of My Homeland," "Journey to the Past," "Tashkent Flower Festival," "Tashkent Symphony Festival," as well as events planned for June like the "Gastronomic Festival," "Tourist Hospitality," "Film Caravan," "Pilgrimage Tourism," and "Tourism Streets."

It is important to study and apply foreign experiences when developing specialized programs.

What does foreign experience emphasize?

As an example, let's take a look at China's experience. China, when developing its program, focused on rural tourism. In their approach to developing domestic tourism, they paid attention to naming their special programs. The creative approach was such that the name of the program aroused a desire in the tourist to visit that place or taste that dish, ultimately leading to a wish to experience the service. For example, we can observe this in their program, "From Michelin-starred Shanghai restaurants to drinking rice wine at a local family table." Thus, we need to avoid programs with a general meaning. In the case of developing "Rural Tourism" in Uzbekistan, it would be helpful to slightly refine the name to make it more unique. For instance, names like "Free Rural Health Retreat" or "Rural Tourism Cuisine" could be used.

The role of the state in developing domestic tourism. Are the opportunities being provided for the development of domestic tourism sufficient for its growth? During the course of this research, we will examine the mechanism by which the state, self-governance bodies, and the mahalla institute contribute to the economic development mechanism.

If we consider the Decree of the President of the Republic of Uzbekistan dated January 12, 2024, No. PF-9, "On measures to sharply increase the flow of foreign tourists and further accelerate domestic tourism," we can observe that a number of benefits have been granted to tourists and entrepreneurs as part of the domestic tourism development program.

At the same time, if we want to ensure the more effective use of the opportunities provided to tourists and entrepreneurs, we need to understand the mechanism for the coordinated functioning of the members of the mahalla seven, who activate local tourists.

The state and self-governance bodies should not only provide economic assistance to local tourists to ensure the sustainable development of domestic tourism, but also create and implement rules and standards. Furthermore, mechanisms should be put in place to increase the tourism literacy of local tourists, promote tax awareness, and ensure their cultural rest without obstacles. The duties of the mahalla seven should be thoroughly defined for the development of domestic tourism. Before that, we will examine the objective and subjective principles of domestic tourism.

The state's role in developing domestic tourism is critical. The state must create opportunities for legal and physical persons to engage in tourism entrepreneurship and support them. Otherwise, the development of the economy will proceed slowly. Every sector's development involves creating its scientific plan and implementing it in practice. For example, let's take specific principles developed for the growth of a particular sector. In our scientific work, we developed a visual model of the principles that will form the basis of the development of domestic tourism.

This is reflected in Table 2, where the UNWTO's principles for sustainable tourism development are provided at the center of the figure:

- Engaging local communities
- Consulting with stakeholders and the public
- Training employees
- Responsible tourism marketing
- Conducting research
- Efficient use of resources
- Reducing excessive consumption and waste
- Preserving biodiversity
- Integrating tourism into planning processes
- Supporting the local economy.

These specially developed principles not only contribute to the development of tourism but also ensure environmental sustainability, prevent damage to cultural heritage sites, create jobs, establish cultural exchanges between nations, strengthen diplomatic relations, promote marketing and advertising in tourism, develop trade in the form of fairs, support scientific research in the tourism sector, ensure the rational use of natural resources, control excessive consumption and waste, preserve biodiversity, establish the integration of tourism planning between countries, and promote the development of the local economy.

In our research, we have linked the key principles of developing domestic tourism in Uzbekistan with the following aspects. This visual model was divided into two parts: objective and subjective. In the objective model, the principles were classified into:

- Social
- Cultural
- Environmental
- Systematic
- Economic

Table 2. Visual model of the main principles of domestic tourism development

Objective	UNWTO Principles of Sustainable Development			Subjective
<p>Social: Providing local employment and improving living standards; Development of local manufacturers; New service compositions; <u>Creation of new jobs;</u></p>	<p>Involving local communities; Consulting with stakeholders and the public; Training staff; Conducting research responsibly in tourism marketing; Efficient use of resources; Reducing excessive consumption and waste; Preserving biodiversity; Integrating tourism into planning processes; <u>Supporting the local economy;</u></p>			<p>The Individual Guarantees of tourist safety; Freedom to access information; Freedom to distribute information; Transparency and accessibility <u>Ensuring fairness to all;</u></p>
<p>Cultural; Preservation of cultural values; Continuity of cultures Preservation of local traditions; <u>Ensuring national uniqueness</u></p>	<p>Developing Regulatory-Legal Strategies for Domestic Tourism; Reforming human resource management and training systems; Developing financial relations and implementing investment projects; Supporting legal and physical entities in applying international experiences; Monitoring international tourism agreements and conventions;</p>	<p>The State Supporting activities; Setting restrictions on activities that harm the economy, society, or the environment; Compliance with UNWTO agreements and principles</p>	<p>Privileges Reducing taxes in domestic tourism, providing exemptions from customs duties, offering beneficial loans; Providing tax and investment incentives for financing innovation and investment expenses; <u>Ensuring freedom of information.</u></p>	<p>Taxation Introducing a differentiated approach to income tax rates for legal entities and individuals based on economic sectors; Supporting the activities of travel agencies, transport services in tourism, the operations of public catering enterprises, and granting privileges and support for hotel operations</p>
<p>Environmental; Clean environment; Adherence to cleanliness; Green economy; Conservation of biodiversity;</p>	<p>International Cooperation Providing mutual and one-sided privileges in international cooperation, budget regulation, and visa regimes;</p>			<p>Social: Ensuring the unimpeded movement of low-income and disabled individuals</p>
<p>Systematic; Decision-making; Development; Control;</p>	<p>Ensuring national uniqueness</p>			<p>Активал Чтобы акт раздел "П</p>
<p>Economic: Fiscal policy; Monetary-credit policy; Customs and other policies; Intensive development; Effective economic mechanisms; Investment attractiveness;</p>	<p>Ensuring national uniqueness</p>			<p>Активал Чтобы акт раздел "П</p>

Principles of Social Development: These are aimed at processes associated with the creation of new jobs or the emergence of job opportunities in the regions visited by domestic tourists. As a result, the living standards of the local population improve. In entrepreneurship, the activities of local producers also see positive progress. Service sectors are developed. In regions visited by tourists, accommodation services and catering businesses are established. These processes lead to social development in the regions, thereby improving the living conditions of the people.

Principles of Cultural Development: These principles ensure the preservation of cultural values in regions and prevent them from disappearing due to domestic tourism. Oral folk art, various games, dances, traditions, and kinship ties are preserved.

Principles of Environmental Development and Preservation: These include protecting clean environments, preventing pollution in regions and nature, promoting the development of green economies, and encouraging the preservation and development of biodiversity.

Principles of Systematic Development: This refers to the organization and promotion of tourism management in all aspects and efforts to ensure its development.

Principles of Economic Development: These include controlling and maintaining pricing policies in tourism. Developing credit systems in tourism to provide more conveniences for tourists. Adjusting tax and fiscal policies to suit tourists. Eliminating customs duties and taxes in domestic tourism and providing incentives to entrepreneurs serving tourists for sustainable development. Intensively promoting the development of service sectors in domestic tourism and supporting their growth. Developing effective economic mechanisms and investment attractiveness. These principles serve as strict guidelines for the development of domestic tourism.

4. Conclusion

In conclusion, it must be stated that in developing domestic tourism, first and foremost, studying theoretical analysis and research will lead to the comprehensive development of the sector. The definition of domestic tourism is derived from generalized information based on experiences in specific areas. The main task of the theory of domestic tourism is to explain the evidence provided by these experiences and, at the same time, delve deeper into the essence of tourism to foresee and address emerging problems and phenomena.

After analyzing the approaches to domestic tourism, we have developed the following social-economic conveniences and proposals for local tourists:

It is possible to travel without contracting with travel agencies.

- There is no need for excessive paperwork.
- No visa is required.
- No insurance is needed.
- The level of language proficiency is not important.
- No mandatory medical examination.
- Low costs (compared to international tourism).
- Favorable weather conditions.

Issues such as psychological stress, which are often encountered in international tourism, are not observed in domestic tourism due to the shorter distances between regions.

Thus, domestic tourism plays an important role in the service sector as a key driver of the national economy.

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