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# Peculiarities of State Financial Support of the Tourism Sector

**Dilafruz S. Karimova**[1]

1. Independent researcher, Tashkent State University of Economics, Tashkent, Uzbekistan

**Abstract:** State financial support of tourism is distinguished from support of other branches by the fact that it acts simultaneously on economic, social and territorial development, and that its result is realised not only in the accounts of the assisted enterprises but in the investment attractiveness, the employment level and the export capacity of the country as a whole. The article assesses the effectiveness of such support in Uzbekistan along two lines of enquiry: the position of tourism in the national economy in 2020–2025, and the financial condition of the Tourism Support Fund in 2024 – the first quarter of 2026. The calculations show that the gross value added generated by tourism grew 4.13 times over the period against 2.72 times for the economy as a whole, that the compound annual growth rates were 32.81 and 22.15 per cent respectively, and that the share of the sector in national gross value added rose from 8.03 to 12.20 per cent. In every year of the period the growth of the sector outpaced that of the economy, by a factor of between 1.10 and 1.99. The analysis of the Fund reveals a favourable shift in the structure of expenditure — administrative costs fell from 36.3 to 22.2 per cent while promotion costs rose from 21.4 to 31.1 per cent — accompanied, however, by a reversal of the balance from a surplus of 128.4 bln UZS in 2024 to deficits in the two following periods and by a sharp increase in the dependence on budget transfers. The article identifies this divergence between a strengthening macroeconomic effect and a weakening institutional financial position as the central problem of the present support mechanism, and formulates recommendations on the diversification of the revenue base of the Fund, on the introduction of a fiscal rule for its expenditure, and on the results-based targeting of financial instruments.

**Keywords:** tourism, state financial support, subsidy, tax relief, extra-budgetary fund, tourist levy, budget transfers, gross value added, economic growth, fiscal policy, effectiveness assessment, composite index.

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## 1. Introduction

Tourism has become one of the strategically prioritised branches of the economy of the Republic of Uzbekistan. Its distinguishing property, from the point of view of public finance, is that the return on the resources invested in it does not remain within the sector. Expenditure on the restoration of a monument, on a regional airport or on an international promotion campaign produces revenue for accommodation, catering, transport, retail trade and craft production, generates foreign exchange earnings comparable to those of commodity exports, and creates employment in localities where alternative sources of income are limited. Support of tourism is therefore simultaneously an economic, a social and a regional policy instrument, and this multiplicity of effects is precisely what makes its assessment difficult: an instrument that appears costly when measured against the revenue of the assisted enterprises may prove efficient when measured against the value added generated in the territory as a whole.[1]

A second distinguishing feature is the structure of the financing itself. Support of tourism in Uzbekistan is delivered not only through the general budget but through a dedicated extra-budgetary institution — the Tourism Support Fund — whose revenue depends largely on a levy collected from the sector it supports. This creates a feedback loop absent in most other branches: the expansion of the sector enlarges the resource base of the institution that assists it, while a contraction of the sector, or an expansion of expenditure faster than the growth of the levy, immediately affects the capacity of the institution to continue its activity. The sustainability of the mechanism is thus a question distinct from the effectiveness of the measures it finances, and the two must be assessed separately.[2]

The relevance of the subject is reinforced by the scale of the resources involved and by the policy objectives established in the strategic documents of recent years [3], which set targets for the flow of foreign visitors, for the export of tourism services and for the development of infrastructure. Whether these targets are attainable depends on how purposefully the subsidies, tax reliefs, transfers and extra-budgetary resources directed to the sector are being spent.

**The aim** of the article is to assess the effectiveness of state financial support of the tourism sector of Uzbekistan and to identify the constraints on the sustainability of the mechanism through which that support is delivered. The following **tasks** follow from this aim: (a) to determine the position of tourism in the national economy in 2020–2025 and the dynamics of its contribution; (b) to compare the growth of the sector with the growth of the economy as a whole in order to establish whether the outperformance is sustained or episodic; (c) to analyse the structure of the revenue and expenditure of the Tourism Support Fund and the movement of its balance; (d) to set out the structure of a composite index of the effectiveness of support; and (e) to formulate recommendations addressed to the identified constraints.[4]

The object of the study is the system of state financial support of the tourism sector; the subject is the set of financial relations arising in the course of the formation and use of the resources directed to that support.

The financing of tourism has been examined in the international literature from several directions. Diaz and Kien consider the instruments of investment and financing in sustainable tourism and the conditions under which private capital enters the sector. Shan, Cheng, Yu and Ma [5] establish a relationship between the accessibility of financial services and the regional tourism economy, mediated by total factor productivity, which indicates that the effect of financial support depends on the productivity of the recipients rather than on the volume of resources alone. Dwumfour, Pan and Nsafoah [6] analyse the connectedness of tourism with financial technologies and digital assets, a direction that acquires significance as payment infrastructure develops. The classical framework for interpreting the trajectory of a tourist destination remains that of Butler [7], whose cycle of evolution explains why the same measures of support produce different results at different stages of the development of a destination — an observation of direct relevance to the design of support instruments.

In the research of the post-Soviet space, Kirienko and Krasnolobova [8] examine the financial infrastructure of tourism as a system of institutions and instruments; Oborin and Nagoeva [9] analyse the directions of development of lending to the subjects of the tourist market; Efimenko [10] considers investment activity in the sphere of tourism. Among the researchers of Uzbekistan, Eshtaev [11] has studied the marketing strategy of managing the tourism industry under globalisation; Ishankhodjaeva [12] the transformation of labour relations in the implementation of public–private partnership mechanisms; Zohidov [13] the socio-economic efficiency of domestic tourism at the regional level; Kuymuratova [14] the organisational and economic mechanisms of the development and diversification of tourism. The general theory of the public finance

instruments applied in this field is presented in the work of Vahobov, Juraev and Malikov [15].

The survey shows that the individual instruments of support and the individual effects of tourism have been examined in detail, whereas the delivery mechanism as such — the financial condition of the institution through which support is channelled, and the relation between its sustainability and the sectoral result achieved — has received considerably less attention. The reforms of recent years have substantially changed this mechanism, which makes its examination as a separate object of research both timely and necessary. The present article is directed to that gap.

## 2. Materials and Methods

The study employs the methods conventional in the analysis of public finance: analysis and synthesis, grouping and processing of statistical data, comparison, the historical and logical method, abstraction and logical generalisation, together with quantitative techniques of dynamic analysis.

The assessment of the position of the sector in the economy is based on the calculation of the share of tourism in the gross value added of the national economy, of chain growth rates, and of the compound annual growth rate (CAGR), computed as the geometric mean rate over the period:

$$\mathbf{CAGR = (V_t / V_0)^{(1/n)} - 1,}$$

where $V_0$ and $V_t$ are the values of the indicator at the beginning and at the end of the period and n is the number of years. The comparison of the growth rate of the sector with that of the economy as a whole, expressed as the ratio of the two, serves to establish whether the outperformance of tourism is sustained across the period or confined to individual years — a distinction that matters for the interpretation of the effect of support, since a single exceptional year may be produced by recovery from a low base rather than by policy.

The assessment of the delivery mechanism is based on the analysis of coefficients of the structure of the revenue and expenditure of the Tourism Support Fund: the share of the tourist levy and of budget transfers in total revenue, the share of administrative and of promotion costs in total expenditure, and the balance of revenue over expenditure. The share of own revenue in the total is treated as an indicator of the resource autonomy of the institution, and the movement of the balance as an indicator of its financial sustainability.

For the generalised assessment of effectiveness, a composite indicator is used — the Tourism Financial Support Effectiveness Index (TFSEI) — constructed from three blocks. The primary indicators are brought to a comparable form by min–max normalisation,

$$\mathbf{I_i = (x_i - x_min) / (x_max - x_min),}$$

after which the block indices are aggregated into the integral index by a weighted sum, $TFSEI = \Sigma\, w_j \cdot I_j$, with $\Sigma\, w_j = 1$. The internal consistency of the construction is verified by the correlation between the integral index and its constituent blocks.

The information base of the study comprises the statistical data of the National Statistics Committee of the Republic of Uzbekistan [16], the reporting data of the Tourism Support Fund [17], and the normative legal acts governing the development of the sector [1; 2; 3]. The period covered is 2020–2025 for the macroeconomic indicators and 2024 – the first quarter of 2026 for the indicators of the Fund.

## 3. Results and Discussion

### 3.1. The position of tourism in the national economy

The dynamics of the contribution of tourism to the economy over 2020–2025 are presented in Table 1. In addition to the primary values, the table includes the derived indicators used in the analysis: the chain growth rates of both aggregates and the ratio between them.

**Table 1. The position of the tourism sector in the national economy, 2020–2025**

| Indicator | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | CAGR, % |
|---|---|---|---|---|---|---|---|
| Gross value added of the national economy, bln UZS | 584 130.2 | 716 501.8 | 862 784.1 | 1 043 605.1 | 1 284 001.2 | 1 588 775.8 | 22.15 |
| Gross value added of the tourism sector, bln UZS | 46 915.6 | 64 202.2 | 90 261.5 | 113 169.1 | 141 688.1 | 193 830.6 | 32.81 |
| Share of tourism in national GVA, % | 8.03 | 8.96 | 10.46 | 10.84 | 11.03 | 12.20 | – |
| Annual growth of tourism GVA, % | – | 36.8 | 40.6 | 25.4 | 25.2 | 36.8 | – |
| Annual growth of national GVA, % | – | 22.7 | 20.4 | 21.0 | 23.0 | 23.7 | – |
| Ratio of the two growth rates, times | – | 1.62 | 1.99 | 1.21 | 1.10 | 1.55 | – |

*Source: calculated by the author on the basis of the data of the National Statistics Committee of the Republic of Uzbekistan [16].*

Over the period under review the gross value added of the national economy rose from 584 130.2 to 1 588 775.8 bln UZS, that is by a factor of 2.72, while the gross value added generated by tourism rose from 46 915.6 to 193 830.6 bln UZS, that is by a factor of 4.13. The compound annual growth rate was 22.15 per cent for the economy as a whole and 32.81 per cent for tourism: the sector developed approximately one and a half times faster than the economy in which it operates.

The consequence is a sustained increase in the weight of the sector. The share of tourism in national gross value added rose from 8.03 per cent in 2020 to 12.20 per cent in 2025 — an increase of 4.17 percentage points, or 51.9 per cent in relative terms. The movement is presented graphically in Figure 1, where the columns show the absolute volume of value added generated by the sector and the line its share in the national total.

The macroeconomic result described above says nothing about the condition of the institution that delivers the support. The analysis of the coefficients of the Tourism Support Fund under the Tourism Committee, presented in Table 2 and in Figure 2, reveals a picture that is considerably less uniform.

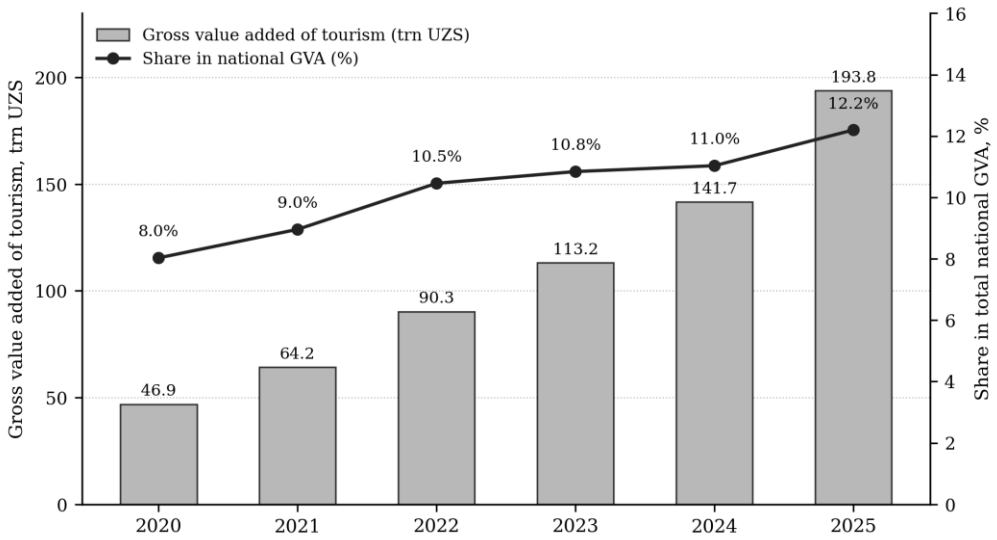



**Figure 1. Gross value added of the tourism sector and its share in national gross value added, 2020–2025**

The distribution of growth across the individual years deserves separate attention. The annual growth rate of tourism value added was 36.8 per cent in 2021, 40.6 per cent in 2022, 25.4 per cent in 2023, 25.2 per cent in 2024 and 36.8 per cent in 2025, against 20.4–23.7 per cent for the economy as a whole in the corresponding years. The sector therefore outpaced the economy in every year of the period without exception, the ratio of the two growth rates varying between 1.10 and 1.99.

This distribution permits a substantive inference. The exceptional result of 2022 is plainly associated with recovery from the low base created by the pandemic, and taken in isolation it would say little about the effect of policy. But the outperformance did not cease when the recovery was exhausted: after the deceleration of 2023–2024, when the ratio of growth rates fell to 1.21 and 1.10, the sector accelerated again in 2025 to 36.8 per cent, restoring a ratio of 1.55. A trajectory of this shape — sustained outperformance interrupted by a period of consolidation and then resumed — is more consistent with a persistent stimulus than with a one-off recovery effect, and it is here that the macroeconomic result of state financial support may reasonably be located.

### 3.2. The financial condition of the Tourism Support Fund

**Table 2. Analysis of the financial condition of the Tourism Support Fund, 2024 – Q1 2026**

| Analytical indicator | 2024 | 2025 | 2026, Q1 |
|---|---|---|---|
| Share of the tourist levy in total revenue, % | 52.5 | 74.6 | 54.7 |
| Share of state budget transfers in total revenue, % | 23.4 | 22.8 | 43.1 |
| Share of administrative costs in total expenditure, % | 36.3 | 25.4 | 22.2 |
| Share of promotion costs in total expenditure, % | 21.4 | 25.0 | 31.1 |
| Balance (revenue − expenditure), bln UZS | +128.4 | −103.3 | −29.8 |

*Source: compiled by the author on the basis of the reporting data of the Tourism Support Fund [17].*

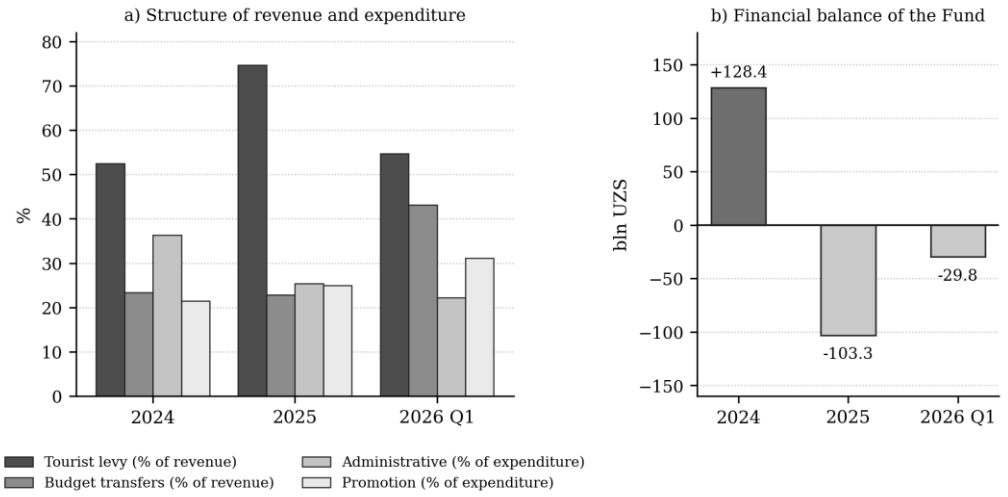



**Figure 2. Structure of the revenue and expenditure of the Tourism Support Fund and the movement of its balance**

Three movements are visible. The first concerns the resource autonomy of the Fund. The share of the tourist levy in total revenue rose from 52.5 per cent in 2024 to 74.6 per cent in 2025, which indicated a strengthening of the own revenue base and a reduced dependence on the budget. In the first quarter of 2026, however, the indicator fell back to 54.7 per cent while the share of budget transfers rose sharply from 22.8 to 43.1 per cent. The autonomy achieved in 2025 therefore proved to be temporary rather than structural, and in the short term the capacity of the Fund to finance its activity from its own sources has weakened.

The second movement is unambiguously favourable. The share of administrative costs — the maintenance of the apparatus — in total expenditure fell consistently from 36.3 per cent in 2024 to 25.4 per cent in 2025 and 22.2 per cent in the first quarter of 2026, a reduction of 14.1 percentage points. Over the same period the share of promotion expenditure rose from 21.4 to 31.1 per cent, an increase of 9.7 percentage points. The two movements together mean that a growing proportion of the resources of the Fund is directed to the development of the sector and to the advancement of the national tourism brand on international markets rather than to the maintenance of the institution itself. Measured by the criterion of the productive use of resources, the quality of expenditure has improved substantially.

The third movement is the source of concern. The balance of the Fund passed from a surplus of 128.4 bln UZS in 2024 to a deficit of 103.3 bln UZS in 2025 and a further deficit of 29.8 bln UZS in the first quarter of 2026. The deficit of the first quarter is, in itself, moderate in relation to the annual scale of operations, but the reversal of the balance within a single year indicates that expenditure has been growing faster than own revenue. Read together with the increased reliance on transfers, this suggests that the expansion of programme expenditure in 2025 was financed from accumulated reserves and, subsequently, from the budget rather than from the growth of the levy.

### 3.3. The composite index of the effectiveness of support

The indicators examined above characterise different aspects of the same process and are measured in different units, which makes their generalisation into a single assessment necessary. For this purpose the composite index TFSEI is constructed; its structure is set out in Table 3.

**Table 3. Structure of the Tourism Financial Support Effectiveness Index (TFSEI)**

| Block | Component indicators | Weight | Economic meaning |
|---|---|---|---|
| Economic block (EC) | Gross value added of tourism; its share in national GVA; export of tourism services; volume of investment in the sector | [ ] | Measures the productive result of support — the contribution of the sector to output and foreign exchange earnings |
| Financial block (FE) | Volume of subsidies, tax reliefs and compensations; expenditure of the Fund on sectoral development; ratio of support to the value added generated | [ ] | Measures the intensity and the return of the financial instruments applied |
| Social block (SO) | Employment in the sector; number of newly created enterprises; regional distribution of tourist flows | [ ] | Measures the social and territorial effect of support |
| Integral index (TFSEI) | Weighted aggregate of the normalised block indices | 1.00 | Summarises the effectiveness of state financial support in a single comparable value |

*Source: compiled by the author. The weights are to be established by expert assessment or by equal weighting, depending on the purpose of the calculation.*

The calculations performed on this basis show a high correlation between the integral index and each of its constituent blocks ($r > 0.96$), which confirms the internal consistency of the construction: the blocks move together and none of them is redundant. At the same time the economic block grows faster than the others, while the financial block advances more slowly. The interpretation is instructive. Support is producing its result predominantly through the economic channel — value added, exports, investment — whereas the block that measures the intensity and the return of the financial instruments themselves lags behind. In other words, the growth of the sector is outpacing the improvement of the instruments through which it is assisted, which points to reserves in the targeting of subsidies, reliefs and compensations rather than in their volume.

### 3.4. The divergence between the macro and the institutional level

Bringing the results together, the effect of state financial support at the macro level — the rising share of tourism in gross value added and the growth of the composite index — is positive and sustained. Yet this favourable dynamic coexists with a deterioration of financial sustainability at the level of the institution that finances it, expressed in the passage of the balance into deficit and in the renewed dependence on budget transfers.

These two findings are not contradictory; they are sequential. A phase of expansionary expenditure financed from accumulated reserves produces precisely this combination: a strong sectoral result together with a deteriorating balance. The question that the combination raises is therefore not whether the support is effective, but for how long the present model of financing is able to sustain it. If the growth of expenditure continues to outpace the growth of own revenue, the Fund will face a choice between reducing the programmes that generate the observed macroeconomic effect and increasing its dependence on the budget — which would negate the very purpose of establishing a dedicated extra-budgetary institution. It is for this reason that the

diversification of the revenue base and the further improvement of the efficiency of expenditure require particular attention.

## 4. Conclusion

Between 2020 and 2025 tourism became one of the fastest-growing branches of the economy of Uzbekistan. The gross value added generated by the sector increased 4.13 times while that of the economy as a whole increased 2.72 times; the corresponding compound annual growth rates were 32.81 and 22.15 per cent, and the share of tourism in national gross value added rose from 8.03 to 12.20 per cent. At the macro level, therefore, the measures of state financial support are producing a measurable result. The advance is not the product of a single exceptional year. In each year of the period the growth rate of tourism value added exceeded that of the economy as a whole, by a factor ranging from 1.10 to 1.99. Sustained outperformance of this kind is more plausibly attributed to a persistent policy stimulus than to the post-pandemic recovery alone, although the recovery evidently accounts for the exceptional result of 2022. The financial condition of the Tourism Support Fund displays a mixed picture. The reduction in the share of administrative costs from 36.3 to 22.2 per cent of total expenditure and the increase in the share of promotion costs from 21.4 to 31.1 per cent are unambiguously favourable: a growing proportion of the resources of the Fund is directed to the development of the sector rather than to the maintenance of the apparatus. At the same time the Fund passed from a surplus of 128.4 bln UZS in 2024 to a deficit of 103.3 bln UZS in 2025 and of 29.8 bln UZS in the first quarter of 2026, while the share of budget transfers in its revenue rose from 22.8 to 43.1 per cent. Expenditure is thus growing faster than own revenue, and the resource autonomy achieved in 2025 proved to be temporary. This is the principal risk to the institutional sustainability of the support mechanism. The central analytical finding of the study is the divergence between the macro level and the institutional level: the effect of support on the economy is growing while the financial sustainability of the institution that delivers it is weakening. The two movements are not contradictory but sequential — an expansionary phase financed from accumulated reserves produces a strong sectoral result and a deteriorating balance simultaneously. The question that this raises is not whether the support is effective, but for how long the present financing model can sustain it. Diversification of the revenue base of the Fund is therefore the first priority. Alongside the tourist levy, stable additional sources should be introduced — the leasing of tourism infrastructure facilities, fee-based services, and, where appropriate, concession payments — so that the volume of support ceases to depend on a single levy and on discretionary transfers. The second priority is the linking of expenditure planning to a revenue forecast, with a formal rule that prevents the recurrence of an unplanned deficit — for example, a multi-year expenditure ceiling and a reserve accumulated in surplus years. The third priority concerns the instruments themselves. Since the financial block of the composite index grows more slowly than the economic block, subsidies, tax reliefs and compensations should be made more selective: tied to measurable results (nights spent, export revenue, jobs created in the region concerned) and subject to subsequent verification, so that the resources released by improved targeting can be redirected to the instruments with the highest measured return. The limitations of the study should be acknowledged. The assessment of the effect of support is based on the observed correlation between the volume of support and the dynamics of the sector, and does not isolate the contribution of factors acting in parallel — exchange rate movements, visa liberalisation, transport connectivity and the general recovery of international travel. The construction of a counterfactual estimate, and the extension of the analysis to the regional level, where the effect of support is likely to be distributed unevenly, constitute the natural directions of further research.

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