












# “Investment attractiveness of the Ukrainian tourism system”

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# INVESTMENT ATTRACTIVENESS OF THE UKRAINIAN TOURISM SYSTEM

## Abstract

Global and crisis transformations result in structural and functional changes in the tourism system, which combines resource potential, infrastructure, tourism entities, institutional structures, and consumers. For Ukraine, with its high tourist potential, tourism development is a significant factor after the crisis recovery of the economy. Overcoming the disparities in the tourism system functioning, shaping optimal business models of its development, increasing the sustainability and efficiency of the tourism entities functioning impose an objective need for investment. Investment attractiveness is one of the key characteristics causing the investor's interest in financing the project, including the tourist one.

The essence, determinants of influence and characteristic features of investment attractiveness of the Ukrainian tourism system are substantiated. The investment attractiveness of the tourism system is proposed to be considered as a complex feature of conditions and advantages that form its ability to attract investment resources based on the availability of their needs, unique tourist potential, favorable environment for ensuring the efficient functioning of the tourism system and guaranteeing the investor profit and reduced risks of investing.

The article considers basic preconditions to form the investment attractiveness of the tourism system, which include unique strategic opportunities, to shape a favorable institutional environment and provide a background for an investor concerned and a system of guaranteeing the expected result.

Given the need for complex consideration of the tourism system's investment attractiveness, a methodology based on the calculation of integrated indicators for estimating the effectiveness and prospects for the development of tourism systems in the Ukrainian regions is used. In the method considered, it is proposed to take into account not only financial aspects, but also the resource potential, its development level, the growth rates of tourism entities activities, and the prospects for the tourism system development. In general, indicators and criteria for the tourism system investment attractiveness are classified into four groups: the efficiency of investment, the effectiveness of the tourism system development, the prospects for the tourism system development, the environment and the potential for its development.

According to the method developed, the integral indicator of investment attractiveness of the tourism systems of Ukrainian regions has been calculated, and the regions are differentiated according to the level of investment attractiveness. Estimation of the investment attractiveness of Ukrainian tourism systems allows to determine their rating, differentiate them according to the maturity level of complementary preconditions to form and develop tourist potential and serves as a basis for potential investors in investment decisions-making.

Using the results of determining the level of investment attractiveness of tourism systems of Ukraine's regions over time will help identify trends, and, accordingly, serve as a guide for potential investors in strategic proposition space of regions which are investment recipients.

## Keywords

investment, investment attractiveness, tourism, tourism system, tourist potential, tourism infrastructure

## JEL Classification

E22, H54, L83, Z32

## INTRODUCTION

Favorable investment environment and investment support are the basis for the economic systems success and development. During economic and financial crises, tourism system, which is a significant component of the economic system, requires attracting investments that can be the trigger for economic growth due to: 1) creation and operation of investment-attractive objects (micro-, meso- and macro-level) and the multiplier effects achievement (United Nations, 2010; Herget et al., 2015; Peric et al., 2016); 2) creation of sustainable institutional and infrastructural bases for stimulating economic development (Cooper et al., 2006; Peric et al., 2011; Alam et al., 2015; Dung et al., 2018); 3) activating, popularizing, more fully utilizing the strategic potential of the territories and increasing employment (Forsyth, 2012; Ali Othman Abbas et al., 2016; Dung et al., 2018); and 4) shaping the prerequisites and conditions for the dynamic, balanced and sustainable development of territories by eliminating disparities in the development of different economic systems (Dunning, 2012; Brokaj et al., 2014; Faladeobalade et al., 2014).

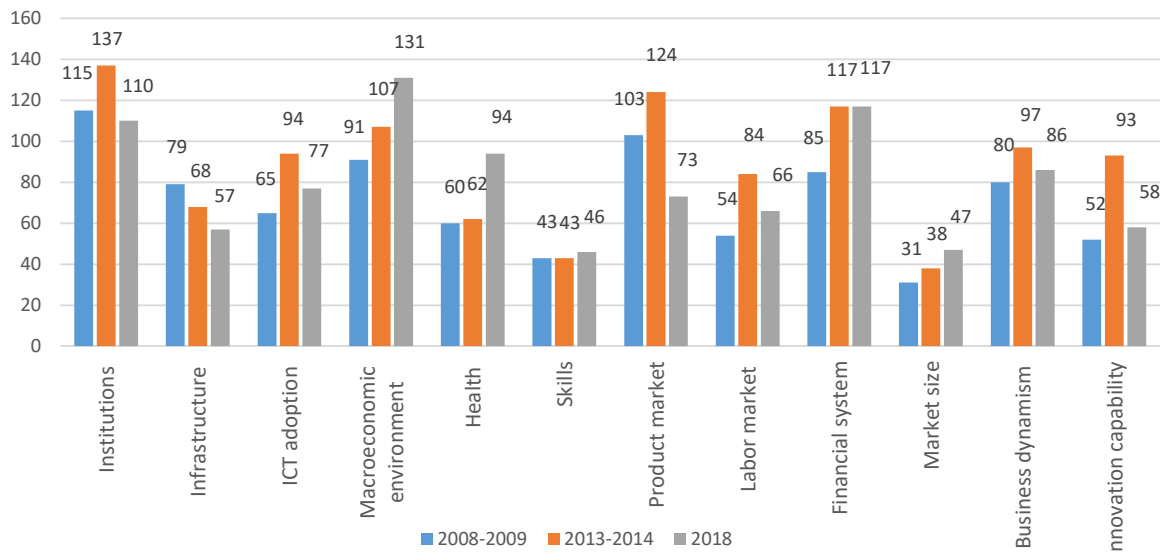
One of the biggest challenges facing the tourism is the difficulties in evaluating the direct economic benefits of tourism. This is due to the fact that the tourism industry is not a standalone one, meaning that it is an industry of a combination of a group of activities put in practice by many firms, e.g. hotel services, air travel, guided tours, transportation and other hospitable services (Faladeobalade et al., 2014). This is because tourism is an aggregated industry. The aggregate nature of tourism activity causes an underestimation of its significance for the domestic economy, taking into account that in the process of tourist activity, the participants are legal entities and individuals who create a tourism product, provide tourist services or engage in mediation to offer specific and related services. Accordingly, an integrated tourist product, created by a separate travel company, is intersectoral by its nature. This results in considering tourism as a system covering the resource potential, infrastructure, tourism subjects and institutional structures. This system is one of the components of the domestic economic system and is capable of own capitalization, productive and multiplicative development of related industries involved in the production of an integrated tourist product.

Thus, stimulating the process of attracting investments is an essential prerequisite for the successful development of all components of the tourism system, which provides a solid basis for investors to more actively participate in socio-economic processes. Moreover, with regard to foreign investment, “the benefits of foreign investment are not exclusively measured in terms of capital intensity, as much of the positive impact accrues to labor- and management-related spin-offs; even non-equity participation, such as hotel franchises, can be very beneficial, for example by helping to attract a critical mass of visitors that will make other tourism projects profitable” (United Nations, 2010, p. 60). In many studies, the foreign investment amount and foreign tourist flows relationship has been conclusively proven (Aislabe et al., 2010; Peric et al., 2011; Dunning, 2012; Alam et al., 2015).

Ukraine is currently in a very difficult stage of development and needs attracting investment resources. As for investors, their decision to invest in Ukraine must be well-balanced, based on an analysis of a wide array of factors, indicators, and trends. According to the Global Competitiveness Report, which is the world’s most authoritative World Competitiveness Research, conducted by the World Economic Forum, over the past 10 years, Ukraine has fallen from 72 position to 83<sup>1</sup> (out of 140 countries) due to the degradation of the political and socio-economic situation, caused by the Russian Federation’s military aggression. However, some components of the Ukraine’s global competitiveness rating signal positive changes, especially over the last five years. In general, despite the slight fluctuations in the position, positive indicators of Ukraine’s global competitiveness are, partly, investment attractiveness factors, such as: skills (43-46 rank), infrastructure (79-57), innovation capability (52-58), labor market (54-66), ICT adoption (65-77), and low level indicators are as follows: macroeconomic environment (91-131), financial system (85-117) and institutions (113-110) (see Figure 1).

1 The higher the place (rating), the worse the situation.

Source: Developed by the authors based on the World Economic Forum data and The Global Competitiveness Report 2008–2009, 2013–2014, 2018.



**Figure 1.** Dynamics of the ranking components of Ukraine's global competitiveness, 2008–2018<sup>2,3</sup>

Moreover, special attention should be paid to the high level of innovative capacity of Ukraine as an important precondition for its potential investment attractiveness. Regarding the tourism system, according to another study of the World Economic Forum – The Travel and Tourism Competitiveness, the values of indicators influencing the competitiveness rating and, accordingly, the expediency of attracting investments to Ukraine are also very low: in 2008, 77th<sup>4</sup> rank out of 139 countries, in 2013, 76th out of 140, and in 2017, 88th out of 136. Figure 2 shows the dynamics of the competitiveness ranking of the Ukrainian tourism system for the period 2008–2017.

Concluding analyzing the rating of sub-indices through the lens of their influence on global structural asymmetries in the rating of Ukraine's tourism attractiveness, it has been established that the competitive advantages are: safety and security (8th position), human resource and labor market (41st), and cultural resources and business travel (51). It is worth highlighting the low rating of indicators such as: safety and security (127), business environment (124), natural resources (115), among which experts highlight the lack of transparent institutional provision, bureaucratization of power and state mechanisms of business regulation, and corruption component, which are the reasons for the disinvestment in the tourism sector. However, the indisputable factor for attracting investment is the country's recreational, scientific and labor potential, which is lost due to lack of investment and poor management.

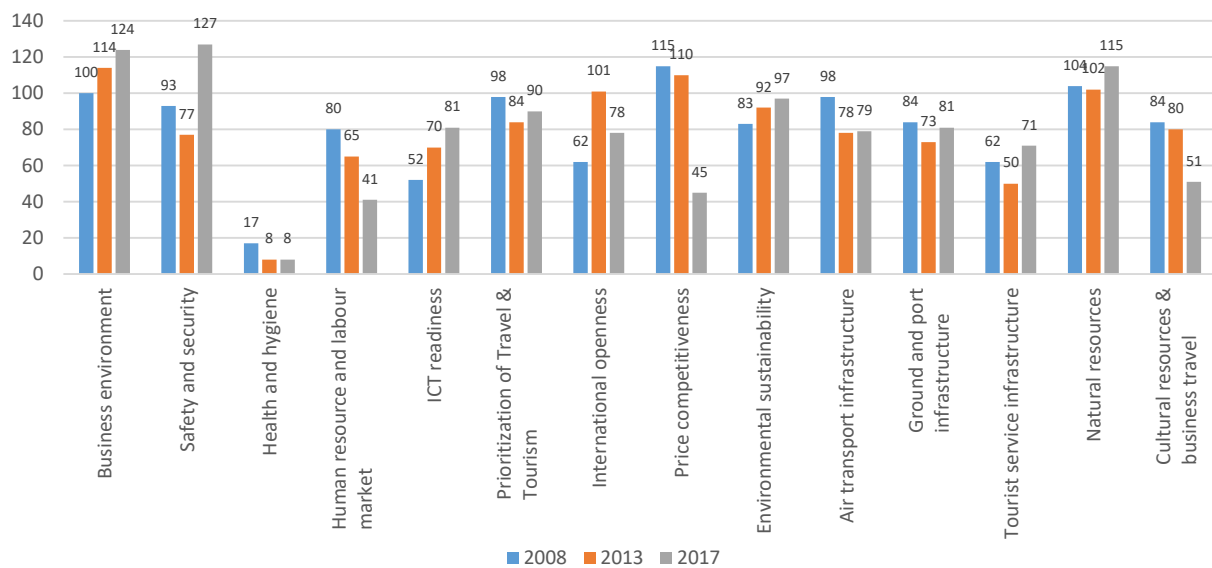
Thus, the investment attractiveness of the tourism system is, on the one hand, an urgent problem, and, on the other hand, it is extremely diverse and complex, has functional, sectoral, hierarchical and spatial unique features. In order to accelerate economic rehabilitation and reduce the duration of the period for restoring the domestic economy, there is a need to: 1) formulate general problems of investment in the tourism industry, taking into account the tourism activity specifics; 2) substantiate creating and developing new forms of tourism entities and financial institutions cooperation; 3) form not only the system of attracting investment, but also the regulated mechanism of their utilization; 4) introduce special government programs with partial or full compensation of interest to borrowers arising from the investment projects implementation.

2 The higher the place (rating), the worse the situation.

3 Due to changes in the names of components of the 2018 rating compared to 2008–2009 and 2013–2014, the following indicators are equated: higher education and training – skills; goods market efficiency – product market; technological readiness – ICT adoption; business sophistication – business dynamism; and innovation – innovation capability.

4 The higher the place (rating), the worse the situation.

Source: Developed by the authors based on the World Economic Forum data and the Travel and Tourism Competitiveness Report 2008, 2013, 2017.



**Figure 2.** Dynamics of the ranking components of Ukrainian tourism system competitiveness for 2008–2017<sup>5,6</sup>

On this count, it is important to study the content characteristics of investment attractiveness as a scientific basis for developing a methodology for assessing the tourism systems investment attractiveness, which will be an effective practical tool for improving the management decisions validity, assessing the effectiveness of project implementation and ensuring the realization of economic interests of the state/region, business structures and local population.

## 1. LITERATURE REVIEW

Despite the exceptional importance of shaping investment attractiveness, this definition is not a popular subject for academic debate. Moreover, most studies in this area relate to the microeconomic level of enterprises and their associations (Krasnokutska, 2001; Boiarko, 2008; Goncharuk et al., 2013; Kulyk et al., 2018). However, developing investment attractiveness of regions and countries as a whole is equally important. Thus, Brazhko states that “investment attractiveness in the general sense is an integral characteristic, sufficient socio-economic, organizational and legal, moral and psychological and socio-political interest of the investment subject to invest in one or another object” (Brazhko, 2009).

As to research on the investment attractiveness of tourism and the tourism system as a whole, domestic research presents works related to the tourist attractiveness of Ukraine or its regions. Most of the research, however, mainly includes fragmentary analytical studies without taking theoretical aspects into account (Kolesnyk, 2011; Markhonos, 2012; Matsuka, 2014; Bezkhlibna, 2016).

Works by Kharlamova (2014) are especially noteworthy as they rank Ukrainian regions according to their investment potential and the degree of investment risks, as well as an experience of previous investment activity in the region.

<sup>5</sup> The higher the place (rating), the worse the situation.

<sup>6</sup> Due to changes in the names of components of the 2017 rating compared to 2008 and 2013, the following indicators are equated: policy rules and regulations – business environment; human resources – human resource and labor market; ICT infrastructure – ICT readiness; affinity for travel and tourism – international openness; tourist infrastructure – tourist service infrastructure; ground transport infrastructure – ground and port infrastructure; and cultural resources – cultural resources and business travel.

A comparative analysis of theoretical studies on investment attractiveness makes it possible to state that they are fragmentary and debatable. The academic literature does not form theoretical construction, which would determine the essence of the tourism system investment attractiveness.

The investment attractiveness of the economic system is a very important indicator for both institutional and private investors. While analyzing the term “attractiveness”, the study has established that it is extensively used in the theory and practice of business, since etymologically it means the ability of the subject (object) to draw attention. The related concepts are simultaneously used, namely: business attractiveness, attractiveness of opportunities, investment attractiveness, industry’s attractiveness, attractiveness of the product offer, and attractiveness of the strategy. In view of this, it will be useful to focus on the definition of the “investment attractiveness of the economic system” and on its components characteristics, which will be used in the assessment methodology. Thus, investment attractiveness can be described as economic and socio-economic feasibility of investing, based on the coordination of investors and the opportunities of the investor and the recipient (including the issuer), which ensures achieving the goals of each of them at the acceptable level of investment yield and risk (Vlasiuk, 2009). That is, in this respect, investment attractiveness is the level of investing expediency.

On the other hand, some scholars describe investment attractiveness of industries and regions as a prerequisite for shaping an investment climate (Umanets, 2006; Haidutskyi, 2010; Budnikova et al., 2011; Androsova et al., 2017), a set of social, natural, economic, political or other factors characterizing the feasibility of investing in a particular economic system (Aheienko, 2003). A great number of factors shaping an investment climate have an adequate quantitative dimension and can, therefore, be used as a comparative analysis of the investment attractiveness level of a particular system object (Umanets, 2006; Pohorielova et al., 2014).

There is a need for a comprehensive approach to interpreting the essence of investment attractiveness as a combination of various factors character-

izing the expediency of investing in a particular country (Hrytsaienko et al., 2017, p. 82). Thus, the investment attractiveness should be considered as an organized system of political, social, economic, natural and climatic, ecological and recreational and subjective entrepreneurial factors, creating an environment for attraction and realization of investments based on mutual benefit.

## 2. RESEARCH RESULTS

Using the heuristic potential of the “investment attractiveness” definition, to determine the guidelines for the tourism system development, it becomes of paramount importance to analyze investment attractiveness as an integral indicator that will determine the conditions to disclose its phenomenon. The investment attractiveness of the tourism system is characterized by a combination of favorable investment and innovation conditions and advantages that shape its ability to attract investment resources based on the need for them and on the unique tourist potential and creation of a favorable environment for ensuring the tourism efficiency, guaranteeing the investor profit and reducing investment risk (Figure 3).

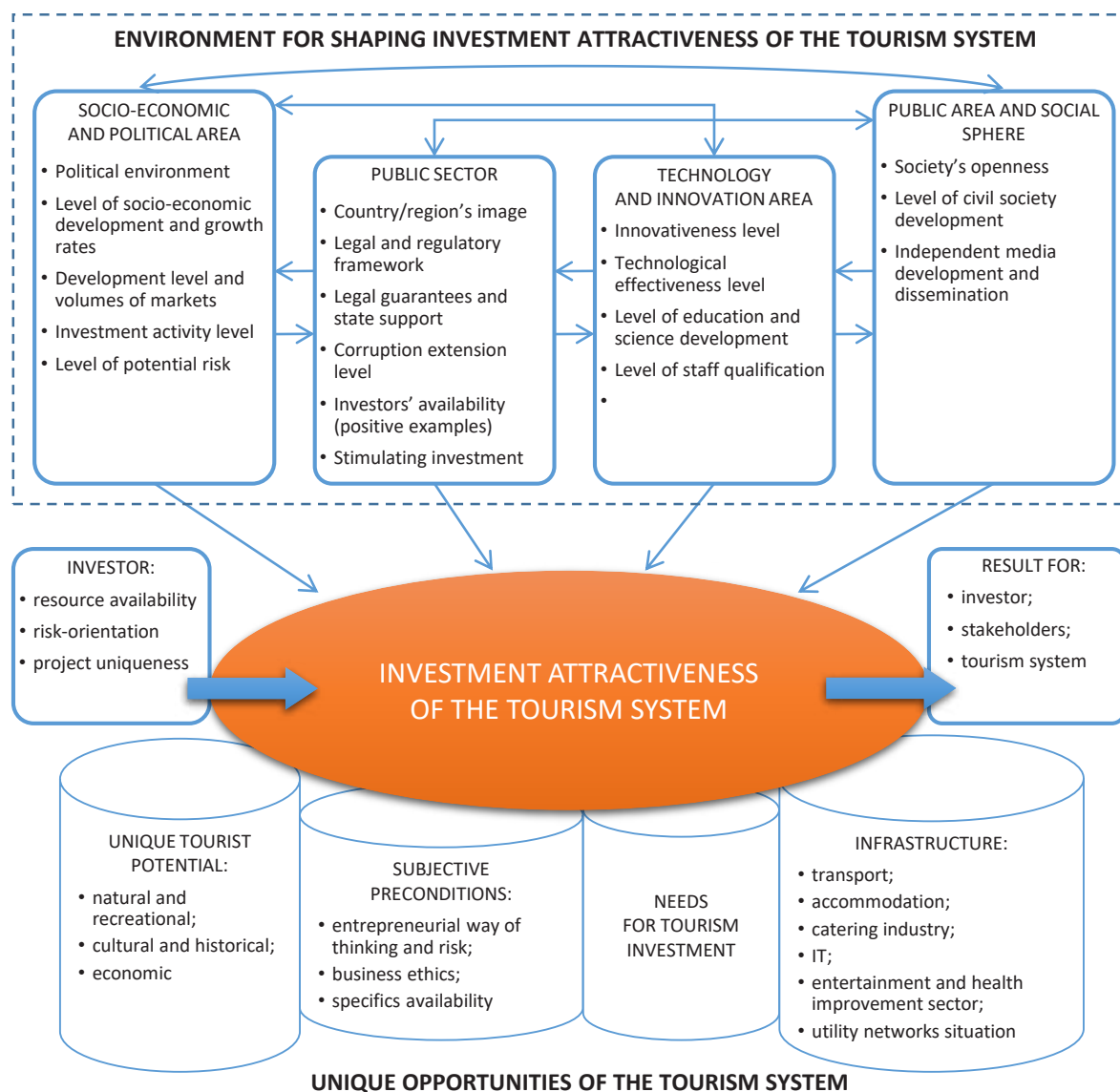
The investment attractiveness of the tourism system depends on the local features of the tourist destination, the level of infrastructure development, the demand for the tourist product, the state of macroeconomic factors and the climate on the capital market. The principles of forming the investment attractiveness of the tourism system are: transparency, openness, trust, high organizational flexibility, mutually beneficial relationship, interdependence, complementarity, synergy, legal protection, and respecting the interests of all partners.

Thus, investment attractiveness is an integral feature of the tourism system elements from the point of view of the prospect for realizing its economic and social potential and development. This allows us to formulate a methodology to evaluate the expediency of investing, which ensures the interests of investment process participants.

Doyle has determined that the assessment of the market attractiveness is a strategic choice of markets and segments in which the subject will com-



Source: Developed by the authors.



**Figure 3.** Operating environment of the tourism system investment attractiveness

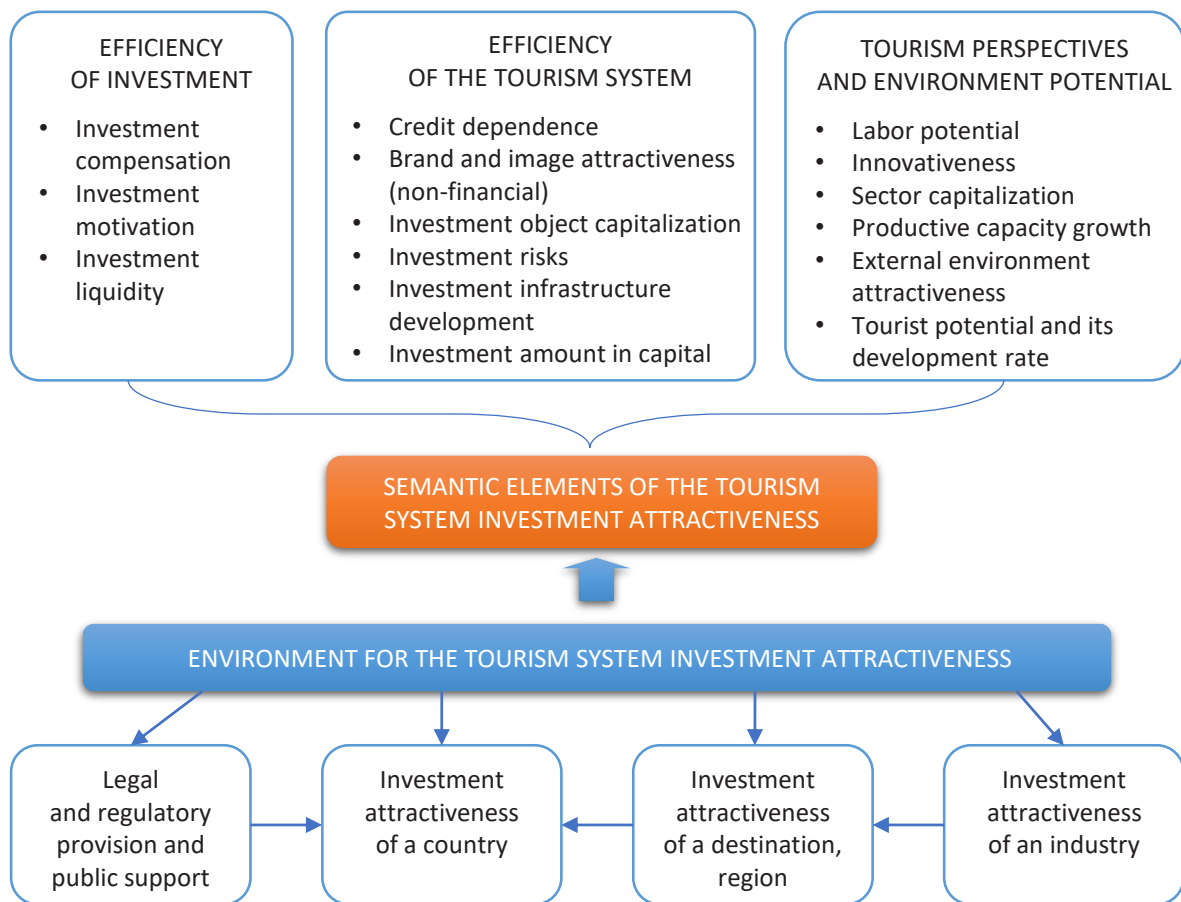
pete. This choice depends, firstly, on the definition of core abilities and resources, and secondly, on the analysis of the industry structure in terms of its ability to ensure a high level of customer satisfaction and high return on investment (Doyle, 2002). That is, the author equates the attractiveness of the market with the industry's attractiveness. In agreeing with his position, one can note that the investment attractiveness rests upon the components of the potential of the economic system or a certain object, which can be conditionally grouped as follows: production, labor, marketing and financial potentials. Investments are indeed attracted to an object where own funds are not enough, and where prospects for development

are positive. It is important to take into account the risks demotivating the investor in making his decisions, as well as natural and climatic, socio-demographic factors, which, a priori, should be considered an investment climate.

It is also worth stressing the need for balanced management of forming and developing the tourism system investment attractiveness and attracting investments, namely consolidation of stakeholders of public, private and civil sectors.

The analysis of scientific works on the investment attractiveness of business systems showed commitment mainly to the calculation and analysis of

Source: Developed by the authors.



**Figure 4.** Shaping investment attractiveness of the tourism system

financial and economic, as well as integral indicators built on their basis. However, the definition of investment attractiveness through the calculation of financial ratios (some authors define up to 30 ratios), is a rather complicated process to implement. The assessment methodology for investment attractiveness should be universal, applied to any object and making it possible to quickly determine the overall rating of investment attractiveness of Ukrainian industries and regions not only in terms of focusing on global ratings, but also the potential of the industry or the region. That is, the investment attractiveness should be considered from two points of view, namely the external and internal aspects of shaping investment potential. One can believe that the external factors of the investment attractiveness of the Ukrainian tourism system should include: legal and regulatory provision and public support, investment attractiveness of the country, investment attractiveness of the destination, region, and investment attractiveness of the industry (Figure 4).

The regulatory framework defines political, legal and social risks for the investor, the stability of the environment and guarantees of its capital preservation – aspects influencing investment decisions making. The content of each of the aforementioned aspects will be analyzed from the perspective of the Ukrainian tourism system – the recipient and the mobilizer of investments. The basis for deciding to invest is the guarantee block, which includes the Constitution of Ukraine (1996): Everyone has the right to own, use and dispose of his property, the results of his intellectual, creative activity; and the Commercial Code (2003): Ownership, use and disposal rights are property rights constituent. With that, the following is envisaged: guarantees of protection of entrepreneurship and investors from possible loss of certain invested assets (in particular, compensation of the value of invested assets that can be withdrawn in the interests of the state according to the law), loss of income (free movement of income derived from investing in Ukraine outside the country), compli-



ance with the equality principle in investing, etc. through the introducing administrative and criminal liability for violating such rights, regulating the state control bodies actions that may affect the economic entities operation.

Permissive aspect is another aspect of the regulatory information that needs to be analyzed when exercising control over the investment attractiveness of an enterprise. Within the guarantees given by the state to the investment process participants, there are controlled procedures for investing as a legal opportunity for the investment process subjects to engage in investment activities in various forms (participation in a new enterprise creation, acquisition of an existing (full or partial) enterprise, acquisition of securities (shares), which testify to the enterprise ownership). Using regulations that contain such information, the state implements the policy of influencing the development of both the domestic economy and the tourism system in particular.

It should be noted that the state's investment policy serves as "advertising" of its economy and individual economic systems, and the investor's first attention is the observance of the investment safety rules, which are reflected in the Law of Ukraine "On Investment Activity". From this position, one can mention the weakness of state authorities and management levers, lack of effective mechanisms for stimulating investment, in particular the cancellation of free economic zones and priority development territories in 2008. Existing technology parks with tax preferences cover only industry.

It is difficult to define the parameters of the investment attractiveness of the Ukrainian tourism system because much in this regard turns on the culture of organizational behavior of the economy's units, in particular, governing bodies (building permission, land redemption, etc.), which complicates the process of attracting investment, especially foreign one. Therefore, the indicators should be corrected for an objective assessment of world ratings for Ukraine.

Tourism in Ukraine has nothing on industries in terms of shaping the regulatory field and has no tax incentives. Therefore, it is difficult to determine investment priorities. Today, the tour-

ism system remains attractive due to the significant natural and climatic, recreational and socio-demographic potential, but in the context of Ukraine, the potential is risky and venture. Therefore, to assess the tourism system investment attractiveness, it is worth using the methodology based on the previous study (Bovsh et al., 2010), which includes various aspects of its functioning and development and the study of which allows it to be defined as an integral characteristic of individual regional tourism systems – investment objects through their economic prospects or development prism.

The Global Competitiveness and The Travel and Tourism Competitiveness, already mentioned in this ar, describe countries within the global tourism market. Nevertheless, despite active globalization of the tourism market, the asymmetric distribution of resource potential and disproportions of infrastructure development are typical for the Ukrainian tourism system. Therefore, the tourism system as an assessment object should be considered within the interdependence of hierarchical levels – macro-level (country), meso-level (region), and micro-level (business entity). In the scientific community, the concept of "glocalization" (glocalization = global + localization) is used to reflect the continuity of the processes of globalization and localization, integration and fragmentation (Crouch, 2006). This term was proposed by Robertson, the author of the glocalization theory, in order to emphasize the two-dimensionality of globalization, the correlation and interpenetration of global and local. In particular, Robertson concluded that the globality localization is intended to reflect the tendency of implementing global through local (Robertson, 2001).

This study proposes to adapt the methodology for determining the investment attractiveness of the Ukrainian regions' tourism systems.

The purpose of developing a methodology for investment attractiveness of the tourism systems of the Ukrainian regions is to justify the investment policy of the recipients of investments and investors. This will increase attracting investment in the tourism system, as well as speed up the decision-making process on the implementation of certain investment projects.

Key main conceptual provisions of the methodology for assessing the investment attractiveness of tourism systems are as follows:

1. Combining indicators of different levels (macro-, meso- and microeconomic), aspects (financial, economic, technological), weight and other characteristics. This simplifies the procedure for evaluating specific economic formation in relation to the probability level of investment attractiveness and provides objective final conclusions in decision making and the formation of an operational, tactical or strategic investment policy at the level of economic formation or the subject – recipient or investor.
2. Considering the investment rating of the region and the investment rating of the branch.
3. Using indicators related to the tourism system sustainability and the prospects for its development, as well as external factors for shaping its investment attractiveness to determine the investment expedience.
4. Among all the coefficients proposed in the scientific literature, a group of motivational factors is emphasized: investment compensation, investment liquidity, excess of the investment premium above the deposit rate on the credit market, intangible attractiveness of the object, external environment attractiveness. Since the investor is interested in the possibility of obtaining a certain profit, so when calculating the expected amount of investment premium, it is necessary to take into account the inflation factor, which reduces the value of cash by means of their depreciation.
5. Considering financial stability, which serves as a decisive factor while choosing an investment object, guarantees the possibility of obtaining the expected return on invested capital and shows the investment object riskiness.
6. While assessing the tourism system investment attractiveness, considering not only fi-

nancial aspects, but also the resource potential, level of its development, the growth rate of tourism activities, prospects for the tourism system development, because temporary financial problems can be solved via external financial injections. Thus, a tourism object attractiveness may grow as a result of its production capacity growth and the use of innovations, etc.

The sequence of calculating the integral indicator of the tourism system investment attractiveness:

Stage 1. Entering output data on the industry in the context of a specific region.

Stage 2. Calculating indicators according to groups; it is executed in a spreadsheet based on the output data.

Stage 3. Calculating the integral indicator of investment attractiveness.

Calculated indicators (in the second stage) are used to determine the integral indicator of investment attractiveness, taking into account their significance by the following formula:

$$I = \sum_{i=1}^n K_i \cdot d_i, \quad (1)$$

where  $I$  – integral indicator,  $K_i$  – relevant coefficients according to the attractiveness matrix,  $d_i$  – coefficient significance.

The significance level is calculated as follows:

$$d_i = \frac{R_i}{n}, \quad (2)$$

where  $R_i$  is a rank of  $i$ -th coefficient according to final ranking,  $n$  – sum of coefficient ranks according to the expert assessment.

The rank correlation method is used to determine the significance of individual indicators and their groups. On the questionnaire basis, the experts<sup>7</sup> distributed  $K_i$  coefficients by  $R_i$  ranks (from 1 to  $n$ ) according to the priority and importance growth (Table 1).

7 Representatives of investment companies, rating agencies, and tourism experts.

**Table 1.** Weighting factors of the tourism system investment attractiveness

Source: Developed by the authors.

$K_i$ coefficient	Coefficient calculation	Coefficient rank according to the expert assessment, $R_i$	Coefficient significance, $d_i$
<b>Investment efficiency indicator</b>			
Investment compensation ( $K_1$ )	(Average level of the industry's return on investment $\times$ Average payback period of investment) / (1 + Expected inflation rate)	5	0.04
Investment motivation ( $K_2$ )	Investment premium level $\times$ Average tax rate for investment / Rate of interest on the credit market $\geq 1$	9	0.08
Ensuring investment liquidity ( $K_3$ )	Industry's financial result / Net asset value $> 0$	11	0.09
<b>Indicators of the tourism system efficiency</b>			
Credit dependence ( $K_4$ )	Loan capital $\times$ (1 + NBU's official bank rate) / Net asset value $\leq 0.2$	10	0.08
Brand and image attractiveness ( $K_5$ )	(Goodwill cost <sup>1</sup> $\times$ Investment attractiveness of the tourism system <sup>2</sup> ) / Total assets $\geq 0$	6	0.05
Investment object capitalization ( $K_6$ )	( $\Delta$ Financial result of the industry objects $\times$ Investment attractiveness of a region <sup>3</sup> ) / Capitalization rate subject to land value <sup>4</sup>	13	0.11
Level of the tourism system investment risk ( $K_7$ )	1 – (Number of economic entities / (Number of illegal takeovers + Number of re-privatized objects + Number of bankrupt economic entities))	12	0.10
Investment infrastructure development level ( $K_8$ )	Communication infrastructure development level <sup>5</sup> $\times$ Commercial infrastructure development level <sup>6</sup> $\times$ Transparency level of the investment sector in the region <sup>7</sup>	14	0.12
Share of investments in fixed assets ( $K_9$ )	Amount of investment in the industry's fixed assets / Total amount of investment in the industry $> 0$	5	0.04
<b>Indicators of the tourism system development perspectives</b>			
Level of labor potential of the industry ( $K_{10}$ )	Number of employed in the region $\times$ Unemployment level in the industry / Number of people employed in the region	3	0.03
Innovativeness ( $K_{11}$ )	Innovation index <sup>8</sup> $\times$ Global competitiveness index <sup>9</sup>	2	0.02
Debt risk ( $K_{12}$ )	Amount of liabilities in the industry / Volume of equity capital of the industry	8	0.07
Increase in production capacity of the industry ( $K_{13}$ )	(Volume of economic activities $\times$ Consumption growth in the industry, as a unit fraction) / Production capacity of the region's industry	4	0.03

**Table 1 (cont.).** Weighting factors of the tourism system investment attractiveness

$K_i$ coefficient	Coefficient calculation	Coefficient rank according to the expert assessment, $R_i$	Coefficient significance, $d_i$
<b>Indicators of the potential of the tourism system environment</b>			
Environment attractiveness ( $K_{14}$ )	Level of tax preferences $\times$ country risk index ICRG <sup>10</sup> World integral country risk <sup>11</sup>	7	0.07
Development of recreational and tourist potential ( $K_{15}$ )	Number of recreational and tourist establishments / (Number of natural tourist spots + Number of cultural and historical tourist spots) <sup>12</sup>	15	0.13

Next, investment attractiveness is assessed through adjusting the integral indicator taking into account weighting coefficients and building an attractiveness rating for the tourism systems of the Ukrainian regions.

The Ukrainian tourist regions significantly differ by the set of features: the territory's natural conditions, natural and recreational resources (their structure, reserves, location, utilization efficiency), historical and cultural heritage, nature of possible recreational and tourist services, current level of development of tourist infrastructure and transport network, potential recreational and tourist opportunities, directions and prospects for further development. Lenders and investors evaluate

first the macro-environment's benefits, compare the efficiency and risks of managing the enterprises in different sectors of the domestic economy, assess their creditworthiness and investment attractiveness. Thus, the possibility of obtaining a loan or investment not only depends on the effective operation of a separate regional tourism system (a funded project), but is also determined by the severity of the competition and the competitive advantage existing in the use of capital between industries and, even, the recipient countries.

Given the above sequent calculations, the investment attractiveness of the regional tourism systems is estimated according to the integral values matrix (Table 2).

8. +Goodwill cost = (Expected net profit or Net assets increase – Average market yield on assets or equity capital  $\times$  Market value of assets (equity capital).
9. Investment attractiveness of an industry = Industry's position in total rating / Total number of places or share of investments in fixed assets by nature of business.
10. Investment attractiveness of a region = A region's position in overall rating / Total number of places or share of investments in fixed assets by regions.
11. Capitalization rate = Return on investment rate + Rate of return on capital  $\times$  (1 – Share of land in an object's total cost).
12. Development level of a communication infrastructure = Operating length of roads and railways Quality of roads index / A region's area (Quality of roads – general index according to the World Economic Forum rating. In 2018, Ukraine was ranked 130th out of 137 countries. In these calculations, it has been done into drawback:  $(137 - 130) / 137 = 0.05$  (World Economic Forum, 2018). The Global Competitiveness Report 2018, 2.02 Quality of roads).
13. Development level of a commercial infrastructure = (Number of retail facilities + Number of hospitality establishments + Number of banking institutions)  $\times$  Logistic efficiency index / (Resident population + The average number of tourists per month). According to the World Bank's Logistics Performance Index rating, in 2018, Ukraine was ranked 69th out of 163 countries of the world:  $69 / 163 = 0.42$  (The World Bank, 2018; The Logistics Performance Index, 2018; other indicators according to the State Statistics Service of Ukraine, 2018).
14. Transparency level of the region's investment sector = Scores / Maximum number of scores (Transparent cities Ukraine, 2017). Transparency rating results of the investment sector of 100 largest Ukrainian cities.
15. Innovation index / Global Innovation Index – total index determined by world rankings. In 2018, Ukraine was ranked 43rd out of 126 countries of the world. In these calculations, it has been translated into drawback:  $(126 - 43) / 126 = 0.67$  (Global Innovation Index 2018).
16. Global Competitiveness index / The Global Competitiveness Report – global index determined by world rankings. In 2018, Ukraine was ranked 83rd out of 140 countries of the world. In these calculations, it has been translated into drawback:  $(140 - 83) / 83 = 0.68$  (World Economic Forum, 2018; The Global Competitiveness Report, 2018.).
17. Country risk index ICRG / International Country Risk Guide (ICRG) – rating according to the The PRS Group data, determined by 100-point scale based on 22 risk components; approach to 100 means the lowest risk, Ukraine is ranked 62nd (The PRS Group, 2018; International Country Risk Guide (ICRG)).
18. 1Global foreign investment attractiveness / Global Foreign Direct Investment Country Attractiveness, Ukraine is ranked 58th out of 109 countries (Global Foreign Direct Investment Country Attractiveness).
19. Region passports (Chief statistics administrations in the regions of Ukraine).

**Table 2.** Calculating an integral indicator of the investment attractiveness of tourism systems of the Ukrainian regions

No.	Region	Investment attractiveness ratios															I
		K1	K2	K3	K4	K5	K6	K7	K8	K9	K10	K11	K12	K13	K14	K15	
1	Autonomous Republic of Crimea <sup>20</sup>	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	Vinnitsia	0.160	0.030	–0.022	0.350	0.002	–0.570	0.520	0.019	0.100	0.040	0.268	0.125	0.530	1.878	0.911	0.358
3	Volyn	0.140	0.030	–0.030	0.330	0.002	–0.620	0.480	0.018	0.300	0.030	0.268	0.110	0.470	1.878	0.520	0.299
4	Dnipropetrovsk	0.340	0.030	–0.035	0.190	0.003	–0.140	0.690	0.030	0.300	0.060	0.268	0.125	0.170	1.878	0.981	0.413
5	Donetsk <sup>21</sup>	0.220	0.030	–0.073	1.040	0.001	–0.180	0.210	0.013	0.100	0.080	0.268	0.090	0.490	1.878	0.380	0.347
6	Zhytomyr	0.260	0.030	–0.245	0.560	0.002	–0.550	0.100	0.012	0.000	0.080	0.268	0.100	0.370	1.878	0.486	0.251
7	Transcarpathia	0.930	0.030	–0.022	0.570	0.004	–0.190	0.000	0.033	0.800	0.060	0.268	0.200	0.560	1.878	0.808	0.417
8	Zaporizhzhia	0.590	0.030	–0.154	1.710	0.002	–0.020	0.001	0.020	0.500	0.070	0.268	0.132	0.002	1.878	0.798	0.452
9	Ivano-Frankivsk	1.020	0.030	–0.010	2.560	0.003	–0.020	0.001	0.035	0.100	0.070	0.268	0.278	0.006	1.878	0.997	0.573
10	Kyiv	0.980	0.030	0.016	0.890	0.005	0.039	0.331	0.036	0.200	0.040	0.268	0.567	0.010	1.878	0.871	0.486
11	Kirovohrad	0.220	0.030	–0.064	0.340	0.002	–0.510	0.006	0.022	0.000	0.080	0.268	0.111	0.162	1.878	0.407	0.224
12	Luhansk <sup>22</sup>	0.120	0.030	–0.109	0.870	0.001	–0.400	0.036	0.011	0.100	0.010	0.268	0.059	0.005	1.878	0.110	0.221
13	Lviv	1.130	0.030	0.079	0.970	0.005	0.210	0.006	0.034	1.300	0.050	0.268	0.200	0.013	1.878	0.962	0.519
14	Mykolaiv	0.350	0.030	–0.027	0.960	0.004	–0.360	0.015	0.024	0.500	0.070	0.268	0.188	0.002	1.878	0.432	0.319
15	Odesa	0.970	0.030	–0.005	0.950	0.005	–0.010	0.009	0.033	0.900	0.180	0.268	0.295	0.312	1.878	0.823	0.476
16	Poltava	0.170	0.030	–0.036	0.580	0.002	0.014	0.008	0.018	0.200	0.070	0.268	0.121	0.350	1.878	0.473	0.322
17	Rivne	0.210	0.030	0.040	0.770	0.002	0.780	0.009	0.017	0.100	0.070	0.268	0.124	0.002	1.878	0.042	0.345
18	Sumy	0.150	0.030	–0.027	1.260	0.002	–0.030	0.002	0.016	0.000	0.060	0.268	0.122	0.005	1.878	0.411	0.338
19	Ternopil	0.540	0.030	0.043	0.670	0.003	1.120	0.009	0.014	0.100	0.070	0.268	0.122	0.006	1.878	0.589	0.456
20	Kharkiv	0.130	0.030	–0.080	0.810	0.004	1.300	0.001	0.034	0.400	0.050	0.268	0.131	0.780	1.878	0.895	0.549
21	Kherson	0.860	0.030	–0.013	0.420	0.002	–0.030	0.008	0.012	0.300	0.070	0.268	0.133	0.004	1.878	0.641	0.343
22	Khmelnyskyi	0.440	0.030	0.034	0.230	0.002	0.030	0.006	0.018	0.000	0.060	0.268	0.147	0.002	1.878	0.952	0.351
23	Cherkasy	0.270	0.030	–0.021	0.360	0.002	–0.010	0.001	0.011	0.100	0.070	0.268	0.111	0.005	1.878	0.387	0.273
24	Chernivtsi	1.060	0.030	–0.049	0.250	0.003	–0.580	0.011	0.037	0.300	0.050	0.268	0.198	0.005	1.878	0.953	0.327
25	Chernihiv	0.230	0.030	0.015	0.720	0.002	0.002	0.000	0.022	0.100	0.080	0.268	0.121	0.007	1.878	0.930	0.378

20. Data are not available due to the temporary invasion of the Russian Federation.

21. Data do not cover the temporarily occupied territories of the Donetsk region.

22. Data do not cover the temporarily occupied territories of the Luhansk region.

Values of integral indicators of investment attractiveness of tourism systems of the Ukrainian regions, resulting from the calculations, are characterized by significant uneven fluctuations. In order to address these shortcomings, it is proposed to apply the cluster analysis method: to divide the defined indicators into sectors based on uniformity (see Table 3).

**Table 3.** Uniformity-based classification of integral values of tourism systems investment attractiveness of the Ukrainian regions

Source: Developed by the authors.

V	IV	III	II	I
0.225	0.438	0.550	–	–
0.221	0.412	0.527	–	–
–	0.472	0.525	–	–
–	0.458	0.520	–	–
–	0.346	0.515	–	–
–	0.325	–	–	–
–	0.321	–	–	–
–	0.312	–	–	–
–	0.310	–	–	–
–	0.308	–	–	–
–	0.303	–	–	–
–	0.292	–	–	–
–	0.280	–	–	–
–	0.273	–	–	–
–	0.245	–	–	–
–	0.242	–	–	–
–	0.241	–	–	–

The standard deviation in the sampled regional tourism systems, which are below the average and which changes are uniform, equals 0.25, which gives grounds for attributing these objects to the first sector. All others are distributed by sectors according to the indicator's value. In this case, the number of sectors is determined by the Sturges's formula:

$$n = 1 + 3.322 \cdot \lg(N). \quad (4)$$

Accordingly,  $n = 1 + 3.322 \cdot \lg(11) = 4.55$ .

That is, it is expedient to choose 4 or 5 groups.

As in Table 2 open intervals are received – when the minimum and maximum limits of indica-

tors' values are not defined – it is expedient to choose five groups (classes) of investment attractiveness. The sector's boundaries are determined based on a cluster analysis as follows: the lower limit is based on the lowest level of the sample (0.221); having added the standard deviation (0.50) to the average of the sample of group II (0.25), one can get the boundaries of group II, etc. The upper limit characterizes the value of the imaginary (non-existent) object with the best indicators obtained on the basis of the normative values of each of the integral index coefficients – 1.5. It should be noted that the values before the minimum limit (0.25) will characterize very low investment attractiveness, and those above the upper limit (1.01) will describe very high investment attractiveness. Accordingly, the classes of investment attractiveness were obtained (see Table 4).

**Table 4.** Classification features of ranking of the tourism system investment attractiveness

Source: Developed by the authors.

Value of the investment attractiveness coefficient	Class of investment attractiveness	Investment attractiveness level
Over 1.01 <sup>23</sup>	I	Very high
0.76-1.00	II	High
0.75-0.51	III	Middle
0.50-0.26	IV	Low
Below 0.25	V	Very low

The investment attractiveness coefficients of the tourism systems (24 regions) were calculated and their investment attractiveness classes were defined according to the statistical reporting (Regions of Ukraine, 2017). The integral indicators are directly presented in Table 3. Table 3 shows that according to the classification criteria (Table 4), rating of tourism systems investment attractiveness of the Ukrainian regions (Table 5) is determined.

23. According to normative values, the indicator of 1.01 was obtained. Therefore, it was this value that was chosen as a reference point for very high investment attractiveness.



**Table 5.** Integral indicators of tourism systems investment attractiveness by the Ukrainian regions

Source: Developed by the authors.

No.	Regional tourism system	Integral indicator's value	Class of investment attractiveness	Investment attractiveness level
1	N.a.	–	I	Very high
2	N.a.	–	II	High
3	Ivano-Frankivsk	0.550	V	Middle
	Lviv	0.527		
	Kyiv	0.525		
	Odesa	0.520		
	Kharkiv	0.515		
4	Terнопil	0.438	IV	Low
	Zaporizhzhia	0.412		
	Dnipropetrovsk	0.372		
	Transcarpathia	0.358		
	Chernihiv	0.346		
	Khmelnitskyi	0.325		
	Rivne	0.321		
	Kherson	0.312		
	Vinnitsia	0.310		
	Sumy	0.308		
	Donetsk	0.303		
	Chernivtsi	0.292		
	Poltava	0.280		
	Mykolaiv	0.273		
	Volyn	0.245		
	Zhytomyr	0.242		
	Cherkasy	0.241		
5	Kirovohrad	0.225	V	Very low
	Luhansk	0.221		

Thus, in general, tourism systems in Ukraine have low investment attractiveness. Two regions – Luhansk and Kirovohrad – are characterized by very low investment attractiveness. Ivano-Frankivsk, Lviv, Kyiv, Odesa and Kharkiv regions are predictable to have middle level.

The method for determining the investment attractiveness of the Ukrainian tourism systems can

be applied to objects of different structural classifications. Based on the calculated coefficients, it is expedient to compile the annual rating of investment attractiveness of the Ukrainian regions, which would help investors to make decisions about investing in a particular object.

The rather low indicators of investment attractiveness of the tourism systems of Ukrainian regions are based on considering global ratings (where Ukraine has low positions), and objectively reflect the current socio-economic status of the country. However, they make a real assessment, and the combination of consistent annual research according to the indicated methodology in real time will facilitate the identification of trends and the formation of strategic investment priorities.

The “golden rules” for ensuring the competitiveness of the economy formulated by the International Institute for Management Development (IMD-Lausanne) should be taken into account as the basis for shaping proposals to develop a state investment policy and economic development strategy of the country: stable and predictable legislation; investment in technology; flexible structure of the economy; stimulating savings and domestic investment, exports aggressiveness and the domestic market attractiveness; quality, flexibility and transparency of management and administration; interdependence of wages, labor productivity and taxes; reducing the gap between minimum and maximum incomes and strengthening the middle class; investment in education and advanced training; the benefits of economy globalization and domestic features balance (International Institute for Management Development, 2018). Compliance with these rules will allow the government to focus on key issues of strategic development of the country and individual regions to ensure the country’s competitiveness in the global capital market.

## CONCLUSION

The Ukrainian tourism system, as part of a global competitive economic space, requires investments to enhance the development of its components: accommodation facilities, transport, information and communication technologies, restaurant business, entertainment, recreation, etc. Increasing the ranking of investment attractiveness in both global and local dimensions is the key to solving this problem.

Investment attractiveness of the tourism system is characterized by a combination of favorable investment and innovation conditions shaping its ability to attract investment resources. Positive factors for attracting investments into the domestic tourism system are: unique tourist potential, favorable external environment, transparent state policy, institutional conditions for investors to guarantee return on investment and reduce investment risks.

Using the objective methodology to assess the investment attractiveness of the tourism system makes it possible to identify the conditions for the tourism system's functioning based on the determination and calculation of investment attractiveness indicators (investment efficiency, efficiency of the tourism system development, long-term benefits of industry development and the attractiveness of the external environment components). Analytical evaluation of these indicators allowed to formalize the investment attractiveness coefficients for grouping of tourism systems of Ukrainian regions based on homogeneity, to determine the investment attractiveness ratings and to structure the information and analytical support for making informed decisions by potential investors.

Estimation of tourism systems investment attractiveness in Ukraine allows to determine their rating, to differentiate them according to the maturity level of complementary preconditions for shaping and developing tourism potential. This will level the asymmetry of tourist destinations development through the realization of the economic interests of the investment process participants. The proposed methodology can be used to determine the ratings of investment attractiveness of other systems of the domestic economy.

The article presents the results of the 2017–2019 study conducted at the Kyiv National University of Trade and Economics at the Ministry of Education and Science of Ukraine's request (Integration of the Ukrainian tourism system into the world services market, state registration number 0117U000503).

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