

Social and Economic Challenges of Sustainable Tourism Development in Georgia

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Tourism industry in Georgia is progressing quickly, taking a position of leading industry and increasing the influence on country's social and economic environment. The purpose of the study is to identify the essential economic and social challenges of the industry's sustainable development. It includes the following consecutive steps: determining the principles of sustainable development and key features of tourism industry for the case study; identifying leading challenges of sustainable tourism development in the country; and concluding with outlooks for further sustainable development. The search revealed five leading challenges of the industry's development, including over-dependence on a few selected segments, low multiplier effect of generated income, high import dependency, competitive vulnerability of impulsively expanding small tourism businesses against also increasing big businesses in this sector, and emerging social well-being challenges in tourism destinations. The views on future development are summarized into seven considerations.

Key words: tourism; sustainable; social and economic challenges; Georgia.

Thanks to its comfortable and attractive natural environment, distinctive cultural heritage and other attractions, Georgia became a popular tourism destination from as early as the mid 20th century. The country was increasingly progressing up to the beginning of the hard transitional period of early 90-ies. After decades of this challenging time, the tourism industry entered into a new, rejuvenation stage of its development under an entirely new political, social and economic conditions developed since the beginning of XXI century. Currently, the industry is acquiring a leading role in the country's social and economic development with its benefits and challenges.

The purpose of the research is to identify the basic economic and social challenges of sustainable tourism development in Georgia and express a vision regarding the industry's prospects.

The study includes the following steps:

I. Determining the key features of sustainable tourism development in Georgia, including:

- a Outlining and applying the basic principles of a sustainable development for the purpose of this research;
- b Determining the most important features of tourism industry and its development in Georgia;

II. Identifying general challenges of sustainable tourism development in Georgia; and concluded by

III. Outlooks on the industry's further sustainable development. (See fig.1)

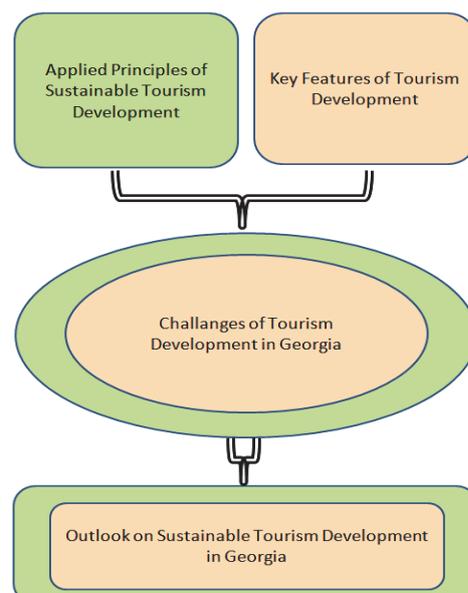


Fig. 1 The model of the case-study

I. Determining the key features of sustainable tourism development in Georgia

According to the United Nations World Tourism Organization (UN WTO) sustainable tourism can be defined as: "Tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities" [1]

a) *Sustainable development principals applied in the study*

For the purpose of our study we outlined the following basic principles of sustainable development

- ✓ To consider that the "Sustainable development is development that meets the needs of the present, without compromising the ability of future generations to meet their own needs." [2].
- ✓ To take into consideration and balance the interests of involved parties, meaning - visitors entrepreneurs, local population, government, experts and other stakeholders;
- ✓ To consider the tourism development in close relations with its environment, which itself is composed of social, economic and natural components;
- ✓ To view the relations with the environment bilaterally, meaning the – the impact of tourism on the environment and the influence of environment on the development of tourism;
- ✓ To take into consideration particularities of each destination.

b) *Key Features of Tourism and its development in Georgia*

The outlined **key features** of the tourism industry for the case study are as follows:

- ✓ Tourists usually express demand on broad varieties of services and products and have higher payment capabilities than local population. These features, on the demand side, easily involve local population to initiating tourism-related business activities from the supply side.
- ✓ With the growth of tourism, both the supply and demand side counterparties contribute to stimulating multi-level economic development, which is referred to as a supply chain or a satellite economy.
- ✓ The development of satellite economy, either in a specific destination or country-wide, leads to important macroeconomic outcome known as the "multiplier effect". The study questions the local economy's internal capabilities to satisfy the demand of the growing tourism. Those demands of tourism industry which cannot be met by local products and services are substituted by imports. Therefore, the relevant part of income received from tourists (called Input) goes out of the country's economy (called Output), thus most likely reducing the multiplier effect
- ✓ The tourism-oriented economy predominantly develops small businesses, making the destination's economy highly depended on outside supply.
- ✓ Tourism is a labor intensive industry, which requires experienced management-level employees as well as subordinate staff. Along with numerous management and expert-level qualified positions, such as general and department managers, accountants, financiers, constructors and others, majority of subordinate staff vacancies are accessible for people with low or even no special qualifications, e.g. on positions of waiters, cleaners, animators, bellboys, drivers, salespeople, etc. This characteristic of the industry may have different effects under different social and economic conditions. In part - be helpful for a short-term period under high unemployment situation, but discourage the qualification progress of the population in a long-term period.

The tourism industry is progressively growing in Georgia taking a leading position in the country's economy. As a result, the impact and influence on the environment is adequately increasing.

According to the National Tourism Administration reports [3]:

- Number of visitors in 2017 reached 7 902 509, which is 17% more than in 2016;
- The number of tourist among them was 4 962 776, or 23% more than in 2016;

Based on the World Travel & Tourism Council report of 2018 on economic impact [4], the industry's contribution to the country's economy was:

- In direct employment - 7,8%;
- In total employment – 27%
- In total capital investments – 3,6%

Presented data clearly demonstrates the increasing role of tourism and the extent to which this industry influences the country's economy.

II. The Challenges of Sustainable Tourism Development in Georgia

The analyses of tourism development in Georgia were executed based on the above mentioned 5 principals of sustainable development and 5 features of the industry's impact on the social and economic environment.

The leading revealed challenges are as follows which are explained further below:

9. High dependence on a few segments of the market, while each of these segments is not free of risk;
 10. Increasing dependence on import causing leakage of income generated by the growing tourism industry
 11. Anticipated competition between widely expanding small tourism businesses and institutionalized tourism companies;
 12. Flow of small individual capital investments in relatively easy to enter but vulnerable small tourism businesses;
 13. Emerging challenges of communities' wellbeing in the fast growing tourism destinations
- (1) High dependence on a few market segments, while each of these segments is not free of risk.

Presently, more than 75% of foreign visitors in Georgia are guest from 4 neighboring countries and each of them holds more than 10% share in the total market. The followed segments hold shares twice less than the leading ones. It means, that the industry which has gained a leading position in the country's economy and is progressing, basically depends on a few segments and contributes into the economies vulnerability (See Fig. 2).

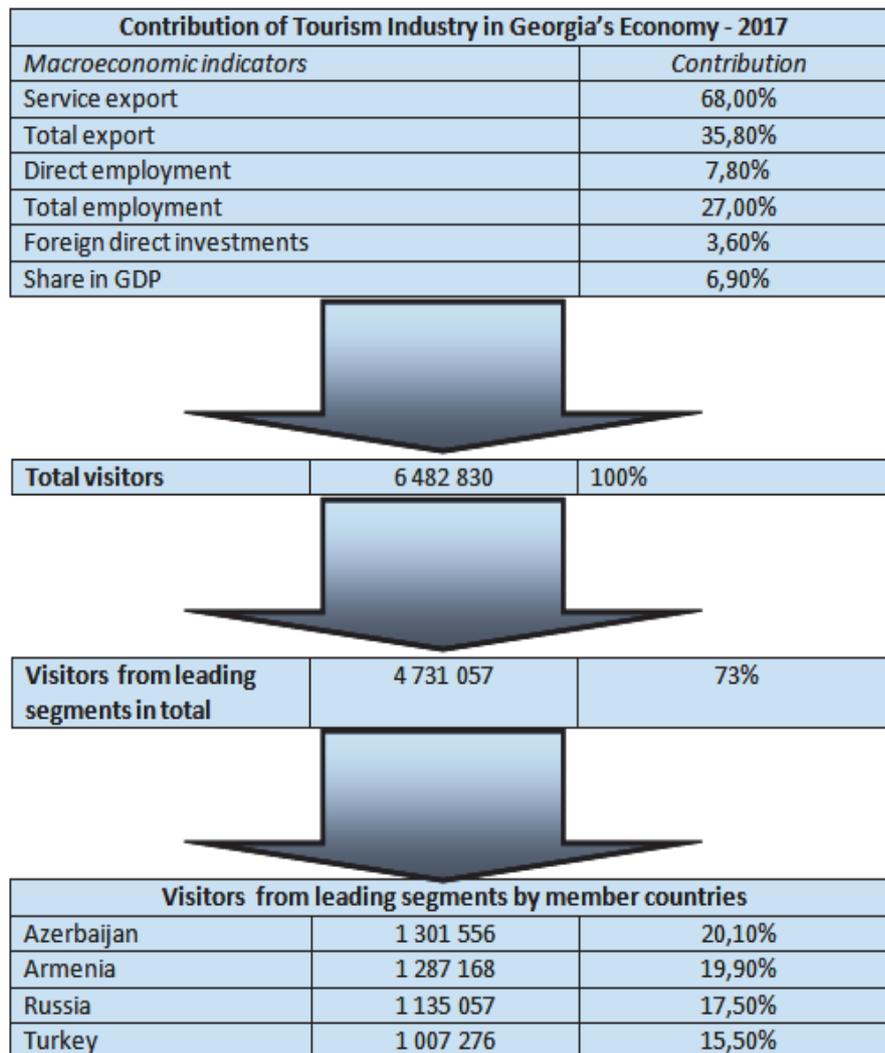


Fig. 2 Dependence of Georgian Tourism on Leading Market Segments

Source of data: [5; 6; 7]

(2) Increasing dependence on import causing the leakage of income generated by the growing tourism industry.

Growing tourism within the less diversified economy of the country gives a relatively small multiplier effect from the generated income. Professor Papava states that "In fact, the further growth of the tourism industry develops tourism related sectors in countries which are providing imports to Georgia" [8].

The small internal market along with yet undeveloped export capabilities of the country, limits the potential of tourism industry to develop a satellite economy and currently promotes mainly retail gift and food shops, food mar-

kets, small restaurants and café, driving services etc. The development of economically viable supply chain within the country and better benefit from tourism income is a standing challenge.

(3) Looming competition between widely expanding small tourism businesses and the growing institutionalized tourism companies.

Rapidly growing tourist market attracts interest of both small and relatively big investors. On the wave of booming tourism in Georgia, local population is increasingly investing their limited savings in guest houses and other like accommodations but run them with lack of industry-specific knowledge. Currently, the share of accommodations with 5 and less rooms is 39%, while the hotels with 21 and more rooms take only 15%. However, according to the same source, 26 big brand hotels are already in progress [9] and this share is expected to be progressing. Further impulsive mushrooming of the vulnerable small tourism business will face competition with stronger and professionally managed brand hotel for territories and mid-market segments. It will lead to challenges of massive bankruptcy of the weak side.

(4) Flow of small individual capital investments in relatively easy to enter but vulnerable small tourism businesses.

The lack of professionally managed investment funds bounds private sector and local population to consolidate their savings into viable investment resources and direct them into businesses with relatively safe and credible return. As a result, the potential of small investors in the country remains fragmented and focused on easily accessible but less competitive small business, such as individual guest-houses, hostels, tour agencies, etc.

(5) Emerging challenges of communities' wellbeing in the fast growing tourism destinations.

According to the Butler's Tourism Areal Life Cycles at the consolidation stage "tourism arouses opposition and discontent from some people"[10; 11]. There is a wide variety of possible reasons, including but not limited to noise from entertaining facilities, traffic and parking problems, rising prices, visitors queues, overcrowded locations, differences in some habitual behaviors and traditions, damages of cultural monuments, even use of travelling opportunities for illegal activities. Even though Georgian destinations are hardly at that stage, the first signs of emerging challenges have been witnessed.

III. Outlook on further sustainable development

"Tourism growth is not the enemy, it's how we manage it that counts" - Taleb Rifai, former Secretary General, UN WTO [12].

The author of this study believes that in the current stage of economic development of Georgia the tourism industry should remain the important source of income, export, foreign investments, as well as area of employment. However, a proper strategy should be worked out and applied to fully benefit from the development of this industry that should resolve and avoid existing and/or expecting challenges.

The following are our view to address the underlined above challenges:

- ✓ Transfer the marketing strategy from maximizing the amount of visitors to the expansions of the least risky and most sustainable segments;
- ✓ Rationalize the influence of growing tourism industry on the country's economy through focusing on promoting of those satellite sectors which has an alternative market, carries export potential and and/or replace import services and products (air/railway transport, production of bio-products, wine production, etc);
- ✓ Promote the sectors which can increase tourism income multiplier in the country through rising competitiveness of local supply chains, service providers, especially in construction, transportation, tourism marketing and other related services, as well as to advance the level of qualifications of labor forces and business owners;
- ✓ Use the tourism potential for creating jobs, developing businesses and satellite infrastructure in regions with limited economic potential, especially in remote mountain regions which represent more than half of the country's territory;
- ✓ Increase the competitiveness of local, especially small tourism businesses through creating business alliances, investment funds, assisting in valuation of investment opportunities, preparations of investment proposals and business plans, offer training to business owners;
- ✓ Prioritize the development of tourism sub-sectors which create relatively higher quality jobs and have higher potential to promote investments, business relations, innovative technologies and other target proc-

esses. Such subsectors may be healthcare tourism, MICE tourism, small group and individual business tourism, scientific expeditions, educational and training tourism, etc. They may also mitigate the tourism seasonality issues;

- ✓ Increase competitiveness of national tourism businesses through promoting the use of innovative technologies and approaches, inter alia, in marketing - webs and social media, so called - sustainable tourism marketing model – STMM; in operations - hotel and tour-operating management software and GIS; in tourism services – expand the offers of experiential tours and the practice of service co-production; in destination management - use the sustainable development methodology; in data collections – adopt the satellite account standards; and in field researches – the transdisciplinary problem identification methodology.

The introduced multi-lateral objectives intend to resolve the above-identified key social and economic challenges of tourism development in Georgia and frame the author’s vision of industry’s sustainable development.

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