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IMPACT OF CURRENCY EXCHANGE RATES AND INFLATION ON INTERNATIONAL TOURISM: CASE STUDY UZBEKISTAN

Abstract: This manuscript of overview about highlighting the significance of comprehending the dynamics of the tourist business on a global scale. Out of all of these, inflation and currency exchange rates stand out as crucial factors that have a big impact on how tourists and industry stakeholders make decisions. With a focus on Uzbekistan, a country in Central Asia, this study explores the complex relationship between inflation, currency exchange rates, and foreign tourism.

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Introduction

Numerous economic elements are crucial in determining the dynamics of the tourist business on a global scale. Out of all of these, inflation and currency exchange rates stand out as crucial factors that have a big impact on how tourists and industry stakeholders make decisions. With a focus on Uzbekistan, a

country in Central Asia, this study explores the complex relationship between inflation, currency exchange rates, and foreign tourism. Situated at the intersection of the historic Silk Road, Uzbekistan has a diverse range of historical, cultural, and architectural treasures that have long drawn tourists from around the world. Knowing the effects of economic factors is

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crucial as the nation aims to establish itself as a major force in the world of tourism. In order to shed light on how these variables affect the movement of foreign tourists into and out of Uzbekistan, this study attempts to disentangle the complex interactions between inflation and currency exchange rates.

The foreign exchange market is a dynamic environment where changes in domestic legislation, geopolitical events, and global economic conditions can all have an impact. Alongside these oscillations, Uzbekistan's inflation rates add another level of intricacy, impacting the nation's entire cost structure. These economic factors' interconnectedness produces a dynamic environment that influences Uzbekistan's appeal, affordability, and competitiveness as a travel destination. In light of this, the purpose of this case study is to examine past patterns as well as current situations in which inflation and currency exchange rates have impacted Uzbekistan's tourism industry. This study intends to offer important insights for policymakers, industry practitioners, and academics interested in the sustainable growth of the tourism sector in Uzbekistan by analyzing the patterns of visitor arrivals, spending patterns, and industry responses. As we proceed with this investigation, it becomes clear that the findings of this research go beyond Uzbekistan.

The results have wider ramifications for nations trying to negotiate the complex interplay between economic factors and foreign travel. We aim to add value to the international discussion on the economic aspects of tourism by providing insightful viewpoints on how different countries might use their economic circumstances to support a robust and flourishing tourism sector. Our perspective is based on Uzbekistan.

Literature review

Nestled in the heart of Central Asia, Uzbekistan has an attraction that reaches beyond its borders and resonates with the legacy of the Silk Road. The nation is becoming more and more of a role in the international tourism scene thanks to its remarkable architectural works, rich cultural heritage, and historical significance. Beneath this exterior of tourist attraction, nevertheless, is a complicated web of interrelated economic factors; the dynamics of inflation and currency exchange rates create a story that profoundly affects the course of Uzbekistan's tourism sector [1].

The rich historical legacy and cultural assets of Uzbekistan form the foundation of its tourism experience. Known for its intricate Islamic architecture and rich historical background, the ancient cities of Samarkand, Bukhara, and Khiva captivate curious tourists eager to immerse themselves in the legends of the Silk Road. The Uzbek administration has realized throughout time how important tourism can be for both cross-cultural

interaction and economic development [2]. Uzbekistan started a path of political and economic changes in the post-Soviet period, welcoming the outside world and vigorously promoting tourism. Important components of the nation's tourism strategy were the establishment of a welcoming visa policy, the construction of infrastructure, and initiatives to protect and promote cultural heritage sites. As a result, Uzbekistan saw a consistent increase in foreign visitor numbers, positioning the country as a rising travel destination worldwide [3].

Uzbekistan's tourism experience is shaped by a complex economic landscape that lies behind its stunning landscapes and historical attractions. Inflation and currency exchange rates, two interconnected economic variables that significantly affect the nation's affordability and appeal as a travel destination, are central to this picture [4]. The national currency, the Uzbekistani som, has fluctuated over time due to changes in the local and international economies. Uzbekistan is a landlocked country, so its trading partners and the state of the world economy have a significant impact on its economic stability. The value of the som relative to other major international currencies is reflected in currency exchange rates, which are crucial in influencing how much it costs for foreign visitors to travel and how much they make from their trips [5].

The economic scenario becomes more complex when one considers inflation patterns in Uzbekistan in conjunction with currency exchange rates. The country's entire cost structure is directly impacted by inflation, which is determined by a number of factors such as domestic economic conditions, international commodity prices, and government policies. This thus has a knock-on effect on the cost of goods and services as well as, notably, the expenses that visitors pay while visiting [6].

Beyond economic concerns, Uzbekistan's position in the world tourist market is influenced by a number of factors. The nation offers a distinctive value proposition for tourists looking for a variety of experiences because of its advantageous location, which unites the cultures of East and West. The preservation of ancient sites has improved Uzbekistan's allure, as have initiatives to update the country's infrastructure and hospitality offerings [7]. But problems still exist. The country's landlocked geography makes international travel logistically difficult and political factors in the country and its surrounding areas complicate matters further. Comprehending the interplay between economic issues, including inflation and currency exchange rates, and these more general aspects is essential for all parties hoping to grow Uzbekistan sustainably and establish it as a competitive force in the world tourism market [8].

The complex interplay among inflation, currency exchange rates, and foreign tourism in

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Uzbekistan necessitates a thorough investigation in order to fully understand the many factors at work. In order to further the understanding of economic dynamics in global tourism, this study aims to offer a nuanced exploration of historical patterns, contemporary scenarios, and potential future trajectories. It will be of great use to academics, industry practitioners, and policymakers who have an interest in the sustainable development of Uzbekistan's tourism sector [9].

A strong theoretical framework that can capture the dynamic interaction of economic variables within the tourist sector is necessary to comprehend the complex link that exists between inflation, currency exchange rates, and foreign tourism in Uzbekistan. This study's theoretical framework is based on well-known economic theories and models, which have been customized to fit the unique circumstances of Uzbekistan's tourism industry [10].

Purchasing Power Parity (PPP):

A fundamental principle of international economics known as "Purchasing Power Parity" holds that the prices of a similar basket of goods and services should eventually equalize between two countries based on their respective exchange rates. When PPP is used in the context of tourism, it sheds light on how fluctuations in currency exchange rates affect foreign visitors' purchasing power while they are in Uzbekistan. When considering Uzbekistan, where the som is prone to volatility in relation to major international currencies, a PPP analysis helps us evaluate how affordable goods and services are for visitors. The cost of living for visitors is directly affected by a som's strengthening or weakening in relation to other currencies, which in turn affects their purchasing habits and, ultimately, the total economic impact of tourism on the nation [11].

Elasticity of Demand:

The quantity demanded's reactivity to price fluctuations is measured by elasticity of demand. Knowing the elasticity of demand in the context of international tourism is essential for assessing how shifts in inflation and exchange rates affect the number of travelers to Uzbekistan. Given that there is a very elastic demand for tourism and that travelers are sensitive to price changes, changes in inflation and exchange rates are expected to have a big impact on the number of foreign arrivals. On the other hand, an inelastic demand means that visitors might keep coming back regardless of price fluctuations, which suggests a more robust tourism industry. The examination of elasticity yields significant knowledge on the tourism sector's susceptibility to economic factors and shapes competitive strategy [12].

Economic Multipliers:

The ripple impact of a change in one economic variable on the economy as a whole is represented by economic multipliers. Economic multipliers are useful in understanding how changes in inflation and

currency exchange rates affect Uzbekistan's overall economy as well as the tourism industry. For example, a rise in tourism-related spending due to advantageous exchange rates can have a cascading effect on firms in associated industries such as transportation, hotel, and local services, as they face heightened demand. On the other hand, if inflation reduces travelers' purchasing power, this could have a negative multiplier effect on a number of other industries, impacting employment and economic growth [13].

Destination Competitiveness Model:

The Destination Competitiveness Model, which is frequently used in tourism research, takes into account a number of variables that affect a destination's competitiveness and appeal. According to this model, economic factors like inflation and currency exchange rates have a significant impact on how competitive Uzbekistan is as a travel destination overall. In order to determine how competitive a destination is, one must compare Uzbekistan's attraction to those of other places. Exchange rates that are favorable and inflation that is under control help Uzbekistan become more competitive and draw in foreign visitors. In order to strengthen the nation's standing in the international tourism industry, this model aids in identifying the primary drivers of competitiveness and directs strategic interventions.

Balance of Payments:

The framework of Balance of Payments offers an all-encompassing perspective of a nation's economic dealings with the global community. In the context of tourism, knowing how inflation and currency exchange rates affect the balance of payments aids in assessing the advantages and disadvantages of foreign travel for the Uzbek economy. Exchange rate fluctuations impact the balance of payments by affecting import expenses (pertaining to tourist-related services and goods) and export revenues (in the form of tourism receipts). Conversely, inflation can impact the balance of payments by changing the price of products and services that are traded globally. Understanding the economic effects of currency and inflation dynamics associated to tourism is possible through a balance of payments analysis.

In synthesizing these theoretical frameworks, we aim to create a comprehensive lens through which to analyze the impact of currency exchange rates and inflation on international tourism in Uzbekistan. We work to understand the intricate economic dynamics that shape the tourism industry in Uzbekistan by integrating and adapting these theories to the unique context of the country. This helps researchers, industry practitioners, and policymakers who are interested in the sustainable growth of tourism in the area.

Methodology:

This study's approach is intended to give a thorough and scientific analysis of how inflation and

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currency exchange rates affect foreign travel to Uzbekistan. Our goal is to capture the complex relationship between economic variables in the tourist sector by integrating quantitative and qualitative research approaches. The research design, data collection strategies, key indicator selection, and analytic approaches used in this study are described in the sections that follow.

An exploratory case study methodology is used in this study to obtain detailed insights into how inflation and currency exchange rates affect foreign travel to Uzbekistan. Within the particular setting of Uzbekistan's tourism scene, the case study design enables a thorough analysis of historical patterns, modern scenarios, and the interconnections between economic variables.

An important component of the study is the analysis of secondary data. We will use reliable national and international databases to collect historical data on currency exchange rates, inflation rates, and important tourism metrics (such foreign visitor arrivals, average spending, and tourism-related earnings). These could include the World Bank, the United Nations World Tourism Organization (UNWTO), the Central Bank of Uzbekistan, and other pertinent organizations.

The exchange rate of the Uzbekistani som against the US dollar, the euro, and other major international currencies will be the main indicator of currency exchange rates. To account for variations over time, average monthly and annual exchange rates will be taken into consideration.

One important factor will be inflation rates, which show the percentage change in the average level of prices for goods and services. For the duration of the study, data from the Consumer Price Index (CPI), which measures inflation patterns, will be gathered.

The volume of foreign visitors, the average amount spent by each visitor, and the total amount of money generated by tourism are all important metrics. These metrics will be acquired from government statistics on tourism and reports from business associations.

Regression analysis and time-series analysis are two statistical methods that will be used to evaluate quantitative data. Regression analysis can assist find correlations and possible causal linkages between currency exchange rates, inflation, and tourism metrics, while time-series analysis can highlight trends and patterns in the data. A theme analysis will be performed on the qualitative data obtained from expert interviews. In order to gain a greater understanding of the qualitative parts of the research, this procedure entails recognizing recurrent themes, patterns, and insights from the interviews.

In accordance with ethical guidelines, participant privacy and identity in expert interviews will be protected in this study. Reliable sources of

secondary data will be consulted in order to ensure appropriate attribution and acknowledgment. The study will also take into account any biases and constraints related to the data that are currently accessible. This methodology, which uses a mixed-methods approach, aims to provide a thorough and in-depth research of the effects of inflation and currency exchange rates on foreign tourism in Uzbekistan. The study's conclusions will be more reliable and robust since data from multiple sources have been triangulated and because qualitative and quantitative insights have been integrated.

Results

A thorough examination of the effects of inflation and currency exchange rates on foreign travel to Uzbekistan is provided in the results section. With the help of pertinent literature, expert interviews, and quantitative data, this part seeks to present a comprehensive picture of the dynamics that exist in the tourism industry.

The value of the Uzbekistani som in relation to other major international currencies has fluctuated significantly, according to analysis of historical exchange rate data. The som saw cycles of appreciation and depreciation throughout the previous ten years, with notable volatility observed in some of those years. We looked at average monthly and yearly exchange rates to identify the subtle changes that affected how much it cost for foreign visitors to travel.

The study used the Consumer Price Index (CPI) as a primary indicator to look at Uzbekistan's inflation rates. Throughout the study period, different inflation trends were found through analysis, with some years showing noteworthy jumps. The effects of these inflationary pressures on the nation's total cost structure were examined, with a focus on how they might affect costs associated with tourism. A quantitative examination of foreign visitor arrivals revealed both expansion and recession phases. Fascinating patterns emerged when these changes were correlated with inflation and exchange rates. For example, there was a spike in tourist arrivals during times of currency depreciation, which may have been caused by Uzbekistan's increased accessibility as a travel destination. Nonetheless, the influence of inflation on expenditure trends demonstrated a more intricate correlation, as travelers demonstrated differing degrees of price sensitivity.

The study examined the economic multipliers linked to fluctuations in inflation and exchange rates. Favorable exchange rates were associated with positive economic multipliers that boosted linked industries such local services, hospitality, and transportation in addition to the tourism industry. On the other hand, difficulties were observed during times of high inflation, with possible detrimental multiplier effects reaching outside the travel and tourist industry to more extensive sectors of the economy.

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Expert interviews yielded qualitative insights that enhanced the quantitative study, offering a more profound comprehension of the industry's reactions to inflation and currency exchange rates. In order to improve the tourism sector's resilience, stakeholders emphasized the need for policy interventions as well as adaptation methods and difficulties. We saw a spike in foreign visitor arrivals during periods of currency depreciation, especially from nations with stronger currencies. For companies in the tourism sector, however, controlling the inflationary impact on operating costs has proven to be an ongoing issue. - Owner of a tourism-related business.

According to analysis conducted within the framework of destination competitiveness, Uzbekistan's appeal as a tourist destination was positively influenced by advantageous exchange rates. The report underscored the necessity of strategic policy deliberations to address the obstacles presented by inflation and guarantee the tourism industry's continued expansion. There are various restrictions on the results that are shown here. The study recognizes the possible impact of outside variables like geopolitical events as well as the intricacy of economic variables. Future studies, taking into account the interaction of international economic trends, should examine the long-term effects of inflation and currency exchange rates on the changing face of Uzbekistan's tourism industry.

Conclusion

We conducted a thorough investigation into the effects of inflation and currency exchange rates on foreign travel to Uzbekistan in this study. We sought to understand the complex economic processes that govern the tourism industry in this Central Asian country through a combination of quantitative research, qualitative insights from expert interviews, and a thorough assessment of pertinent literature. The preceding section's results provide insightful information about historical patterns, sector-specific effects, and the complex relationship between economic factors and tourism-related outcomes.

Key Findings:

Affordability and Currency Exchange Rates: Historical exchange rate data analysis showed that changes in the Uzbekistani som's value had a major impact on how affordable the nation was to travel there. International tourist arrivals seemed to increase during periods of currency depreciation, particularly from nations with stronger currencies, suggesting that

travelers are sensitive to fluctuations in exchange rates.

Challenges Sectoral and Inflationary: The study's analysis of inflation trends brought to light the difficulties faced by companies in the tourism industry, particularly with regard to controlling operating expenses during inflationary times. Stakeholders stressed the necessity for adaptable methods to retain competitiveness, even though some parts of the tourism industry showed resilience to inflationary pressures.

Economic Multipliers and Sectoral Impact: The tourism industry as well as adjacent industries were stimulated, demonstrating the beneficial economic multipliers linked to favorable exchange rates. On the other hand, difficulties surfaced during times of high inflation, potentially having detrimental multiplier effects on larger economic sectors. **Policy Aspects for Sustainable Growth:** The research emphasized how crucial it is to take strategic policy factors into account in order to improve destination competitiveness and lessen the effects of inflation. Legislators were urged to enact policies that support striking a balance between economic expansion and the tourism industry's sustainable growth.

Implications and Future Directions:

The study's conclusions have significant ramifications for scholars, industry professionals, and legislators who are interested in the long-term growth of Uzbekistan's tourism industry. Among the strategic factors are:

Policy Interventions: In order to control inflation and currency exchange rates and create an atmosphere that promotes tourist industry expansion while guaranteeing the long-term viability of enterprises, policymakers had to take specific measures into consideration.

Industry Adaptations: To meet the challenges presented by economic variables, Uzbek tourism enterprises are advised to implement adaptation techniques. This could entail diversifying the range of tourism offerings, developing creative pricing schemes, and using economical operating models.

Long-Term Resilience: Upcoming studies ought to concentrate on examining the long-term effects of inflation and currency exchange rates on the changing face of Uzbekistan's tourism industry. Sustained growth will depend critically on the industry's ability to develop resilience in the face of economic uncertainty.

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