Section 12. Economics, organization and management of enterprises, branches, complexes

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Socio-economic conditions for development of tourism in The Ivanovo Municipality

Abstract: This paper examines the existing socio-economic conditions in the Ivanovo Municipality which are important for the development of tourism in the territory. The basis for creating the conditions and environment for the development of tourism in the Municipality are the local self-government authorities and local executive authority which carry out local government. Some tools whose use can lead to the gradual transformation of the conditions in tourist resources are indicated.

Keywords: socio-economic conditions, local government, tourism, tourism resources.

The base for creation of conditions and environment for the tourism development in the Ivanovo municipality are the local government bodies (municipal council) and local executive authority (mayor and municipal administration), which together implement the local authority. Their role is associated with the adoption of a program for tourism development in the municipality in accordance with the priorities of the Regional Development Strategy for the Rousse region, and the Strategy for tourism development in the Ivanovo municipality in line with local tourism resources and needs.

The program should provide measures for the construction and maintenance of the infrastructure servicing tourism in the municipality, the tourist information centers, tourist sites, which are municipal property, organization of events and activities with local and national significance that contribute to the development of tourism, conducting studies, analyzes and forecasts for the development of tourism, promotion of the municipality tourist product, the municipality membership in tourism associations and in the management organization of the tourist area, improving the quality of services offered in local tourist sites. The Mayor of Ivanovo municipality is responsible to ensure the development of the Program and the preparation of a report on its implementation. After they get approved by an advisory council, his duty is to submit them for consistent adoption by the municipal council.

The Tourism Act empowers and obliges the mayor of the municipality to set up and manage an Advisory Board and municipal expert commission for categorization of tourist sites. Their activity is associated with the determination of the category of tourist sites, creation and maintenance of a municipal register for categorized tourist sites in the municipality and preparation of proposals for determining the amount of the tourist tax by the municipal council. They are responsible for the development and implementation of programs and projects in the field of tourism, financed by the European Union and international organizations, cooperation and support of initiatives of public authorities, the organization for management of the tourist district and tourist associations for the development of tourism in line with the national policy in the field and others [1].

Consequently, two groups of conditions affecting the development of tourism in the municipality can be identified. The first one covers economic conditions — availability of programs for tourism development (with adequate volumes, deadlines, funding), public-private partnerships, investment in tourism, incentives and subsidies for the business, marketing tourist activity (event calendar, participation in exhibitions,
availability of a tourist information center — TIC). The second group includes the social conditions — tourism accessibility for the local population, staffing of the tourism sector, ensuring the safety of residence for tourists, sufficient accommodation capacity, opportunities for employment in the tourism sector.

The development of tourism in the Ivanovo municipality is underlying in the Strategy for Development of Tourism in the Ivanovo Municipality for the 2014–2020, The Municipal Development Plan of Ivanovo Municipality for 2014–2020 and The Program for development of tourism in the Ivanovo municipality in 2016. These see tourism as one of the priority sectors for development in the Ivanovo Municipality.

The growing role of local authorities and the opportunities for strengthening the public-private partnerships (for example, the creation of a local initiative group) provide an environment for real investment and profit from the development of tourism in the Ivanovo municipality. Outstanding cultural events which could currently attract participants and visitors from home and abroad are “Children of Polomieto — holiday in the monastery”, “From Polomieto to Danube river, together”, Festival of the mushroom. These events may underlie in the development of an event tourism product and contribute to its development, both in the local market of tourist services and on transborder and international level. The Ivanovo Municipality has a tourist information center located in the Town Hall in the center of Ivanovo. It provides information about tourist sites and tourist services in the territory.

The Ivanovo Municipality is located in North Bulgaria, in the Danubian plain, in the administrative area of Ruse (NUTS 3) and in the North Central region (NUTS 2). It is bordered on the north with the Danube River and with the Municipalities of Ruse, Vetovo, Tsar Kaloyan, Dve Mogili and Borovo. It is bordered on the north with the Danube River and with the Municipalities of Ruse, Vetovo, Tsar Kaloyan, Dve Mogili and Borovo. Its transportation and geographical location is favorable due to the interception of two of the European Transport Corridors (№ 7 and № 9), which ensures the connection between the areas of the Baltic and the North Sea on one hand and on the other hand the connection between the Mediterranean and Black Sea. In the system of railway links the municipality is well secured. Important arterial thoroughfares cross the territory of the Municipality — railroad Ruse — Gorna Oryahovica — Sofia and highway roads Ruse — Sofia and Ruse-Varna, and thus connecting Central Europe with the Black Sea Region and Asia.

The municipality has a relatively well developed road network that allows relatively quick access from the settlements to the municipal center and tourist sites. Some of the roads are in poor condition, which creates problems in the accessibility of the relevant points of interest of cultural and natural heritage in the Ivanovo municipality. The transport links between the villages and the center of the municipality are not sufficiently developed.

The Ivanovo Municipality holds first place in terms of territory size in comparison to its neighboring municipalities in the Ruse Region and fifth place in terms of population — 9 429 people, last counted on 01.02.2011.

The population density in Ivanovo Municipality is 19 people per km², which puts it at last place in terms of population density in the Ruse Region. The town network of the Municipality includes 13 settlements: the municipal center Ivanovo Village as well as the villages Bozhichen, Koshov, Krasen, Mechka, Nisovo, Pirgovo, Tabachka, Svalenik, Trastenik, Cerovec, Cherven, Shtraklevo. The biggest villages are Shtraklevo (2337), Pirgovo (1649), Trastenik (1315) and Ivanovo (1299).

The administrative center of the Municipality is Ivanovo village which is located on a plain terrain with seemingly unvaried relief with altitude about 270 m. Its building development starts with the building of the railway Gorna Oryahovica — Ruse in 1895. It is located about 5 km away from the old village and The Rusenski Lom River.

The labor market in the municipality has relatively unlimited possibilities for labor supply, which can be qualified and requalified for realization of tourist services and enhancement in the volume and quality of the tourist product. The demographic trends in the region are typical for the North Central Region and the neighboring municipalities.

The trends in employment and unemployment do not report significant changes in recent years. The economically active people in the Ivanovo municipality amount to 1970 people and represent 1.8% of the economically active people in the region of Rousse and about 0.05% of the economically active population in Bulgaria. The share of unemployed people amount to 18.9% of all economically active people and it is lower than the share of unemployed people from all economically active people in Rousse average (19.1%) and higher than the country average (14, 9%) [2].

The Ivanovo municipality, as an agricultural area, develops mushroom production, wood processing, production of truck trailers, car repairs. The number of non-financial enterprises operating in the Ivanovo municipality in 2011 is 227 [2]. The industry has the poten-
tial to meet the growing needs of the tourism industry in the territory related to the construction, furniture, food products, products from agriculture and forestry, souvenirs production, transportation, services and others.

Table 1. – Settlements, area of the urbanized territory and population of the Ivanovo municipality

| №  | Settlement     | Area of the urbanized territory | Population as of 1.02.2011 according to data from the last census |
|----|----------------|---------------------------------|---------------------------------------------------------------|
| 1  | Bozhichen      | 571                             | 178                                                           |
| 2  | Ivanovo        | 1299                            | 818                                                           |
| 3  | Koshev         | 521                             | 316                                                           |
| 4  | Krasen         | 907                             | 719                                                           |
| 5  | Mechka         | 1121                            | 630                                                           |
| 6  | Nisovo         | 640                             | 108                                                           |
| 7  | Pirgovo        | 1956                            | 1649                                                          |
| 8  | Svalenik       | 1115                            | 923                                                           |
| 9  | Tabachka       | 642                             | 100                                                           |
| 10 | Trastenik      | 2547                            | 1315                                                          |
| 11 | Cerovec        | 802                             | 109                                                           |
| 12 | Cherven        | 1030                            | 227                                                           |
| 13 | Shtraklevo     | 2738                            | 2337                                                          |

Source: NSI URL: http://statlib.nsi.bg:8181/isisbgstat/ssp/fulltext.asp?content=/FullT/FulltOpen/P_22_2011_T1_KN1.pdf, Ivanovo Municipality

All settlements in the Ivanovo municipality have central water supply, except for the settlement formations: Stalpishte, Pirgovo Port and Pumping Station — Pirgovo. The water supply network is amortized and with high water losses. The high water supply for the settlements is a precondition for development of tourist services. There is a need for introduction of effective systems for use of water resources which could improve the conditions for various forms of tourism in small populated areas.

There is partly constructed sewerage system for domestic sewage in the central part of Ivanovo village, however, the lack of such at the time is no obstacle for offering quality travel services. All settlements in the municipality are electrified and the electricity needs are met.

The Ivanovo Municipality has a well developed telecommunications infrastructure which meets the most latest requirements for communications. Between villages and international connections can be made by phone, fax and Internet. The municipality has good network coverage of mobile operators.

Health care in the municipality is provided by six doctors. In the settlements there are constructed and functional consulting rooms. In the Ivanovo municipality there are no hospitals which is one of the main problems of health infrastructure.

The accommodation facilities in the Ivanovo Municipality are twelve in number — mostly low-category. They can satisfy the interest of the less affluent tourists. Guest houses dominate — eight in number, with category one-star. Family hotels are next — three in number. Each of them has a different category — one, two or three stars. There is one five-star hotel which operates in the territory. The territory has 100 beds for accommodation with one star, 41 beds for accommodation with two stars, 62 beds for accommodation with three stars.

Data show that 50.74% of the beds are in accommodation facilities with two stars and three stars, and 49.26% in accommodation facilities with one star. The analysis reveals that the base is predominantly one-star — 75% of the accommodation facilities in the municipality, and has the potential to satisfy the interest of tourists towards cheaper accommodation. Meanwhile, for those tourists seeking more luxurious accommodation conditions, prerequisite are created with the aim to meet their needs. The percentage of beds in three-star accommodation facilities is 30.54%.

Data show that restaurants and entertainment facilities in the Ivanovo municipality are eight in number, have a one star and provide 500 seats. It should be noted that the accommodation, catering and entertainment facilities in the Ivanovo Municipality remain a constant number in recent years which indicates a constant visitor and tourist interest.
Table 2. – Accommodation facilities in the Ivanovo Municipality

| Accommodation facilities                                      | Number of rooms | Number of beds | Category |
|--------------------------------------------------------------|-----------------|----------------|----------|
| Family hotel „The Black Stork“, Nisovo village               | 10              | 20             | One star |
| Guest house „The four pines“, Nisovo village                 | 5               | 10             | One star |
| Guest house „Pri Skalite“, Bozhichen village                 | 6               | 12             | One star |
| Guest house „Milko’s house“, Koshov village                  | 3               | 5              | One star |
| Family hotel „Rusenski Lom“, Koshov village                  | 20              | 40             | Three stars |
| Guest house „The well“, Ivanovo village                      | 13              | 31             | Two stars |
| Guest house „Bim house“, Cherven village                     | 5               | 9              | One star |
| Guest house „Orehite“, Bozhichen village                     | 8               | 16             | One star |
| Guest house „Angel“, Koshov village                          | 8               | 16             | One star |
| Guest house „Neda’s house“, Cherven village                  | 4               | 12             | One star |
| Family hotel „Private Club Valdes“, Bozhichen Village        | 5               | 10             | Two stars |
| Hotel and winery „Seven generations“, Mechka village         | 11              | 22             | Three stars |
| Total                                                        | 98              | 203            |          |

Source: Ivanovo Municipality

Table 3. – Catering and entertainment facilities in the Ivanovo Municipality

| Catering and entertainment facilities                     | Number of seats | Category |
|-----------------------------------------------------------|-----------------|----------|
| Snack bar, Ivanovo village                                | 50              | One star |
| Winery „Mehandjiiska sreshta“, Pirgovo village            | 90              | One star |
| Snack bar „Indiiski kolibi“. Trustenik village            | 20              | One star |
| Bistro „Tir — parking“ Trustenik village                  | 50              | One star |
| Restaurant „Sedem pokolenia“Mechka village               | 80              | One star |
| Snack bar „Attraction“, Cherven village                   | 50              | One star |
| Cafe, Mechka village                                      | 50              | One star |
| Restaurant „Chernia shtarkel“, Nisovo village             | 110             | One star |

Source: Ivanovo Municipality

The transformation of the socio-economic conditions in tourism resources which will ensure the development of tourism in the Ivanovo municipality is happening gradual and is secured by the use of complex of instruments such as:
– attractive tourist image of the territory;
– efficient marketing strategy;
– development of a marketing strategy;
– ensuring the safety of tourists;
– legislative support for tourism;
– availability of qualified staff.

Taking into consideration the above text and based on the conducted analysis the following conclusions could be drawn:

– The development of tourism in the Ivanovo municipality is ensured by the development and implementation of planning documents — strategies, plans and programs for tourism development and their public funding combined with the investments of local business.

– A complex analysis of the tourism potential of the Ivanovo municipality based on the existing socio-economic conditions and taking into consideration the quality of the administrative capacity of the local government favors the development of tourism in the area.

The socio-economic conditions affecting the development of tourism in the Ivanovo municipality are closely interconnected, mutually conditioned and influence each other. It could be said that the infrastructure facilities, investments, entrepreneurship and last but not least human resources play a substantial role.

The currently existing conditions greatly favor the development of tourism in the area and thanks to the planned activities, positive changes could be expected. Tourism development has the potential to reduce the unemployment rate in the Ivanovo municipality, to develop the small and medium businesses, to stimulate the development of infrastructure and transport network.
Justification of the concept of mathematical methods and models in making decisions on taxation

Abstract: The paper presents the concept of the application of mathematical methods and models in making decisions on taxation in Ukraine as a phased process. Its performance result is the selection of an effective decision based on regression and optimization models.

Keywords: tax system, taxation, optimization models, tax burden, tax rate, concept of taxation, shadow economy.

The tax system in Ukraine is a combination of taxes and duties (mandatory payments) established on the basis of the legal rules that regulate the amount, form and timing of collection of taxes and payments into the government budgets.

According to the practice, the result of tax burden increase and, in its turn, increase of budget revenue, is always the acceleration of inflation processes. This happens because the tax rate increase results in the increase in prices for goods and services leading to the worsening of the financial standing of economic entities and ordinary individuals. For the process of tax system reformation in the country it is required to use the most effective methods of taxation of economic entities, and to determine the optimal tax rates for their activities. However, much too low tax rates will result in low tax revenues, and much too high tax rates will force business into a shadow economy. In this regard, the scientific studies related to determining the optimal tax burden in the country take on particular importance. The practice of making macroeconomic decisions requires the creation of tools that would enable a sufficient degree of reliability to evaluate the effectiveness of the state fiscal policy in terms of its impact on the level of business activity in the country. The urgent task for Ukraine is to search its own concept of taxation that would meet the peculiarities of the real situation in the economy because the overapplication of forms and methods of tax policy employed in the world’s practice not only failed to provide the desired results but also aggravated the controversy and misunderstanding between the state and entrepreneurship.

The problems of the tax system reformation in the conditions of the Ukrainian economy market transformation, theoretical and practical aspects of the income taxes impact on the budget, the tax system optimization from the point of fiscal adequacy and economic efficiency were highlighted in the researches of such well-known national economists, such as V. L. Andrushchenko [1], L. O. Biliievskaya-Plotnyk [2], O. D. Vasylyk [3], V. V. Korolenko [4], Y. I. Liashenko [5], T. F. Mykhailova [6], and A. M. Sokolovska [7]. The economic and mathematical model of tax burden control, scientific and practical recommendations for effective use of tax potential of Ukraine’s economy were developed in the research papers of I. Ya. Chugunov [8], S. L. Londa [9], G. S. Yastrebova [10], and O. Grin [11].

However, the task of the research of support for making decisions in taxation and building the economic and mathematical models that, in the best way, allows illustrating the process of the state budget replenishment and determining the optimal tax burden, is vital for the contemporary economic science and requires a detailed and comprehensive analysis and the searching for the effective methods of solution.