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**DYNAMICS OF THE INVESTMENT PROCESS IN HOTEL AND RESTAURANT  
BUSINESS IN BULGARIA**

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**Abstract:** Basic issue of the exploitation of the tourist sector of the economy of every country is increasing its competitiveness in the conditions of accelerating competition in the sector. The sphere of the tourism has a range of components, which are being developed in the only enterprises, but one of the most crucial is the investment activity on the economy entities therefore. The purpose of the present article is to explore and analyze the development of the investing process in the hotel and restaurant business in Bulgaria. In connection with this is made an analysis of statistical data for the period of 1995 to 2005 is made hereby. A research is made of the dynamics of the acquired material durable assets and the expenses for acquiring them in quality equivalent and the condition and the dynamics of the material base in the hotel and restaurant business in material equivalent. For the needs of the research are calculated such statistic characteristics, as an absolute growth and rate of growth and are determined the average rates of growth of the material durable assets in the hotel and restaurant business. The survey and the analysis of the dynamics of the investing procedure show that increasing the efficiency to using the resources for getting material durable assets in the hotel and steakhouse business is needed. For having a vision over the development of the material base, servicing carrying the tourists and helping, of greatest degree the development of the tourist branch, think for the sector of the public feeding to be watched formally correctly.

**Key words:** dynamics, investment process, hotel business, restaurant business, analyzes

**INTRODUCTION**

Basic issue of the exploitation of the tourist sector of the economy of every country is increasing its competitiveness in the conditions of accelerating competition in the sector. The sphere of the tourism has a range of components, which are being developed in the only enterprises, but one of the most crucial is the investment activity on the economy entities therefore. This procedure is in main meaning for the quality of the tourist servicing from which depends the realization of the tourist merchandises as among the Bulgarian, so among the foreign tourists as well.

According to Dimitrov [1] the investments take a key position in the company policy for improving the quality and increasing the competitiveness of the offered hotel products. The same author determinates three main groups of assets in the tourist sector, in which can be invested,

and these are real (material, physical) assets; immaterial (intangible) assets and fiscal assets [2]. Having in mind that the investment choice in this economy activity is directed mainly to the capital investments [1], e.g. to investments in material durable assets, this article views exactly the dynamics of the investing process in the hotel and restaurant business in connection with the first group of investments – the material one.

The article is being oriented to the tourist branch, because it the most rapidly, positively changing branch at this moment. It's running with growing rates reports to work one of the most crucial acts of the executed structural adjustment in the Bulgarian economy [3] and especially creating the private sector and compounding his function and meaning in the economy as well. Simultaneously the main indicators, rendering the tourist branch

activity, reveal as its most important distinctive characteristic in the moment - it's steady development.

The **purpose** of the present article is to explore and analyze the development of the investing process in the hotel and restaurant business in Bulgaria.

In connection with this is made an analysis of statistical data for the period of 1995 to 2005 is made hereby. We consider that this period is long enough, to create opportunities for adequate conclusion to be made and to determine the trends in the development.

A research is made of the dynamics of the acquired material durable assets and the expenses for acquiring them in quality equivalent and the condition and the dynamics of the material base in the hotel and restaurant business in material equivalent. For the needs of the research are calculated such statistic characteristics, as an absolute growth and rate of growth and are determined the average rates of growth of the material durable assets in the hotel and restaurant business.

## **RESEARCH AND RESULTS**

For the development of the tourist sector of most crucial contribution there is the construction of the necessary hotel and restaurant base. Achieving high quality in the hotel and restaurant service requires to be formed its producing capacity through distinct investments, which, as was appointed in connection with the hotel business are oriented to achieving real assets: mostly land (private property; real estate), building (recently built or already existing) and to a certain level machines, facilities and equipment [1], e.g. material durable assets.

Renewing the old material base and producing is new one ensures not only a higher quality of the service, but it appear to be one of the most essential prerequisites for increasing the competitive ability of the hotel and restaurant business.

The development of the investment process in the hotel and restaurant business in Bulgaria a result mainly from:

➤ The rise of the role and the meaning of the tourist branch and its permanent development which leads to essential augment of the hotel and steak house base and thoroughly to investments in new development construction;

➤ The necessity to be equal with the worlds criteria for quality in the hotel and restaurant service, and as well as the high requirements of the users of the tourist products, especially the foreign guests ;

➤ The necessity from guaranteeing a stability and a high competitiveness from each hotel or restaurant business;

➤ On the development of hotels or restaurant business is seen as one of the opportunities of guaranteeing labor busyness (as an example can he shown the development of the hotel and restaurant business in Bansko, in which are built a lot of little private family hotels and restaurants).

It is in essential meaning issue which provokes the development of the investment processes in the hotel and restaurant business in the country? We consider for necessary to pay attention to several important factors, stimulating the investment activity, and these are:

1. Defining the development of the tourism as one of important priorities of the government policy; the policy for development of the rural and other kinds of alternate tourism.

2. The state policy for encouraging the little and average business – having in mind that the bigger part of the hotel and the restaurant business falls into the category of these enterprises. At the same time the family hotels and restaurants are not a small part of it.

3. The positive change in the policy of the banks in relation with the going of credits for the small and average business, giving a choice in right bank products. In result from this policy in the period the bank - crediting the investment projects in the hotel and restaurant business is being heightened essentially. For 2004 in comparison with 2000 it shows a rate of growth 5,3 times [6],[10] for example.

4. The opportunities for alternate financing in the business, especially by borrowing or by program SAPARD, helping for the development of the tourism as well, on which for example in 2004 are realized 20 projects with general value of the investing 3 606 131 levs [9].

5. The credited about conditions for foreign investing.

In result of the influence of the appointed factors in the period from 1995 to 2005 is observed dynamic development of the investment process in the Bulgarian hotel and restaurant business, which can be seen in the continuous growth of the investment expenses for achieving material durable assets and the volume of the achieved material assets with durable function.

The expenses made by the companies for investments, connected with the achieving of material durable assets

appears to be one of the most essential pointers for the dynamics of the investment process through out the steadied period in the very branch. The data in table 1, including two sub periods from the overall considered period, (it from 1999 to 2005 as well envisages the spending a lion from 1995 to 1998 in which the spending are represented in non devalued levs, that are devalued), they reveal the continual up tick these spending. Exception is made by the last, explored, a year in which crucial decreases in the outgoes that can be explained with achieving saturation in building things and renewing of old was monitored of material durable assets. For this the average rate of a stature shows the companies striving to suit the market needs and necessities for the sort and the quality of the offered by them merchandises from 5,22 independently.

**Table 1.**

Expenditures on acquisition of tangible assets in the hotel and restaurant business – million levs

Year	Expenditures – mill. levs	Absolute growth rate	Rate of growth (at base 1)
1995	3100,6	-	-
1996	4659,3	1558,7	1,5
1997	50118,1	45458,8	10,8
1998**	75527,2	25409,1	1,5
1999	197,5	x	x
2000	232,5	35,0	1,2
2001*	337,0	104,5	1,4
2002	439,0	102,0	1,3
2003	508,8	69,8	1,16
2004	703,9	195,1	1,4
2005	656,0	-47,9	0,9

\* Incl. purchase of land since 2001

\*\* To 1998 in the devalued the levs, for that we divide this period of two sub-periods respectively from 1995 to 1998 from 1999 to 2005 as well

**Source:** Statistic Yearbooks of Bulgaria, National Statistic Institute, 2005, 2001, 1997, www.nsi.bg/Investment/ and own calculations

Essential meaning of the dynamic development of the investment process in the hotel and restaurant business in the last years has the creation in the side of the needed conditions of development of the economy in particularly of the tourism by foreign investing. The data in table 2 uncovers the part and entailing the direct foreign investing, leveled at making new material durable assets in the sphere of the

hotel and restaurant business, with which they bring well his development. Placing foreign capitals according to us is related immediately with attractiveness of the tourism in Bulgaria, tripping the increasing care of the foreign investors as well. This redounds on the average rate of increase as well on these investment for the pointed a period since 1997 to 2005 that is equal to 1,47.

**Table 2**

Direct foreign investments in the hotel and restaurant business-thousand U. S. dollars \*

Year	Direct foreign investing - thousand U.S.dollars	Absolute growth rate	Rate of growth (at base 1)
1995	-	-	-
1996	-	-	-
1997	11494	-	-
1998	34350,9	22856,9	2,99
1999	45174,4	10823,5	1,32
2000	64707,5	19533,1	1,43
2001**	114885,0	50177,5	1,8
2002	121104,7	6219,7	1,05
2003	172821,0	51716,3	1,43
2004	206835,0	34014,0	1,2
2005	247746,0	40911,0	1,2

\*The data in the table adds the period on in 1997 to 2005, because the national statistical institute starts to watch the direct foreign investment from 1997

\*\* Incl. purchase of land since 2001

**Source:** Statistic Yearbooks of Bulgaria, National Statistic Institute, 2005, 2001, 1997, www.nsi.bg/Investment/ and own calculations

The got material durable assets increase well with valuable countenance in result from the made investment spending,

inclusive from foreign investors as well, on the hotel and restaurant business (table3).

**Table 3**

Acquired tangible fixed assets in the hotel and restaurant business-million levs

Years	Acquired tangible fixed assets - million levs	Absolute growth rate	Rate of growth (at base 1)
1995	2214,9	-	-
1996	3845,6	1630,7	1,7
1997	32810,0	28964,4	8,5
1998**	82013,3	49203,3	2,5
1999	133,5	-	-
2000	186,8	53,3	1,4
2001*	390,1	203,3	2,08
2002	347,0	-43,1	0,9
2003	478,0	131	1,4
2004	649,4	171,4	1,36
2005	506,0	-143,4	0,8

\* Incl. purchase of land since 2001

\*\* To 1998 in the devalued the levs, for that we divide this period of two sub-periods respectively from 1995 to 1998 from 1999 to 2005 as well

**Source:** Statistic Yearbooks of Bulgaria, National Statistic Institute, 2005, 2001, 1997, www.nsi.bg/Investment/ and own calculations

Under the direct influence of the growing investing process is being monitored that the material base of hotel and restaurant business in natural expression is growing up. A huge investment is made for realizing

projects connected to building a new hotel base with new equipment. In a result there is a tendency to growing the number of hotels and its bed base (see table 4 and 5).

**Table 4**

Changes in the hotel score in the period-1995-2005 \*

Year	Hotels - number	Absolute growth rate	Rate of growth (at base 1)
1995	507	-	-
1996	506	-1	0,1
1997	461	-45	0,9
1998	497	36	1,08
1999	505	8	1,02
2000	634	129	1,25
2001	666	32	1,05
2002	742	76	1,11
2003	849	107	1,14
2004	1016	167	1,2
2005	1230	214	1,2

\* The indicators absolute growth rate and rate of growth (at base 1) calculated at caterpillar - tracked benchmark, because this approach allows the annual changes in the exploitation of the hotel reference to be discovered.

**Source:** Statistic Yearbooks of Bulgaria, National Statistic Institute, 2005, 2001, 1997, [www.nsi.bg/Investment/](http://www.nsi.bg/Investment/) and own calculations

Has necessary to be noted that while in 1990 that can be considered itself opening for the economic reforms in the area, the hotels are 603 [7], it decreases you in the 1995, that is opening for the noted a period, in complete grimace with 96 numbers that shows negative rate of a accretion (-0, 9).

As being distinguished of the data in the table while in the period from 1996 to 1997 the number of the hotels decreases, especially in the second year, in the following years include the period from 1998 to 2005 particularly well, it is being blown up with increasing rates. In 2000 their number doesn't self-reach into the degree of 1995 though, but it as well exceeds it with 1,25 times barely. The most sustainable growing is that from last two years from the explored period, that is not only upon relation at 1995, but at the old years as well. This phenomenon is related with faster growing the role and significance of the tourist business for the country economy and growing up people earnings, and at this point opportunity for credits that can be earn from commercial banks. Having in mind that for the explored period, the average rate of growth is 0,86.

The addition affects inevitably the number of the hotels on such characteristics of the hotel consumers, as a bed the volt of reference, realized

accommodations and enforced incomes from accommodations (see table 5 and charts 1 and 2).

If comparison between the number of the beds in the hotels in the year, that is opening for the explored a period, (1995) and the opening of the reforms of 1990 is being done, it becomes clear that in absolute expression there isn't special difference. While in 1990 the issues in the beds in the Bulgarian hotels are 114262, so in 1995 are 114164, e. g. the difference is 98 [7]. This reduction is associated with the reduction in the number of the hotels in the country. As 5 are being seen from the data in a table though, continual increase of the issue of the berths in the Bulgarian hotels is being monitored after 2000 to 2005 in the years. The average rate of growth of this hotel appointment is 0,84 for the period 1995-2005.

The renewed and recently created material reference of the hotel business directly proves leverage upon attracting tourists in the Bulgarian hotels. So for example through the explored period 1995-2005 the average rate is 1,05 at the gained accommodations in addition, at the gained accommodations from foreigners 1,08, be 6,18 of the incomes from accommodations as well. This reveals sustainable growth for Bulgarian tourist business. At the same time

it was mentioned that the continual growth of the gained accommodations and

its incomes is essential indicator for the quality of the hotel servicing.

**Table 5**

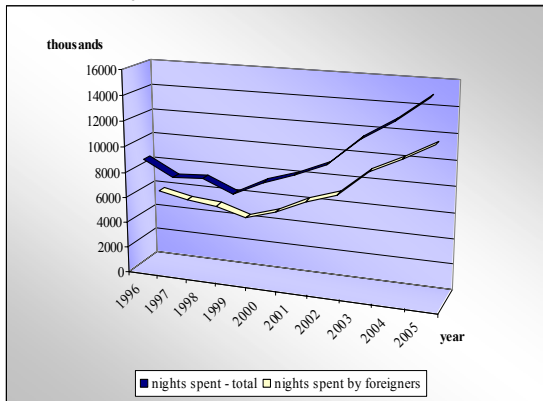
Changes to a bed the watt of point of reference in hotels in period-1995-2005\*

Year	Bed places - thousands	Absolute growth rate	Rate of growth (at base 1)
1995	114,2	-	-
1996	103,6	-10,6	0,9
1997	98,0	-5,6	0,94
1998	110,2	12,2	1,12
1999	99,5	-10,7	0,9
2000	120,0	20,5	1,21
2001*	116,0	-4	0,1
2002	132	16	1,14
2003	144	12	1,09
2004	171	27	1,19
2005	201	30	1,18

\* The indicators absolute growth rate and rate of growth (at base 1) are calculated at caterpillar - tracked benchmark; because this side permits the annual changes are being accounted in the berth development - the watt of reference.

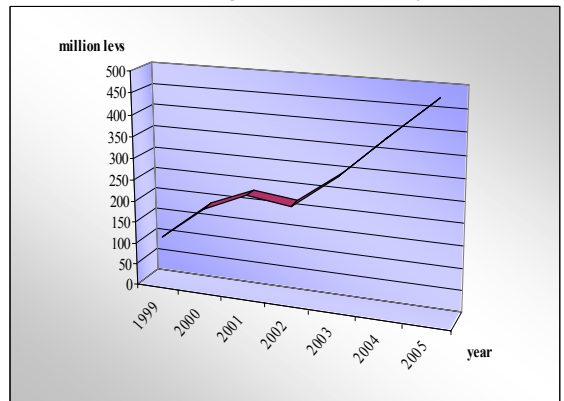
**Source:** Statistic Yearbooks of Bulgaria, National Statistic Institute, 2005, 2001, 1997, [www.nsi.bg/Investment/](http://www.nsi.bg/Investment/) and own calculations

**Chart 1.** Dynamics of the nights spent in hotels (1995-2005 year)



**Source:** Statistic Yearbooks of Bulgaria, National Statistic Institute, 2005, 2001, 1997 and [www.nsi.bg/Investment/](http://www.nsi.bg/Investment/)

**Chart 2.** Dynamics of the revenues from nights spent in hotels in Bulgaria (1995-2005 year)



**Source:** Statistic Yearbooks of Bulgaria, National Statistic Institute, 2005, 2001, 1997 and [www.nsi.bg/Investment/](http://www.nsi.bg/Investment/)

Because the change in the restaurant base doesn't watch the official statistic, we cannot reveal her development before the considered period. At present (more latest unceremonious and probably fallible data from 2006) they function in the area all told 7195 institutions for public feeding from which 2578 restaurants [8]. Comparison for the state of a steakhouse cannot be done

for pity it stored a material base years age namely due to the lack of similar statistical information. Despite this our observation shows us, that this base is growing endlessly, in view of the fact that it is a small and average business, whose owners create and develop work load for their families and for itself as well.

## CONCLUSION

The investment process in the hotel and restaurant business was qualified in Bulgaria with:

1. high action on the part of the entrepreneurs, trained for putting investments before the execution of projects catenated with increasing the quality and the competitive ability of their economy activity;
2. continual accumulation in the outgoes for investments and major augmentation of the bulk and the moneyed countenance of the got material durable assets;
3. attraction of foreign investments for long - term investment projects (material durable assets), capital by banking

credits, borrowing and program SAPARD;

4. solid addition of the direct foreign investments.

The survey and the analysis of the dynamics of the investing procedure show that increasing the efficiency to using the resources for getting material durable assets in the hotel and steakhouse business is needed.

For having a vision over the development of the material base, servicing carrying the tourists and helping, of greatest degree the development of the tourists branch, think for the sector of the public feeding to be monitored formally correctly, respectively restaurant business

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