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## **INVESTMENT PROCESS MANAGEMENT IN THE TOURISM IN BULGARIA**

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**Abstract:** A key subject in the development of the tourist sector in every country's economy is the increase of its competitiveness. The investment activity of the economic subjects in the sphere of tourism plays a significant role there. It is of primary importance in terms of quality of the tourist service, on which the realization of the tourist products depends.

The investment choice targets at increasing the capital investments. The present paper regards the investment process management in the sphere of tourism in Bulgaria.

The objective of the study is to outline some basic problems of the investment process management in the tourist enterprises in Bulgaria through analyzing its dynamics.

**Key words:** investment process, management, dynamics, tourism

### **INTRODUCTION**

The input of financial resources in investment projects is of primary importance for the development of the tourist sector of the economy. Making decisions about basic expenditure is an extremely responsible task for any enterprise, including the ones operating in the sphere of tourism. The implementation of such decisions is an important tool for increasing the potential and competitive power of the companies. Along with this, the implementation of a strategic approach in the process of making and further application of investment decisions aims to optimally satisfy the interests of the given enterprise. In this sense, D. Hassie reveals that capital expenses should be directed in such a way that they help the organization follow the preliminary chosen strategic goals (Hassie, 2001).

Considering the fact that the tourist industry comprises a lot of different activities in different fields, we will limit our study of the investment process management to the hotel and restaurant business. The objective of the study is to outline some basic problems of the investment process management in the tourist enterprises in Bulgaria through analyzing its dynamics. A statistical data, revealing the tendencies in the

development of the investment process in the hotel and restaurant business in Bulgaria has been used.

### **RESULTS AND DISCUSSION**

The tourist development has a direct impact upon the investments in this sector. Investments have a key position in a company's policy in terms of increasing the quality and the competitiveness of the products that are offered. Investing fosters activity expansion, products renovation, improvement of their quality and strengthening their position in the market (Madgerova, 2000).

The following basic types of assets toward which investments in the sphere of tourism can be directed are distinguished in the specialized literature – real assets (material), nonmaterial assets and financial assets (Dimitrov, 2005).

Practice shows, that the investment decisions in this activity of the economy are directed mainly toward the capital investments, i.e. investments in basic resources.

The hotel and restaurant business is characterized by investments directed toward development of the separate enterprise and the tourist sector as a whole. The investment decisions in this business are directly connected with the formation, enlargement and renovation of its capacity.

This is an important factor in the process of achieving high quality in the tourist service (Madgerova, Kyurova, 2007).

The research and the analyses show that, for the last years, Bulgarian entrepreneurs in the sphere of tourism have been actively realizing investments directed

toward increase of the necessary equipment. The main reason for this is the fact that the hotel and restaurant business in Bulgaria are in private hands. The country saw dynamic development of the investment process in this sphere between 1999 and 2006 (Table №1).

Table №1

**Expenses for the acquisition of basic material assets  
In hotel and restaurant business (1999-2006)**

Year	Expenses – million leva	Growth rate Base=1 (on the basis of the preceding figure)
1999	197,5	-
2000	232,5	1,2
2001	337,0	1,4
2002	439,0	1,3
2003	508,8	1,2
2004	703,9	1,4
2005	797,2	1,1
2006	979,1	1,5

Source: Statistical Reference Book, National Statistical Institute, S., 2001, 2003, 2007 and author's calculations

The expenses for basic assets acquisition made by the enterprises are one of the most significant indicators for the dynamics of the investment process in this

activity. They reveal their striving to satisfy the needs and the high requirements of the tourists concerning the quality of the offered products ( Madgerova, Kyurova, 2007).

In the examined period we notice an increase of the basic resources value (Table №2).

Table №2

**Acquired basic material assets in the hotel and restaurant business (1999-2006)**

Year	Acquired basic material assets – million leva	Growth rate Base = 1 (on the basis of the preceding figure)
1999	133,5	-
2000	186,8	1,4
2001	390,1	2,08
2002	347,0	0,9
2003	478,0	1,4
2004	649,4	1,4
2005	682,6	1,1
2006	679,6	1,0

Source: Statistical reference book, National Statistical Institute, S., 2001, 2003, 2007 and author's calculations

The investment decisions of the entrepreneurs and the expenses for their implementation are directed toward construction of new hotel necessary

equipment and provision of the business with new facilities. From 1999 to 2006, the number of hotels and beds showed a stable tendency of increase (Table №3).

**Hotels and beds (1999-2006)**

Year	Number of hotels	Growth rate Base = 1 (on the basis of the preceding figure)	Number of beds – thousands	Growth rate Base = 1 (on the basis of the preceding figure)
1999	505	-	99,5	-
2000	634	1,3	120,0	1,2
2001	666	1,0	116,0	0,1
2002	742	1,1	132,0	1,1
2003	849	1,1	144,0	1,0
2004	1016	1,2	171,0	1,2
2005	1230	1,2	201,0	1,2
2006	1348	1,1	211,5	1,0

Source: Statistical reference book, National Statistical Institute, S., 2001, 2003, 2007 and author's calculations

The statistical data quoted in the tables show that the Bulgarian entrepreneurs in the hotel and restaurant sphere direct their capital toward their business development.

It is necessary to take into account the fact that taking management decisions about investments in basic assets and their realization causes some important problems. The first one concerns the saturation of the tourist sector with tourist

establishments. The existing hotels are not being used effectively. The companies don't consider the presence of a number of strong competitors and this leads to significant risks of low occupancy rate and securing the return of the investments. An explicit proof is the low occupancy rate by years in the examined period regardless of the fact that the revenues from overnight stays were increasing (Table №4).

Table №4

**Number of beds and occupancy rate (1999-2006)**

Year	Number of beds - thousands	Occupancy rate %	Revenues from overnight stays – million leva
1999	99,5	29,9	110,0
2000	120,0	28,3	190,3
2001	116,0	29,9	233,3
2002	132,0	30,7	219,6
2003	144,0	34,8	294,5
2004	171,0	35,9	387,6
2005	201,0	37,6	476,8
2006	211,5	35,8	563,8

Source: Statistical reference book, National Statistical Institute, S., 2001, 2003, 2007 and author's calculations

A significant problem is the overconstruction of the tourist towns, sites and complexes and this has a harmful effect. Moreover, hotel construction does not always comply with the potential of the engineering infrastructure. At the same time this overconstruction has a negative impact

on the environment. The ecological stability of the region is destroyed.

Considering these analyses, the following conclusions can be drawn:

The investment decisions and plans of the particular firms should be conformed and engaged with the marketing decisions depending on the extent to which the

investment project concerns the activity enlargement, innovations or the market positions stabilization. In this respect the investments in new construction and reconstruction of the existing equipment should reflect the entrepreneurs' vision of the hotel category.

The entrepreneurs should consider the state strategy for tourism development and environment preservation.

When decisions about investments in new hotel construction are made, the companies should take into consideration that they need to use effectively their capacity. Otherwise, they may suffer losses, especially in the low season

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