

## STRATEGIC PLANNING OF THE RECREATIONAL AND TOURISM INDUSTRY DEVELOPMENT: THE UKRAINIAN EVIDENCE

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### ABSTRACT

The purpose of the study is to analyse the impact of the investment component on the development of the Recreational and Tourist Industry (RTI), and to perform a comprehensive analysis in order to elaborate a strategic development plan for the sector. Using the matrix method of research and mathematical method of rating, the general strategic direction of development of the recreational and tourism sphere of each region of Ukraine was estimated and chosen. We have developed a matrix "Recreational potential – RTI investment support", which consists of six quadrants and characterizes the long-term attractiveness of the recreational and tourist sphere and its investment level in the market of recreation, entertainment, and sports. The level of income per capita and the level of investment in collective accommodation facilities were investigated. This allowed to determine: (1) which regions need investments for the development of the recreational and tourist sphere as one of the priority areas; (2) which regions already have a sufficient level of cash flow in the recreational sphere, and finally, (3) which regions need careful analysis with the following elaboration of an alternative direction for recreation development in these regions. Based on two indicators, i.e. investment level and recreational potential, a matrix consisting of 6 quadrants was constructed. All regions of Ukraine were classified in this matrix. The results of the study will have implications for the industry, allowing authorities of different levels to formulate a rational policy for the development of the tourism industry.

**KEYWORDS:** Recreational sphere, tourism industry, investment support, recreational potential, strategy.

**JEL CLASSIFICATION:** E22, L83, Z32.

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**INTRODUCTION**

Recreation and tourism are integral components of the service industry, the share of which is growing every year and in some areas, become the main source of replenishment of a state budget. The recreational and tourism industry (hereinafter RTI) is considered one of the economy's most profitable sectors (Highfill & Franks, 2019; Li et al., 2020). Moreover, the leisure industry encourages positive changes in the state's economy, significantly contributing to the cultural and social spheres (Unguren, 2020; Litwiller et al., 2021), and ensuring sustainable development in the long run.

Worldwide recreation is given special status because this sphere is the basis for restoring the physical and psycho-emotional condition of the population (Beery et al., 2021; Kim et al., 2020). This, in turn, increases the efficiency and productivity of the country's labor potential. According to Buntova (2016), Ukraine is among the top fifteen countries in terms of attracting foreign tourists, particularly due to its favorable geographical location and geopolitical influence on the international arena as well as significant recreational and tourist potential. However, the availability of potential is not a determining factor of efficiency and success today, as it is not the dimension that matters but the effectiveness of its use and sufficient investment. Examples of such an approach to managing the recreational and tourism industry are such places as Bangkok, Catalonia (Spain), Dubai, Liechtenstein etc. Thus, the RTI is the sphere that, even given the appropriate recreational or tourist resources and opportunities, but without proper investments, is unable to develop effectively and bring economic or social effects, both by restoring the physical and psycho-emotional condition of the population and generating income.

One emphasizes that investing, being one of the main drivers of dynamic development not only of tourism and recreation but also of any other branches of the economy, contributes to the construction of quality infrastructure, development of related industries, preservation of architectural, cultural, historical and other monuments (Yakubovskiy et al., 2019; Han et al., 2021). One can compare this to a precious stone, the cost of which is low without proper grinding and engraving, and recreational resources – without proper use and care – will not bring enough income. Under the right conditions created by state institutions and sufficient funding from business, the RTI will become a strategic direction of economic development, which will bring significant benefits to various sectors of the economy, and additionally create a positive image of the state in the social aspect. On the other hand, without a comprehensive analysis and elaboration of a strategic development plan, one cannot talk about the rational use of recreational resources and the formation of a quality recreational and tourist product service. Recreational-tourist product-service (hereinafter RTPS) is a combination of the result and/or production process, which is expressed in material, intellectual, expected effect (provision of service) in the recreational-tourist sphere with the use of recreational and/or tourist resources. Thus, production, distribution, and consumption are regarded as the processes that underlie the development of any economy. Human needs are the generator that launches these processes and creates conditions for the development of industries. The emergence of a person's needs stimulates a person to satisfy them; the emergence of the need for the population creates demand which is one of the driving forces of the economy. Therefore, the emergence of the population's need to consume goods and services encourages its satisfaction and makes businesses produce services and goods. Business, in turn, generates the need for investment. Thus, investment is a tool that encourages and promotes the development of entrepreneurship (Berdar et al., 2021), which forms the basis for the economy and creates additional income for businesses, and replenishes the state budget. Obviously, investments contribute to intensive processes that affect the development of an economy (Shynkaruk et al., 2020), including increasing the profitability of RTI.

Given these facts, the priority task of state institutions is to create favorable legal conditions for attracting and intensifying investment in the sphere of RTI. Equal and fair conditions for doing business, investing and appropriate legal protection and guarantees of property rights of participants in

economic activity form confidence in the state's economic system, including all its institutions. It is a factor of confidence and trust in the long run, which is one of the determining factors of investment attractiveness of the economy. Therefore, there is a reason to believe that internal and external investors, while analyzing the attractiveness of the environment for investment, first of all will evaluate the conditions created for them. Thus, the activity of business operating inside the country reflects the state of trust in the government, acts as a catalyst, a signal for external investors.

Analyzing the scientific literature, it was found that research in the field of recreation and tourism development strategy is generalized for the country only, not taking into account the level of investment and recreational potential of each region, which may differ significantly. It requires development of strategies for each region separately while at the same time – a single common strategy for the whole country. It should also be noted that most studies are aimed at qualitative analysis of factors, but in the works of scientists there is no detailed method of taking into account the importance of quantitative factors when choosing a strategy for recreational tourism (recreational tourism, recreational potential, etc.). Such preconditions have created the need to find and develop tools for management decisions in the context of the development of recreational and tourist sphere based on the results of statistical analysis and building an appropriate scientific and methodological model. Thus, having clarified the place, importance and impact of recreational and tourism activities on the economic and social policy of the state, it is necessary to develop a strategic plan for its development. In order to identify areas in which progress of the recreational and tourism sector is one of the priority areas of economic development, it is necessary to choose tools that should be based on a clear understanding of what the community wants to achieve in the future. Since this strategy combines the interests of the community (population), government (local and state level) and business, its implementation should become a guideline and priority for territorial authorities in making management decisions and be aimed at making the most efficient use of territorial resources and fully satisfy and combine interests of all its participants. Given the deliberations presented, the purpose of our study is to consider the impact of the investment component on the development of RTI, and to enhance a comprehensive analysis in order to elaborate a strategic development plan of the sector.

The article is structured as follows. First, literature review and theoretical foundations of the study are presented, which focus on determining the relevance of the study. Secondly, the research methodology is presented. The next section highlights the results which is followed by the discussion. Finally, we present the conclusions and practical significance of our study.

## **1 LITERATURE REVIEW**

### **1.1 Regulatory and legal regulations and state management of the RTI sphere**

Historically, in 1915, in New York, at the request of the population, a brochure entitled "Recreational Legislation" was published. It contained detailed information in the field of recreational legislation, which regulated the activities of various forms of public recreation and was prepared by the recreation department edited by Lee F. Hanmer and August H. Brunner (Hanmer & Brunner, 1915). In general, the brochure included only laws that regulated and explained the responsibilities of local NGOs operating in the field of recreation, and which were allowed to use public school facilities to establish civic centers, where they could meet and discuss issues related to recreation. One of such laws gave the full power and authority to municipalities to acquire land for the purposes of establishing a state park or a playground. The brochure collected regulations governing all the activities that were attributed to recreational at that time, for each state in particular and for all major cities in the United States.

Most countries are interested in the development of recreational activities, because one of the main functions of government is to organize health, medical and cultural activities in specialized areas for the population. That's because it improves productivity and thus contributes to the economic growth of the state. Countries such as Canada (Amusement and recreation, 2019), Australia (Recreational activities, 2019; Heritage, 2019), Norway (Outdoor Recreation Act, 1957), England (Physical Training and Recreation Act, 1937), the United States (Recreational Areas and Activities, 2020) and many others pay considerable attention to recreational activities. Each of them have developed their own programs for development of recreational activities, in particular, official websites promote a healthy lifestyle in the perspective of recreation – this indicates support for development of recreational activities at the state level. Most countries empower local authorities to ensure development of the recreational sector on the local level. For example, the local government of Queensland (Queensland Recreation Centres, 2019) has introduced an official website and developed the State Development Program for 2017-2019, which provides funding for sports and active recreation organizations in Queensland. The program aimed to support a reliable, innovative sports and leisure sector to provide nationwide initiatives, services and activities for maximum participation and management in sports and recreation. The city of Toronto, Canada (Recreation, 2019), with the support of the government, has also developed a website that presents all types of recreational activities in the area.

In Poland, recreation was regulated by the Law on Physical Culture (Act of 18 January 1996 on physical culture, 1996), which expired in 2010. It defined the principles of activity in the field of physical culture. The primary task of public administration and local self-government was to ensure the proper implementation of the process of physical education, recreation etc. The law provided the appropriate material and technical conditions in the field of physical refreshment and recreation and defined tasks for the promotion of the values of physical recreation and organization of classes, competitions, sports and recreational nature. This law was terminated for a number of reasons. One can assume that the goal set in the Law was fully realized. The Ministry of Sport and Tourism of the Republic of Poland has developed a Program "Development of Sports until 2020" (Sport Development Program until 2020, 2015) instead. In this Program, recreation is considered as a type of sports physical activity, which, in fact, is not related to sports practice, according to current sports rules, but occurs in the form of active rest in the recreation area or recreation facilities, such as walking, playground, rope park, street walks, etc. According to the Main Department of Statistics of Poland (Infographics – Sports and Recreation, 2016) in 2016, 46.6% of households participated in sports and recreational activities, of which 21.7% participated regularly. Poland also keeps statistics on the sale of sports equipment to households. In 2016, 23.7% of households purchased sports equipment. Of these, 72.2% own bicycles, followed by 38.3% with soccer balls, etc. This allows government agencies responsible for a particular sector of the economy to monitor the rate of conditional interest of the population in healthy lifestyle. In particular, to influence on the extracurricular activities of its citizens, thereby developing the recreational sphere and, thus, investing in human health, resulting in increased innovation, increased efficiency, which positively affects the socio-economic development of the state. Thus, the process of restoration of human force, for which the recreational sphere is responsible, is one of the main conditions for development of Poland as a society that cares about recreation and sanatorium treatment of its citizens.

In the United States of America a lot of attention is also paid to recreation and creation of conditions for its development. For example, a consolidated electronic search resource "Recreation.gov", has been developed. It is useful for booking, travel planning, and searching information about facilities and activities offered by various Federal agencies. "Recreation.gov" (Recreational Areas and Activities, 2020) is the largest health booking service in the United States, with more than 60,000 recreational properties in more than 2,500 locations. "Recreation.gov" offers to book the objects in advance, which allows to choose from a large number of holiday options to meet the needs and interests of various vacationers. These include: individual campsites, group campsites, excursions etc. In total, the United States of America have 53 national parks and more than 6,600 public parks. Walls (2009) raises an

important topic of sources of funding for local parks to resolve the problems they meet. He also provides statistical data on the popularity of this type of recreation among Americans. This proves the importance of this type of recreation and gives a vision on the basic role of parks, nature and biosphere reserves in the US recreational infrastructure.

Recreational use of private lands is becoming more and more important. All U.S. states have Recreational Use Statutes that provide benefits or assistance to landowners when they allow public to use their territory for recreational purposes (Recreational Use Statutes, 2020). The main policy of the Recreational Use Statute is that the public's need for recreational land has exceeded the capacity of local, state and federal governments to provide such territories. This has led to the creation of many legislative acts that regulate recreational activities in the world (Statutes and Regulations, 2020). For the development of recreational activities in the United States, there is a recreational loan (Recreation Loan, 2020) provided to selected applicants, mainly farms, to diversify their activities.

The deliberations presented show that recreation in the world is an important part of the cultural policy of the state. Recreation focuses on health, recreation activities on restoration, reproduction of physical and emotional well-being of people, provided voluntarily dedicated time, money and other material resources.

## **1.2 The role of recreational potential and investment support**

Global trends indicate a systematic increase in the importance of tourism. Simultaneously, the competitiveness of economies is a key economic indicator (Gavurova et al., 2020). However, economic growth is an indicator that is synthesized by the influence of numerous factors (Palekhova, 2021), including investment and recreational potential. Foreign Direct Investment (FDI) in the economic theory is considered a factor in the growth and development of the country (Vasa & Angeloska, 2020), especially tourism (Akbulaev & Salihova, 2020). For some developing countries, the role played by FDI in tourism is critical in their overall economic activities (Endo, 2006). On the other hand, the well-developed countries have more options to attract tourists and generate profit from the tourism development (Pimonenko et al., 2021). Andergassen and Candela (2012) argue that resource investments unambiguously increase tourism revenues and the degree of tourism sophistication. In other words, it increases the variety of tourism related goods and services, increases tourism activity and decreases the perceived quality of the destination's resource endowment, leading to an ambiguous effect on tourism revenues. Ukraine is currently integrating into the European economic space, which allows researchers to analyze the role of the investment factor in development of the economy under the influence of European integration processes (Kostiukevych et al., 2020).

It is substantiated that one of the strategic options for the development of countries is a circular economy, which can be used to create competitive advantages and promote sustainable economic growth. According to many scholars (e.g. Razminiene, 2021; Androniceanu et al., 2021; Skvarciany et al., 2021; Shpak et al., 2021b), the circular economy is based on an integrative approach, which requires analysis of all the relevant factors that can determine changes in the classical linear model of economic growth. From this point of view, a significant contribution to the circular economy is made by several sectors, including the recreational and tourism one, which affects the country's sustainable development (Kozyk et al., 2021), environmental change, improving the quality of life and economic growth (Chenghu, et al., 2021). The strategy of tourism growth in most cases depends on the environmental quality of the destination, the infrastructure of accommodation and related services (Zielinska et al., 2016). This prompted researchers Giannoni and Maupertuis (2007) to explore the trade-off between investing and maintaining quality of the environment needed to make tourism profitable in the long run.

Many scholars from all around the world who have studied the phenomenon of recreation analyzed the concept of "recreation". The unanimity of their views focused on key aspects, such as: reproduction; recovery, rest, physical, mental, spiritual and intellectual forces of man, the process of recovery, cognition, sports, leisure, cultural and entertainment activities – this together occupies a certain part of the free time allocated by a person, and aims to increase individual efficiency and productivity. Fomenko (2007) interprets the term "recreation" as a process of restoring the human's physical, spiritual and neuropsychological forces, which is provided by a system of measures and carried out in spare time in specialized areas and characterizes "recreation" not only as a process and measures to restore human energy, but as a space in which it occurs. In turn, Maslyak (2008) identifies recreation as a broader and more general concept than tourism. According to him, recreation and tourism is the process of restoring the physical, spiritual and neuropsychological forces of a human and his life potential through certain measures on the basis of appropriate institutions in his spare time. He believes that recreation is understood as refreshment, entertainment, treatment and rehabilitation, based on the certain economic structures designed for this, as well as tourism and sports, both organized and amateur. According to him, the concept of "recreation" is constantly changing over time – in the past, recreation was seen as a rest, the restoration of human energy, which was spent in the process of work. The authors consider recreation from two positions: as a service for the population, through the process of creating a comprehensive recreational and tourist product-service organizations of the recreational sphere and as a branch of the state economy – a highly profitable service sector.

Thus, the analysis showed that a considerable attention is paid to recreational activities (Khan et al., 2020). And a direct organizer and responsible for development of the RTI is the local government with the full support of the state (Horelova & Ilyina, 2016). Coordination between local governments, business stakeholders, and other community members of a local economy is imperative in order to effectively promote the development of sustainable tourism (de Bruyn & Meyer, 2022). Organization of recreational activities aims to develop opportunities of a territory and create attractive conditions for recovery of human's physical and emotional conditions and thus involve people in direct participation in community's life on one hand, and development of entrepreneurial activities in the field of recreation on the other hand. Leaders in the field of leisure organization are Canada, the United States, and the United Kingdom, where a strong leisure industry has been established within the commercial sector and government organizations are directly involved. This contributes to the promotion of recreation at the state level and allows leisure services to occupy one of the important places in human life. However, for some countries, building a quality recreational infrastructure is a serious challenge. A study by Kurar (2021) identified benefits of the recreational experience of Alanya locals, their leisure constraints, expectations of local authorities for recreational activities and their level of satisfaction with recreation areas. It was found that three most important expectations of local residents from local authorities regarding recreational activities are the construction of new recreational areas so that everyone can benefit from these facilities, as well as cleaning toilets, fountains and washbasins in the region. In this study, a fairly low level of satisfaction of local residents with recreational areas was found. Thus, there is a need to take into account the recreational potential of the country in forming a strategy for the development of recreational and tourism sphere.

The modern recreational and tourism market provides unlimited opportunities to create an investment strategy. This strategy strongly depends on investor's preferences, attitude to risk, financial capabilities, expected return, self-interest and many other factors that determine what is the best for the investor (Pavolová et al., 2021). An important aspect in formation of the investment strategy for development of recreational and tourism sphere is the choice of source of funding. According to Akbulaev and Salihova (2020), a good source of tourism funding is foreign exchange earnings. Some scholars are considering the prospects of using cryptocurrency in tourism (Tham & Sigala, 2020; Jalan et al., 2021). Tovmasyan (2021) focuses on the tourist tax that tourists pay during their stay in hotels, which is then used to finance tourism development projects. The researcher substantiated that the contribution of

tourism to GDP will vary depending on capital investments in tourism, government spending on tourism, international arrivals and receipts from international arrivals. The researcher proposes to apply the tourist tax in Armenia, and use money from it on various tourism development programs: tourism marketing, branding, investment in tourism infrastructure etc. Vasanicova et al. (2021) single out taxation (in particular, its scale and impact on incentives to work and invest) as one of the main factors in creating a quality business environment and increasing the competitiveness of tourism.

The use of economic-mathematical and statistical apparatus (Karyy et al., 2021) to assess such parameters as recreational potential and investment is relevant in scientific research to select effective strategies for the development of recreational tourism. To fill the gap in research on mathematical modeling of the distribution of investment in tourism and hospitality, Korepanov et al., (2019) developed an investment strategy for a travel agent, depending on the received plan for the implementation of developed tours. In turn, Kozhukhivska et al., (2019) proposed an approach to the formation of investment strategy for the development of the Ukrainian tourism and recreation sector, which should be based on the principles of benchmarking and is to use innovative methods in cooperation with local authorities at the regional level. They pointed out that benchmarking is a strategy tool used to compare the performance of business processes and products with the best performance of other companies inside and outside the industry. Dinçer and Yüksel (2019) justified the choice of investment strategy for the European tourism industry using a hybrid decision making approach based on the interval type-2 fuzzy sets. For this purpose, a set of criteria and dimensions of investment strategies of European tourism is proposed.

Analysis of the literature allowed us to form the following research hypothesis:

***H1. Development of the recreational and tourism sphere of a region depends on two key parameters: (1) level of investment, and (2) recreational and tourism potential of the region.***

To confirm it, we set a task to develop a methodology for choosing a strategy for the development of recreational and tourism sphere, depending on the value of the above parameters. In its formation it is necessary to answer the question: which strategy for the development of recreational and tourist sphere should be chosen depending on the level of investment and recreational potential of the region?

## **2 METHODOLOGY**

For analysis and further visualization and selection of the state development strategy, we took into consideration statistical data about 24 regions of Ukraine. All the data used in the table 1 for analysis cover the period of 2019 and are taken from the official website of the State Statistics Service of Ukraine (Official website of the State Statistics Service of Ukraine).

Table 1 Initial data for ranking the regions of Ukraine depending on recreational and tourism potential, 2019

Regions \ Indexes	Collective accommodation facilities, units	Stadiums with grandstands for 1,500 seats or more, units	Structural service subdivisions of collective accommodation activities, units	Average capacity of hotels and similar accommodation facilities, units	The average capacity of specialized accommodation facilities, units	Capacity utilization factor in collective accommodation facilities	Number of accommodated persons, pers.	Plane sports facilities, units	Number of gyms with synthetic coating, units	Swimming pools, units.	Number of theatrical performances, units	The total number of spectators at theatrical performances, thou. people	Total area of reserves and national nature parks, ha	Club establishments by regions, units	Number of museums, units	Number of libraries, units	Number of theaters, units	Number of persons engaged in physical culture and sports, pers.	Gyms with an area of at least 162 m <sup>2</sup>	The average number of full-time employees in accommodation facilities	Number of operating enterprises by economic activities, units
Vinnitsia	1	4	1	1	2	2	4	4	1	1	1	1	1	2	1	2	1	2	1	1	1
Cherkasy	2	3	1	1	2	1	2	4	1	1	1	1	1	1	1	2	1	2	1	1	1
Chernihiv	1	3	1	1	1	1	3	5	2	1	1	1	1	1	1	1	1	1	1	1	1
Chernivtsi	1	3	1	1	3	5	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Dnipropetrovsk	3	4	4	1	2	3	2	4	5	1	4	3	2	1	5	5	3	5	3	4	5
Donetsk	3	4	2	1	5	2	1	2	1	2	1	1	1	1	1	1	1	1	2	3	5
Ivano-Frankivsk	2	2	2	1	4	1	2	4	2	3	1	3	2	3	1	1	1	2	2	1	1
Kharkiv	2	2	2	2	3	2	2	5	3	1	3	2	2	1	3	2	1	2	3	2	3
Kherson	3	5	1	1	5	4	1	1	1	5	1	1	1	1	1	1	1	1	2	2	1
Khmelnitskyy	1	4	1	1	1	3	4	4	1	5	1	1	1	1	1	1	2	1	1	1	1
Kirovohrad	1	2	1	1	1	1	2	4	1	1	1	1	1	1	1	1	1	1	1	2	1
Kyiv	3	5	3	5	5	3	3	3	3	5	5	3	5	4	3	4	3	4	3	2	3
Luhansk	1	1	1	1	2	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1
Lviv	4	4	5	5	4	1	5	4	4	2	5	5	5	5	5	5	5	3	5	5	4
Mykolaiv	3	4	1	1	1	2	2	1	1	1	1	1	1	1	1	1	1	1	2	1	2
Odesa	5	3	3	3	3	3	2	1	3	2	5	3	3	2	3	2	1	3	5	2	4
Poltava	1	3	2	1	2	1	3	5	1	1	1	1	1	1	2	2	1	2	1	1	2
Rivne	1	1	1	1	1	1	2	1	1	1	1	1	1	1	1	1	1	2	1	1	1
Sumy	1	2	1	1	1	1	2	2	1	1	1	1	1	1	1	1	1	1	1	1	1
Ternopil	1	1	1	1	3	2	3	4	1	1	1	1	1	1	1	1	1	1	1	1	1
Transcarpathian	2	1	1	1	2	2	1	1	2	3	1	1	1	1	1	1	1	1	2	1	1
Volyn	2	3	1	1	1	1	2	2	1	3	1	1	1	1	1	1	1	1	1	1	1
Zaporizhzhia	4	5	2	1	3	2	1	3	2	2	2	2	2	1	1	1	2	1	3	1	3
Zhytomyr	1	5	1	1	1	1	4	3	1	1	1	1	1	1	1	1	1	1	1	3	1

(Source: Ukrstat, 2019)



Due to the lack of a methodological approach to collecting information on RTI organizations in Ukraine, their activities remain out of the attention of management and statistics, which hinders the sector's comprehensive analysis and evaluation. Thus, to determine the strategic direction of development of the regions of Ukraine in the recreational sphere based on the matrix methodology, 23 indicators were chosen to characterize the development of the recreational and tourist sphere and the level of capital investment in it. Using the matrix method of research and mathematical method of rating, the general strategic direction of development of recreational and tourist sphere of each region of Ukraine was estimated and chosen. The recreational potential and the level of investment were chosen as a pair of strategic determining variables. The recreational potential includes indicators that are presented in the classifier of economic activities (KVED) – an analogue of the International Standard Industrial Classification of All Economic Activities (ISIC) (International Standard Industrial Classification of All Economic Activities, 2008). In general, the KVED of Ukraine in 2010 was adapted to international ISIC standards. The names of the Sections are almost identical, although their content differs in some sections. We have chosen two sections that most fully characterize, influence and ensure the smooth operation of service enterprises and fully serve the flows of vacationers and tourists. Such sections included Section "I – Accommodation and Food service activities" and Section "R – Arts, entertainment and recreation". As for the indicator that would characterize the level of investment, the authors identified the total capital specific investment per enterprise of Section "I" and Section "R".

Here is an algorithm for constructing a matrix "Recreational potential – RTI investment support." Elements of horizontal and vertical division characterize a set of values of development of recreational and tourist sphere. In order to obtain a formal assessment, each indicator by region was preliminarily ranked and divided into five groups by the method of equal intervals in terms of investment level and level of recreational potential. Two groups of regions were identified along the vertical axis (investment level), as the ranking was low in most of them. The share of capital investment in "Temporary accommodation and catering" and "Arts, sports, entertainment and recreation" is the lowest among all economic activities in Ukraine. For the horizontal axis (recreational potential), three groups of areas are selected, as this will allow to display in more detail the characteristics of the recreational potential of each area. As a result, a matrix was built, which consists of six quadrants and characterizes the long-term attractiveness of the recreational and tourist sphere and its investment level in the market of recreation, entertainment and sports.

The rating of recreational potential is calculated by determining the sum of the products of the number of assessments of each level (1, 2, 3, 4, 5 – according to the level of each of the 23 indicators) and the weighting factor.

The weighting factor for each level of assessment is set based on the assumption of a normal distribution of indicators by regions. Therefore, the weight of 0.3 is assigned to estimates that are characterized by the average and above the average in Ukraine values (scores "3" and "4") and are characterized by the highest frequency, score "5", due to their uniqueness and relatively low frequency, assigned the weight of 0.2. Scores "1" and "2" are taken into account with weights, respectively, 0.05 and 0.15. The regions are located in groups, according to the rating in points for recreational potential: high (3.5-5), medium (2.5-3.5), low (0-2.5) level; for investment support: high (7-12), low (0-7).

### **3 RESULTS**

The results of ranking of regions of Ukraine depending on the recreational and tourism potential are presented in Table 2.

Table 2 Ranking of regions of Ukraine depending on recreational and tourism potential, 2019

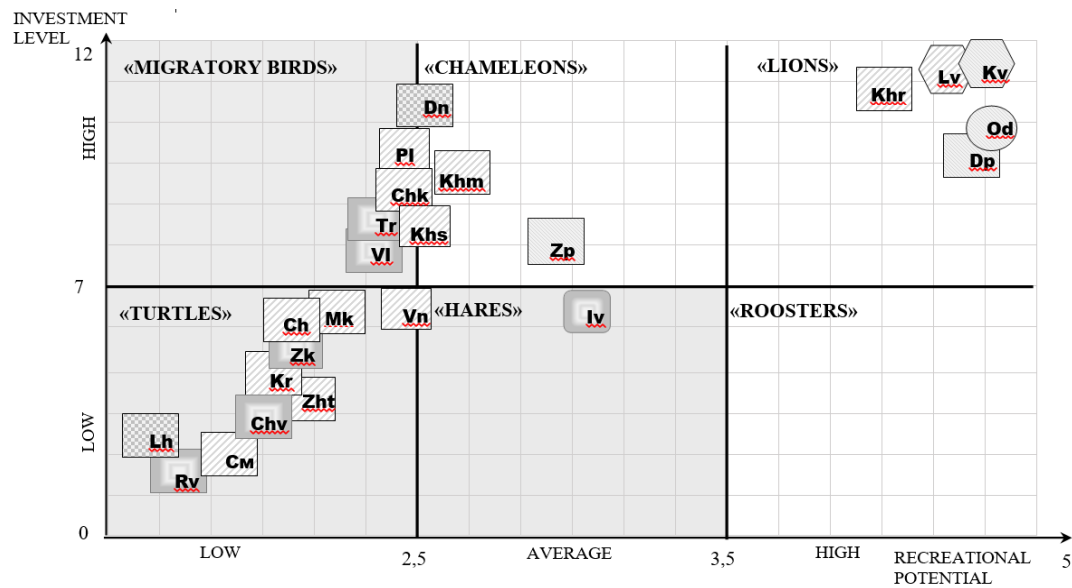
Regions of Ukraine	Ranking of regions of Ukraine					
	Number of ratings 1	Number of ratings 2	Number of ratings 3	Number of ratings 4	Number of ratings 5	Rating of recreational and tourist potential
Kyiv	0.2	0.75	2.7	1.0	0.4	5.05
Odesa	0.1	0.75	3	0	0.6	4.45
Dnipropetrovsk	0.15	0.45	1.5	1.5	0.8	4.4
Lviv	0.05	0.15	0.3	1.5	2.4	4.4
Kharkiv	0.15	1.65	1.5	0	0.2	3.5
Ivano-Frankivsk	0.35	1.2	0.9	0.6	0	3.05
Zaporizhzhia	0.35	1.2	0.9	0.3	0.2	2.95
Donetsk	0.55	0.75	0.6	0.3	0.2	2.4
Vinnitsia	0.6	0.75	0	0.9	0	2.25
Khmelnitsky	0.7	0.15	0.3	0.9	0.2	2.25
Kherson	0.65	0.3	0.3	0.3	0.6	2.15
Poltava	0.6	0.75	0.6	0	0.2	2.15
Cherkasy	0.65	0.75	0.3	0.3	0	2.0
Zhytomyr	0.8	0	0.6	0.3	0.2	1.9
Ternopil	0.8	0.15	0.6	0.3	0	1.85
Mykolaiv	0.75	0.45	0.3	0.3	0	1.8
Volyn	0.75	0.45	0.6	0	0	1.8
Chernihiv	0.8	0.15	0.6	0	0.2	1.75
Transcarpathian	0.7	0.75	0.3	0	0	1.75
Chernivtsi	0.85	0	0.6	0	0.2	1.65
Kirovohrad	0.8	0.45	0	0.3	0	1.55
Sumy	0.85	0.45	0	0	0	1.3
Rivne	0.9	0.3	0	0	0	1.2
Luhansk	0.95	0.15	0	0	0	1.1

(Source: calculated by the authors)

Graphic representation of the positioning of Ukrainian regions in the matrix "Recreational potential – RTS investment support" is given on Fig. 1.

Also, we investigated the level of income from services provided by collective accommodation and disposable income per capita in the region. These indicators were also divided into four equal groups and assigned according to the group symbol. Calculations are made on the basis of statistical data of the State Statistical Service of Ukraine (Table 4). Table 4 presents statistical indicators for 2019. Here one can compare the level of income per capita and the level of investment in collective accommodation facilities. Since the income of the population is a kind of indicator for the investors, respectively, the income of collective accommodation facilities directly depends on the level of income of the population that consumes the RTPS created by them. As for the disposable income per capita, this indicator was interesting given that the recreational and tourism sector is primarily focused on personal consumption of the RTPS and the level of citizens' income plays a major role.

Figure 1 Positioning of Ukrainian regions in the matrix for determination of a strategy of development of the recreational and tourist sphere, depending on the level of investment support and recreational potential, 2019



Source: own elaboration

Table 3 Denotation of regions of Ukraine on Fig. 1

Regions	Marking	Regions	Marking	Regions	Marking
Vinnitsia	Vn	Kyiv	Kv	Sumy	Cm
Volyn	VI	Kirovohrad	Kr	Ternopil	Tr
Dnipropetrovsk	Dp	Luhansk	Lh	Kharkiv	Khr
Donetsk	Dn	Lviv	Lv	Kherson	Khs
Zhytomyr	Zht	Mykolaiv	Mk	Khmelnitskyy	Khm
Transcarpathian	Zk	Odesa	Od	Cherkasy	Chk
Zaporizhzhia	Zp	Poltava	Pl	Chernivtsi	Chv
Ivano-Frankivsk	Iv	Rivne	Rv	Chernihiv	Ch

Table 4 Symbols for regions of Ukraine on the matrix depending on the income from recreational and tourist services and disposable income per capita, 2019

Symbol	Income from tourist services, mln. UAH		Symbol	Disposable income per capita, UAH	
	Lower value	Upper value		Lower value	Upper value
	11,97	172,89		24975	40991,75
	172,89	333,81		40991,75	57008,5
	333,81	494,72		57008,5	73025,25
	494,72	655,64		73025,25	89042

Source: own elaboration

Indicators presented in table 4 will allow to assess the level of development of the recreational and tourist sphere of the regions of Ukraine and the level of income of a potential consumer of the RTPS. It will also allow to determine which regions need investments for the development of the recreational and tourist sphere as one of the priority directions, and which of the regions already have a sufficient level of capital flow in the recreation sphere, and which ones need careful analysis with the possibility to suggest an alternative direction of recreation development in these areas.

The hypothesis was confirmed, as the matrix takes into account 21 indicators that best characterize the development of recreational and tourism potential of the regions of Ukraine, including the available income from recreational and tourist services of enterprises in the region and the current income of the region allowed a deeper analysis of recreational and tourism potential, detail its components and their impact on the development of this area. This allowed the authors to assess the overall level of recreational and tourism potential of each region and compare it with the current level of its investment. The result was a visual image of each region and the definition of its position on the map of development of recreational and tourism sphere in Ukraine. It was the division of the matrix into 6 quadrants that allowed the authors to most effectively reflect the strengths and weaknesses of the regions of Ukraine and assess their recreational and tourist opportunities in comparison with other regions of Ukraine. This matrix confirms or refutes the intentions of the regions to invest in the development of the recreational and tourist sphere and allows correlating their strategic directions of development. Thus, according to the results of the evaluation of the matrix indicators, regions that consider that their priority is not the recreational and tourism sphere, but it is appropriate to increase the level of its development, can identify those indicators that will help to do so. As for the regions in which the development of the recreational and tourism sphere is a priority, it is advisable to review which of the indicators are low and increase them.

According to the authors, and according to the analysis of world experience of recreation and tourism in each region there should be a minimum level to restore physical and emotional state of the population, which increases the efficiency of labor potential of the region, but this may not be a strategic direction development.

#### **4 DISCUSSION**

The recreational and tourism sector is a highly profitable industry, which most countries around the world choose as one of the priority industries for development in order to generate high profits in a short time period. The development of the strategy is based on a thorough analysis of strengths and weaknesses, opportunities and threats that will help determine the competitive advantages of the state. Ukraine has a sufficient potential and opportunities for the development of recreational and tourism sphere, agriculture, hunting, forestry, industry. Ukraine is divided into 24 regions and the autonomous Republic of Crimea, which is currently annexed by the Russian Federation.

However, the presence of significant tourism potential in Ukraine, unfortunately, does not indicate its effective use. This is confirmed by our study.

As shown on the Fig. 1 most of the regions are located in the left part of the matrix, which combines a low level of recreational and tourism potential and a level of investment that varies from low to high. According to the quadrant of the matrix, where a region was allocated to, the respective strategy has been suggested for it (Shpak et al., 2021a). Thus, in particular, the quadrant "Lions" (leadership type of thinking is prevailing) provides the dynamic development of recreational and tourism, high market attractiveness with a high level of investment inflows. For this sector it is necessary to apply strategies of maintenance, concentration (focusing) with simultaneous profit "harvesting". In other words, investing in the development of the recreational and tourism sphere is an unconditional priority area

and a promising business in the field of recreation of the regions, located there. Leadership positions of Lviv, Odesa, Kyiv, Dnipropetrovsk and Kharkiv regions in tourism are confirmed by many studies (Horban et al., 2020; Shevchenko et al., 2020) and statistical data. In these regions, tourism is supported mainly by small and medium-sized businesses (Danylkiv et al., 2021; Kulinich et al., 2022).

Quadrant "Roosters" provides a sufficient type of development of recreational and tourism sphere, with high attractiveness of this sphere with low investments. Here regions with high recreational potential are located. They cannot move to the "Lions" zone due to the lack of a well-thought-out investment policy and, above all, the state as well as regional policy. The name of this quadrant was chosen by the authors, because roosters while having got wings are not able to use them for flying. At the level of local authorities these regions need to give the highest priority to the development of the recreational and tourism sphere, and to develop and simultaneously implement the state policy to promote this area. It is also necessary to apply the strategy of development and creation of a complex RTPS, the strategy of development of recreational and tourism sphere with simultaneous application of marketing strategy. Through the cooperation of various actors, conditions are created that are favorable for the development of knowledge, entrepreneurship and innovation potential in the regions (Lewandowska et al., 2021). The current market provides unlimited opportunities to create an investment strategy that depends on the preferences of the investor, his attitude to risk, financial capabilities, expected return, self-interest and several other factors that determine what is best for the investor (Pavolová et al., 2021). It also requires a special emphasis on the strategy of active promotion of RTPS and creation of favorable conditions for attracting investments.

The "Chameleons" quadrant is an innovative type of development, where the average attractiveness of the recreational and tourism sphere is combined with a high level of investment resources. This sector has an average level of recreational opportunities, but with a proper pre-designed strategy merged with the state and regional policy, it may be able to move to the "Lions" zone. Chameleons include areas where the priority is the development of recreation and tourism, and which use scientific and market research to reach the quadrant of leaders. For this quadrant we recommend a set of combined strategies: research, strategy for the development of innovative technologies in the recreational and tourism sector (Chukhrai & Lisovska, 2013; Tian, 2020), marketing technologies (Hausmann & Weuster, 2018; Prokopenko et al., 2020) with an active promotion strategy. The strategy of development of innovative technologies in the recreational and tourism sphere is a combination of the newest technologies (Romanenkov et al., 2019) in health care and available recreational resources in the given territory, as a result of which the unique RTPS are created. In our case, unfortunately, no regions are included in this quadrant.

Quadrant "Hares" or untapped opportunities for recreation and tourism. It is characterized by the average type of development of recreation and tourism and a fairly low level of investment, "stingy profit harvest" without additional costs – this is the current policy of the regions located in this sector. Regions that have sufficient recreational potential, but not enough motivation to move to another quadrant, are called "hares". The location of this quadrant allows to easily form a competitive RTPS with sufficient investment infusions and in accordance with the state and regional policy of support and strategy of active promotion and stimulating marketing to transfer the development of recreational tourism from this quadrant to "Lions", bypassing the quadrant "Chameleons". New entrepreneurial activity and economic growth of these regions are influenced by public administration, but its effectiveness varies depending on the level of development of regions and entrepreneurial motivation (Khyareh and Amini, 2021). Country's business environment is surely an important factor influencing the motivation to begin a new business. The process of setting strategic business goals should be one of the essential issues of managers. The competitive position and action plans help to create the firm's strategy, which ultimately affects the firm's operational capabilities and business outcomes (Vasanicova et al., 2021). Eight regions are in this quadrant due to low investment activity. The name of this sector

was chosen because of the ability of "hares" to run at high speeds for short distances. These are the regions which can move from this quadrant to leaders on condition of sufficient investments.

The "Turtles" quadrant is a passive type of development of the recreational and tourism sphere, indicating low recreational potential in combination with low investment activity. The regions in this quadrant are like turtles, which are inert enough to occupy a better niche and do not make enough effort to intensify investment processes to leave the quadrant. However, analyzing the recreational and tourism potential of the regions of Ukraine, it was found that all regions in this quadrant have a sufficiently developed potential. It was due to the fact that the indicators used for the formation of recreational potential did not take into account historical, architectural, natural and picturesque potential of the areas of this quadrant. Policies, programs and actions focused on only one aspect of formation of recreational and tourism potential are in fact doomed to failure, apart from regional specifics (Lewandowska et al., 2021). After all, in order to transform these regions into tourism centers, it is necessary to implement a policy to promote the formation of a tourist product and create conditions for its development. Supporting tourism activities in this segment will stimulate demand for both tourism consumption and investment, which will ultimately lead to their direct and indirect impact on other sectors of the economy (Khalid et al., 2019). Also, this quadrant requires a strategy of investment promotion, development, aggressive marketing (Lagodiienko et al., 2019) and promotion of a historically created tourism product (Prokopenko et al., 2019).

Quadrant "Migratory Birds" allows for a tourist type of development. First of all, this sector is characterized by a sufficient level of investment resources with low recreational potential. According to the analysis, no region was included in this quadrant, although the areas from the Turtles quadrant are potential participants in the Migratory Birds quadrant. Taking into account the above, a growth strategy for this sector with an effective investment policy and the available tourism potential, an aggressive marketing strategy may provide a synergistic effect in the form of profit "harvesting".

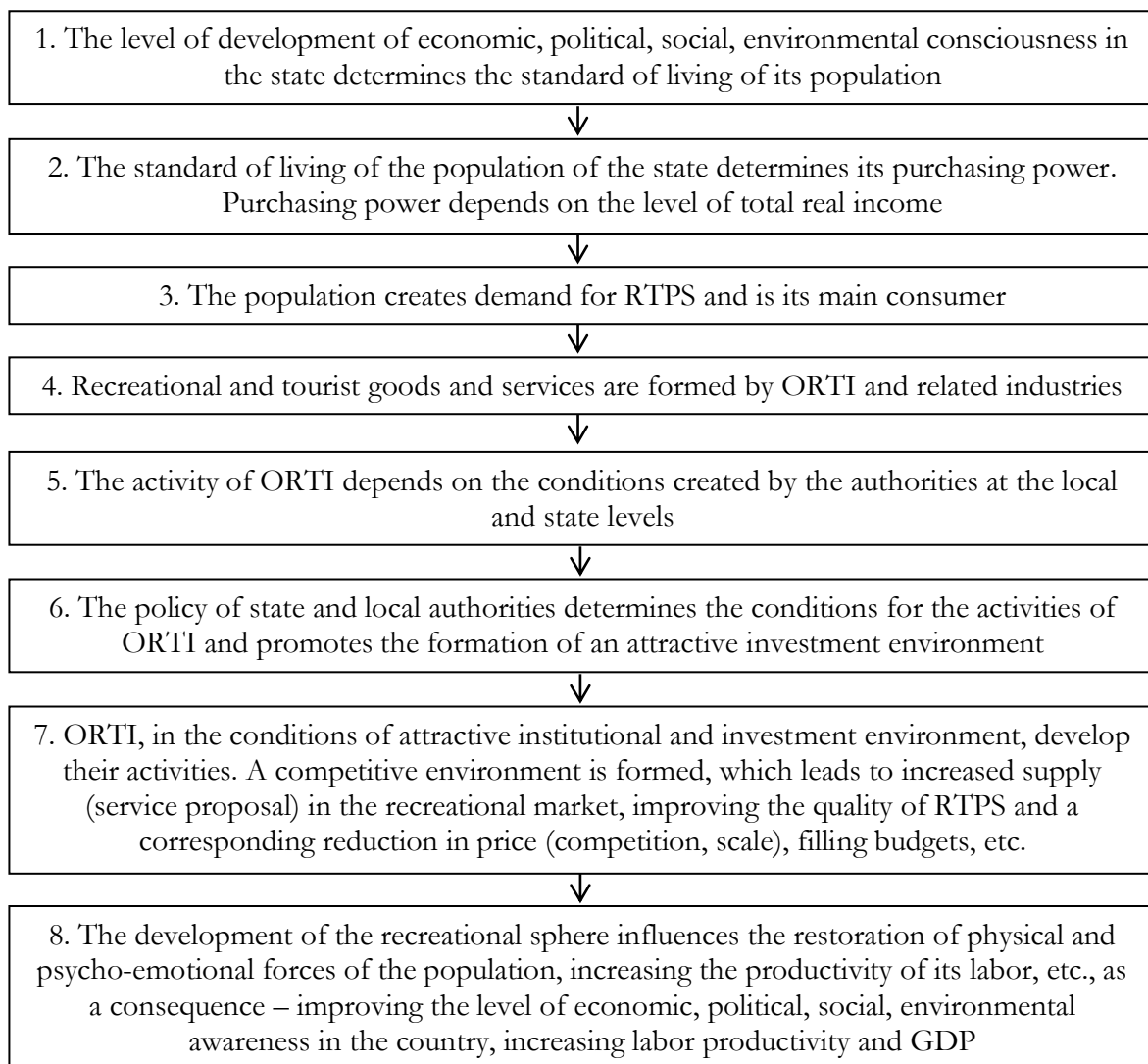
Analyzing the regions located in the "Turtles" quadrant, we can distinguish in particular: Mykolaiv, Chernivtsi and Vinnytsia, which have a sufficiently developed recreational and tourism potential, but a fairly low level of investment, which may cause retardation of development of recreational infrastructure. However, some areas are located on the border of the quadrants "Migratory Birds" and "Chameleons" – indicating that a high level of investment gives an opportunity to develop existing recreational and tourism potential, to seek new directions for the development of this industry. As for the "Hare" quadrant, only one region, i.e. Ivano-Frankivsk, is in this sector. The sector is characterized by average opportunities for recreation and tourism, but the level of investment is on the verge of high, which allows the transition to the quadrant "Chameleons". This may create favorable conditions for recreation and sanitation. As for the "Lions" quadrant, it houses five regions with a dynamic development of the recreational and tourism sphere and a high level of investment flows. This contributes to the effective operation of recreational and tourism business, which has a high profitability and, accordingly, good prospects for development.

The quadrants, which need additional diversification strategies, are marked with a gray background, because given their level of recreational potential, they cannot consider development of the recreational and tourism sphere as one of their priorities. Thus, this analysis has differentiated the regions that have sufficient recreational potential for the development of recreational and tourism sphere and revealed the insufficient level of recreational resources in other regions.

The source of wealth is work and one of the main conditions for effective functioning of each industry is intangible (spiritual) capital. This emphasizes the importance of a "human" as a unit that creates this capital (the purpose of each state) on one hand, and on the other hand – makes one can realize the importance of meeting the need for rest of the same person. In most cases, the growth of wages and

profits may depend on productivity growth, which is directly affected by the recovery of psycho-emotional and physical conditions of the working population. This proves that the policy of a high level of social security in developed countries, in particular, which have been described previously, allows us to assert that high productivity is provided by the constant process of recreation. Thus, determining the place of the RTI in the creation of GDP (Fig. 2) is important and necessary for the local and state authorities, while decision making on organizational formation of recreation of the population as a system-forming indicator of development and vital activity of the whole state. Therefore, knowledge of what motivates people to participate in recreational activities and how such motivations affect satisfactory experience, may help to understand better such experience (Sivan and Ruskin, 2000).

*Figure 2* Structural and logical model of the place of the recreational sphere in the cyclical development of the economy



*Source:* own elaboration

In fact, another crucial and sometimes determining tool for effective development of the territory, regardless of the level of recreational orientation, is marketing strategy with the simultaneous focusing on promotion as a separate component of developing a targeted and effective strategy for RTI in all quadrants of the matrix. These measures will give impetus to create an attractive recreational and tourist image of the state and a favorable economic and investment climate of its regions. Due to the growing

importance of the tourism sector to the country's economy, attention is paid to the causal relationship between tourism expenditure and the region's productivity. It is also important because understanding the causal relationships between them is essential in designing and implementation of tourism policies (Gavurova et al., 2021).

Understanding the role of organizations working in the industry of recreation and tourism (hereinafter ORTI) and in reproducing the state of productive force of the working population, it is possible to explore the formation of a mechanism for managing investment processes in this economic sector. Such a mechanism should intensify investment activities in the ORTI through the function of consumption of the RTPS by the population, which will result in the effective development of the state as a whole. The investor must balance the distribution of his initial wealth between current consumption and investment to maximize his overall utility (Chen et al., 2018). Thus, public policy should focus on the formation of optimal strategies for consumption and investment (Li and Guo, 2015). Due to the existence of a kind of feedback in this mechanism – the state generates additional opportunities for recreation by stimulating the creation of savings – an attractive environment for organizations working in the field of recreation, and as a result – qualitative changes in the processes of economic, investment, environmental development of the national economy take place. Thus, one of the priority tasks of the state is development of the economy, including formation of an attractive recreational environment for the reproduction and restoration of psychophysical forces of the population, because the population is a key component and resource of any state. Research shows that recreational activities have positive effects on physical and mental health of people because positive emotions felt during participation in recreational activities directly affect the quality of life positively (Kurar, 2021).

## **CONCLUSIONS**

Thus, summarizing the above, well thought out strategy is the key precondition for investment success of any territory. In turn, attractiveness of a territory for investors will depend on the extent to which the vector of its strategic development will contribute to a favorable political, economic, environmental and investment climate. Also, taking into account these facts, it is clear that the development of a strategy to attract investment to a certain area simultaneously intensifies investment activities and meets the needs of all sectors of society operating in the area, namely: government, community, business and, clearly, investors. In addition, this makes it extremely important for the authorities to prepare and develop such a strategic action plan, which will intensify the internal and external investment process.

The methodology of developing a two-dimensional matrix can be used while developing a strategy for recreation and tourism and to justify the strategic directions of development of the territory, which depend on both, i.e. the recreational potential and the level of capital investment in recreation. Thus, the investment component in combination with recreational and tourism potential has a significant impact on development of the regional economy and the state as a whole.

The choice of indicators underlying the matrix of choosing a strategy for the development of recreational and tourism sphere depending on the level of investment and recreational potential, clearly indicated the high level of recreational and tourism opportunities in most regions of Ukraine located in the quadrants "Roosters" and "Hare". Only a small part of them remained in the "Turtles" quadrant, although the potential of some of them is higher than the estimated value. A possible reason for such results is the lack of data in Ukrainian statistics, especially in the field of historical, architectural and natural cultural monuments. This group needs detailed study in subsequent research and search for a methodology for detailed data in its collection and processing. Our study proves that the greater the amount of data collected that characterizes the recreational and tourism potential is, the more accurately the calculated and substantiated result of the region's potential is estimated.



The article also presents and substantiates the criteria for selecting indicators that characterize the recreational potential and proposes a methodology for calculating them, considering each indicator's weighting factor. The correctness of the selected indicators and their calculation influence the vector of development of regions, in particular, the choice of priorities for the development of recreational and tourism direction of the region. Therefore, there are grounds for mandatory calculation of the proposed indices of the level of the recreational and tourism industry potential prior to elaborating a strategic plan for the region's development. The above-mentioned recreational potential assessment should be the basis for deciding on the direction of development of this industry. It is impossible to talk about the rational use of recreational resources and the formation of a quality recreational and tourist product without elaborating a strategic development plan and comprehensive analysis. Therefore, this strategy and its tools should be based on a clear understanding of what the community wants to achieve in the future. Since this strategy merges the interests of the community (population), government and business, its implementation should be a guideline and priority for territorial authorities in making management decisions and be aimed at making the most efficient use of resources and fully satisfy and reconcile the interests of all stakeholders. This is especially true for the functioning of infrastructure in the region, which is the main basis for the development of the industry and increasing investment in the industry, which will lead to a positive effect. This question also requires further research of a respective assessment methodology in terms of the adequacy of the existing infrastructure with the tourism and recreational potential. Unfortunately, according to the calculations, only two regions are "Lions", in which a high level of investment fully provides the level of recreational potential.

An important issue explored in our study was the importance of investment, which is one of the main aspects of the dynamic development of any economic sector. Recreational and tourism are areas without proper investment, even with available recreational resources and opportunities, that cannot develop effectively (Shpak et al., 2021c). Thus, having a strategy in place is a component of investment success of any territory, the attractiveness of which for investors will depend on the extent to which the vector of its strategic development will contribute to the formation of an acceptable political, economic, environmental and investment climate. Also, taking into account the above, it is clear that the development of a strategy to attract investment to a certain area simultaneously intensifies investment activities and meets the needs of all sectors of society living in the area, namely: government, community, business and investors (Bondarenko, 2015). Thus, one of the main goals of forming the strategic potential of recreational and tourism development of Ukraine and its individual regions is to ensure the overall balance in the system: ecology – economy – society.

The next important component of the development of recreational and tourism is an effective legislative basis, which, combined with market mechanisms, stimulates the demand for tourist services. Our article analyzes the legislative documents and programs for the development of recreation as a separate area of activity in Canada, Australia, Norway, England, the USA, etc. It should be noted that this experience is invaluable for Ukraine. In Ukraine, such a direction as recreation is not approved by the main regulations, as evidenced by the study. This analysis will help to form the necessary regulations and revise the policy on recreation and its regulation on a par with tourism, which is represented and protected by the Law of Ukraine. Only in the unity of the recreation and tourism industry Ukraine is able to create attractive conditions for investors in this sector, which will contribute to its effective development in areas where the recreational potential is sufficient based on the estimation according to the methodology proposed in the article and taking into account all its aspects. The analysis shows that in Ukraine in the near future, it is necessary to develop the basics of regulation of the recreational sphere at the legislative level because due to increased leisure time and income growth, the desire to travel and rest grows respectively, and this creates a supply related to this industry. In addition, this makes it extremely important for authorities to prepare a strategic action plan, which will intensify

internal and external investment processes by creating attractive business conditions for investors. So, combining all the elements analyzed in the article, i.e. effective legislation and strategic plan for regional development, will help attract investors and will lead to the development of recreational tourism and related industries.

Thus, the article's main idea was to identify and assess the recreational and tourism potential in a given area and the prospects of its strategic development, which will be the basis for increasing investment. This, in turn, will increase the flow of tourism, which directly affects the development of tourism and revenue growth, which fills the state coffers (through the development of small and medium-sized businesses and tourism tax), in turn increasing labor productivity by restoring the emotional, psychological and physical condition. Thus, the formation and legitimization of the Strategy for the development of recreation and tourism in each of the regions will allow the state to create attractive conditions for small and medium businesses and realize opportunities for recreation and tourism.

Another important area for further research in Ukraine should be the modernization and improvement of transport, hotel, food, etc., infrastructure, and entertainment activities, which are sufficiently profitable areas for investment. One more area is attracting investors – this is the task of local and state authorities, whose efforts should focus on providing attractive conditions for the investor. This is one of the important areas of research to determine the benefits authorities can offer to attract investors. In particular, this study attempted to present the recreational sphere's importance in the economy's cyclical development, which is possible only given the investment support of this sector by the regional and the state authorities.

Our study has some limitations, two of which are the most important. First of all, it was built based on a developing economy, and we are not sure whether/how it would be possible to apply it to more developed countries. Secondly, the invasion of Russia into Ukraine changed the situation in the whole country. When the war ends, it will be necessary to rebuild the country first. The calculated costs are extremely high.

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