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R95 **Russian Economy in 2022. Trends and outlooks. (Issue 44) /** [V. Mau et al; scientific editing by Kudrin A.L., Doctor of sciences (economics), Radygin A.D., Doctor of sciences (economics), Sinelnikov-Murylev S.G., Doctor of sciences (economics)]; Gaidar Institute. – Moscow: Gaidar Institute Publishers, 2023. – 521 pp.: illust.

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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 44th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 5 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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The development of domestic tourism: the example of the Republic of Dagestan[1]

The year 2022 saw continued growth in the domestic tourism volume in Russia. Though coronavirus restrictions were lifted in most countries last year, with many international borders closed and Russian banks cut off from international payment systems, holidays abroad became rather complicated for the Russians. At the same time, according to Maya Lomidze, [2] Executive Director of the Association of Russian Tour Operators the growth rates of the domestic tour flow became lower than expected owing to the closure of some airports in the Southern Federal Okrug (the Rostov region, the Krasnodar Krai and the Crimea) and restrictions on the transit to the Kaliningrad Region. The regional authorities' data on the number of tourist arrivals — the highest growth is observed where no transport restrictions were introduced – prove it (*Table 7*).

Table 7

The statistics on tourist flows inside Russia

Region	Tourist flow volume in 2022, million persons	Tourist flow per 1000 residents of region, persons	Increase relative to 2021, %
Republic of Dagestan	2.0	627.6	100
Moscow region	22.0	2575.4	57
St. Petersburg	8.1	1444.4	32
Irkutsk region	1.5	634.7	30
Stavropol Krai	1.5	516.8	20
Tula region	1.52	1015.6	16
Tyumen region	3.3	862.1	13
Sverdlovsk region	1.8	422.2	12
Republic of Tatarstan	3.3	825.0	11
Moscow	18	1383.0	7
Maritime Krai	3	1628.7	7
Republic of Altai	2.1	9961.7	7
Krasnodar Krai	17	2914.9	3
Kaliningrad region	1.8	1745.9	-5
Republic of Crimea	6.5	3366.0	-32

Source: The Association of Russian Tour Operators based on regional authorities' data. URL: https://www.atorus.ru/node/50839

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2 URL: https://tass.ru/ekonomika/16415131

Despite the fact that one should assess critically the tourist flow data in absolute terms presented in *Table 7* owing to inadequacies of the data collection procedures (business trip travelers and summer residents are often taken for tourists and there is also a problem related with a repetition of the same data), the growth rates, with the methodology remaining the same, allow us to judge about the processes that take place in regions. Further, the data on tourist flow dynamics are partially proved by other estimates, as well. So, the representatives of Dagestan's tourist industry gave comparable figures of the increase in tourist flow.

The example of Dagestan in terms of the development of domestic tourism in Russia is interesting for several reasons. First, unlike most regions attracting over a million holiday-makers, tourism is a relatively new phenomenon for Dagestan. Most sightseeing tour organizers currently operating in the region, with sightseeing being the main tourist product there, were founded in 2020—2021; according to the opinion of tourist industry participants, tours to Dagestan attracted the mass audience only in 2022. Second, Dagestan carried out a costly government policy (though not quite effective in terms of creation of new resorts) on the development of tourism, primarily ski and beach resorts. However, the main tourist boom in the region is based on sightseeing tourism which received virtually no assistance from the government.

It is noteworthy that sightseeing tour operators are currently the key players in the development of a tourist product in Dagestan. They are mainly micro-enterprises and individual entrepreneurs which hire other market participants (transportation companies, hotels, guest houses, cafes and restaurants and agrotourism complexes) as contractors. Dagestan's tourist sector is characterized by a high competition and a low market concentration. Most companies render services maximum to 200 customers a year; 3 relatively large companies on the market receive annually several thousand tourists each (about 0.5% of the overall tourist flow). Barriers for entering the market are not high: to start the business one needs only a certain level of human capital (experience in working with tourists or a good knowledge of the region) or social capital (ties in the business community) or the customer base. The comparison of companies which entered this market in 2020 and 2022 leads us to the conclusion that as the tourist industry develops it becomes more complicated to enter the market.

Despite the economic crisis, lack of entrepreneurs' experience in the tourist business and insignificant government support of the sightseeing business, Dagestan's tourist sector succeeded in receiving not only millions of tourists, but also coped singlehandedly with multiple challenges. So, Dagestan saw growth in competition and diversification of the tourist product. Over 2.5 years, a distinctly segmented market of tourist services for various groups of tourists emerged in the region: it varies from "economy class" tours meant for the least wealthy tourists to an author's tours with a unique program and VIP-tours for wealthy holiday-makers. In 2022, this diversification deepened: specialized products were created for specific audiences (for example, for representatives of certain professions) and unique tourist products were developed by numerous tourist firms. However, it is noteworthy that with increased diversity of the tourist product the territorial multiplier in Dagestan does not work well enough: lots of Dagestan's districts (for example in its the southern part) famous for their sights failed to become popular with tourists because of an insufficient tourist infrastructure.

Another challenge, which used to be at the beginning a serious risk for the development of Dagestan's tourist industry, but now is more likely to be overcome, is opportunism of counterparties which may take advantage of the prevalence of informal contracts to cheat tour operators. The business coped successfully with this challenge owing to business networks formed around chats in messengers where entrepreneurs could exchange not only resources (customers, hotel bookings), but also disseminate information on unscrupulous partners. As seen from the practice, if such information emerged other companies stopped working with unreliable counterparties. At the same time, in 2022 as the tourist flow increased some companies switched over to hierarchic mechanisms of cooperation and started to integrate partners into firms, which situation also solved the problem related with opportunism.

Also, Dagestan's tourist industry encountered some problems with the exit from the Russian market of foreign IT giants which used to be convenient sites for selling tourist products. According to businessmen, as the experience of using the Russian social media and aggregators turned out to be not quite successful, most companies rely on word-of-mouth marketing (that is, marketing through their former customers). Though on the growing market this sales instrument is quite effective for selling tours, in future, in case of a fall in demand, it may become less effective. Further, lack of other effective methods of attracting customers leads to growth in barriers for entering the market because a start-up business needs its own customer base from the very beginning.

Another risk which has not materialized so far, but may create certain problems for the development of Dagestan's tourist industry in future is Dagestanis' relations with tourists. At present, the tourist boom did not lead to serious conflicts between holiday-makers and local residents, while those conflicts related with alcohol consumption and violation of the informal "dress code" were resolved mostly peacefully. It can be largely explained by the fact that the business looks after the behavior of holiday-makers to avoid such conflicts. However, growth in the number of independent tourists who are not familiar enough with local informal norms may create potentially additional risks.

Also, there are problems which hinder the development of the tourist sector and the business cannot cope with them singlehandedly. At present, a major barrier is a lack of skilled personnel, particularly beyond large cities. Though entrepreneurs try to solve this problem by means of a constant staff rotation, introduction of retraining programs and engagement of professionals from other regions, the issue of quality of the workforce remains unsolved for most companies. A huge shortage of personnel is observed in Dagestan's rural areas where local residents regard some professions in the hospitality sector as "shameful." This results in low quality of services offered by the local hospitality industry (particularly in the mountain areas) and tour operators make no secret of it. Further, entrepreneurs note that there is a clear lack of the sanitary and transport infrastructure which situation makes it difficult to take a full advantage of Dagestan's tourism market potential.

Dagestan's current government policy aimed at developing the republic's tourist sector is still more focused on implementing large-scale investment projects, rather than meeting challenges and reducing barriers which prevent to implement to a full extent the potential of small and mid-sized tourist businesses and solve the problems facing the tourist industry as a whole. For example, the existing personnel training system does not meet the market requirements. As there is no regulation of the anthropogenic impact on local attractions, some of them began to collapse. A substantial risk for Dagestan's tourist industry in future is a delay in building treatment facilities in cities situated on the Caspian coast. This leads to the pollution of sea water and makes the coast unsuitable for the development of beach resorts.