

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Developmental trends in hotel business and economic  
growth: a case study of Kazakhstan**

**Dina Sharipkhan**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Dina Sharipkhan

Economics and Management

Thesis title

**Developmental trends in hotel business and economic growth: a case study of Kazakhstan**

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### Objectives of thesis

Hotel services play an important role not just in tourism development but also contribute to economic growth of every country. The main aim of the present Bachelor thesis is to define major developmental trends in hotel business on the example of Kazakhstan and identify the interrelation (if any) between these trends and main macroeconomic indicators.

To achieve this goal the following research questions will be raised and gradually answered:

1. What are the regional disparities in the volume of hotel services in the Republic of Kazakhstan?
2. What are the tendencies of hotel services development in Kazakhstan?
3. What are the shortcomings and prospects of hotel business in Kazakhstan?
4. Is there a statistically significant relationship between indicators related to hotel business development in Kazakhstan and selected macroeconomic indicators (i.e. GDP per capita, Unemployment rate, FDI in tourism etc.)?

### Methodology

Theoretical part of the Bachelor thesis will be based on the analysis and synthesis of relevant literature comprised of selected text books, scientific articles, legal documents and reliable electronic sources.

Having collected all the necessary information and data, the Methodology, mainly based on descriptive and comparative techniques and estimation of a linear relationship between selected macroeconomic indicators and indicators related to hotel business in Kazakhstan, will be applied to achieve the main goal of the study.

The results of the conducted analysis along with their discussion will constitute the Practical part.

The conclusion and recommendations will be framed based on theoretical findings and outcomes of the Practical part.

**The proposed extent of the thesis**

40-60

**Keywords**

Kazakhstan, Hotel business, Economic growth, Macroeconomic indicators, Developmental trends

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**Recommended information sources**

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Prague on 15. 11. 2022

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**Declaration**

I declare that I have worked on my bachelor thesis titled " Developmental trends in hotel business and economic growth: a case study of Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 2023\_\_\_\_\_

## **Acknowledgement**

I would like to thank my supervisor Mgr. Elena Kuzmenko, Ph.D., for providing guidance and feedback throughout this project. Thanks also to my friends, and for providing guidance and a sounding board when required.

# **Developmental trends in hotel business and economic growth: a case study of Kazakhstan**

## **Abstract**

The hotel business today is an important industry and is attractive for research, as it is considered as one of the most important parts of the world economy. The spheres of hotel and restaurant businesses are the spheres that underlies tourism. Accommodation occupies a central place in the complex of services, being the leading factor and an integral part during the journey of any tourist. The main purpose of this bachelor's thesis is to determine the main trends in the development of the hotel business on the example of the Republic of Kazakhstan, as well as the role of this business in the economic growth of the country. The theoretical part was based on the main factors of the hotel business development, the importance of macroeconomic indicators in the context of economic development and the position of the hotel business in the global economic arena. Having analysed the topic of hotel business development, the practical part focused on the development of this topic on a case study of the Republic of Kazakhstan. The main areas of the country in which the hotel business is more developed, as well as weaknesses for the development of this business, were identified. Research topics such as the evolution of the hotel business, as well as macroeconomic indicators that have an impact on this area, such as: GDP per capita, shortcomings and prospects for the development of the hotel business, unemployment rate, foreign direct investment (FDI) in tourism, national income, taxes, subsidies, investment, prevailing wages in the sector and availability of loans, were introduced.

**Keywords:** Hotel business; Developmental trends; GDP; FDI; Inflation; Unemployment; Exchange rate; Tourism; Macroeconomic factors; Republic of Kazakhstan; Correlation analysis; Pearson correlation coefficient

# Vývojové trendy v hotelnictví a ekonomickém růstu: případová studie Kazachstánu

## Abstrakt

Hotelové podnikání je dnes důležitým průmyslovým odvětvím a je atraktivní pro výzkum, protože je považováno za jednu z nejdůležitějších částí světové ekonomiky. Sféry hotelových a restauračních podniků jsou sféry, které jsou základem cestovního ruchu. Ubytování zaujímá ústřední místo v komplexu služeb, je hlavním faktorem a nedílnou součástí cesty každého turistu. Hlavním účelem této bakalářské práce je určit hlavní trendy ve vývoji hotelového podnikání na příkladu Kazašské republiky a také roli tohoto podnikání v ekonomickém růstu země. Teoretická část byla založena na hlavních faktorech pro rozvoj hotelového podnikání a jeho místo v globální ekonomické aréně. Po analýze tématu rozvoje hotelového podnikání se praktická část zaměřila na vývoj tohoto tématu na případové studii Republiky Kazachstán. Byly identifikovány hlavní oblasti země, ve které je hotelové podnikání rozvinutější, jakož i slabiny pro rozvoj tohoto podnikání. Byla zavedena výzkumná témata, jako je vývoj hotelového podnikání, jakož i makroekonomické ukazatele, které mají dopad na tuto oblast, jako jsou: HDP na obyvatele, nedostatky a vyhlídky na rozvoj hotelového podnikání, míra nezaměstnanosti, Přímé Zahraniční Investice (PZI) v cestovním ruchu, národní důchod, daně, dotace, investice, převládající mzdy v tomto odvětví a dostupnost půjček.

**Klíčová slova:** Hotelnictví; Vývojové trendy; HDP; PZI; Cestovní ruch; Makroekonomické faktory; Kazašská republika; Korelační analýza; Pearsonův korelační koeficient

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# 1 Introduction

The hotel business is one of the most promising and rapidly developing types of services, bringing multimillion-dollar revenues around the world. This business relates to the provision of services in the field of hospitality and is focused mainly on meeting the needs of tourists, including vacationers arriving for business purposes, etc. At the same time, the hotel business in the world economy is considered as a very specific type of entrepreneurial activity, which forms the basis for the growth of national tourism, forms a certain brand of the country in the eyes of the international community, carries a huge potential for sustainable revenue to the state budget and contributes to the expansion of foreign economic activity of the state through the system of integration relations and the specifics of building hotel management systems.

It is important to note that the hotel business is directly related to the development of the tourism component of the state and its regions, in addition, new technologies, infrastructure development contribute to the promotion of tourism, and, accordingly, growth in the hotel industry.

Being an integral part of the market environment, the importance of the hotel business is constantly increasing depending on the overall socio-economic development of the country. The process of intensive development and globalization of the hotel business as part of the service sector of the economy is influenced by many factors, the role of which can vary both in strength and in duration and direction of impact.

In this thesis, I would like to consider the trend in the development of the hotel business on the example of the Republic of Kazakhstan and identify the main factors affecting the growth or decline of this business in my chosen country, I would also like to determine what impact this industry has on the economic growth of the country, if any.

I am considering this topic on the trends in the development of the hotel business in the period is varying between the 2005s to the 2020s.

## **2 Objectives and Methodology**

### **2.1 Objectives**

Hotel services play an important role not just in tourism development but also contribute to economic growth of every country. The main aim of the present Bachelor thesis is to define major developmental trends in hotel business on the example of Kazakhstan and identify the interrelation (if any) between these trends and main macroeconomic indicators.

To achieve this goal the following research questions will be raised and gradually answered:

1. What are the regional disparities in the volume of hotel services in the Republic of Kazakhstan?
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4. Is there a statistically significant relationship between indicators related to hotel business development in Kazakhstan and selected macroeconomic indicators (i.e., GDP per capita, Unemployment rate, FDI in tourism etc.)?

### **2.2 Methodology**

Theoretical part of the Bachelor thesis will be based on the analysis and synthesis of relevant literature comprised of selected text books, scientific articles, legal documents and reliable electronic sources.

Having collected all the necessary information and data, the Methodology, mainly based on descriptive and comparative techniques and estimation of correlation between selected macroeconomic indicators and indicators related to hotel business in Kazakhstan, will be applied to achieve the main goal of the study.

The results of the conducted analysis along with their discussion will constitute the practical part.

The period is varying between the 2005s to the 2020s. The conclusion and recommendations will be framed based on theoretical findings and outcomes of the Practical part. Correlation analysis will be used to determine the result. To begin with, the Pearson correlation coefficient will be calculated using the Excel tool.

$$r = \frac{\sum (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum (x_i - \bar{x})^2 \sum (y_i - \bar{y})^2}} \quad (1)$$

$r$  = correlation coefficient

$x_i$  = values of the x-variable in a sample

$\bar{x}$  = mean of the values of the x-variable

$y_i$  = values of the y-variable in a sample

$\bar{y}$  = mean of the values of the y-variable

One of the most common ways to quantify a relationship between two variables is to use the Pearson correlation coefficient, which is a measure of the linear association between two variables.

It always takes on a value between -1 and 1 where:

1. -1 indicates a perfectly negative linear correlation between two variables
2. 0 indicates no linear correlation between two variables
3. 1 indicates a perfectly positive linear correlation between two variables

After determining the correlation coefficient, a test will be conducted to determine the significance of the relationship between macroeconomic indicators and tourism indicators:

1. Calculate the t value using formula below:

$$t = \frac{r}{\sqrt{\frac{1-r^2}{n-2}}} \quad (2)$$

2. Find the critical value of t. In this case the Table of critical values will be used, as we know that: the degree of freedom ( $df$ ) is  $n-2$ , where  $n$  is the number of observations; significance level ( $\alpha$ ), which is by convention usually 0.05 and two-tailed correlation as we want both the positive and negative tails of the distribution
3. Compare the t value to the critical value
4. Decide whether to reject the null hypothesis

If the t value is greater than the critical value, then the relationship is statistically significant ( $p < \alpha$ ). The data allows you to reject the null hypothesis and provides support for the alternative hypothesis.

If the t value is less than the critical value, then the relationship is not statistically significant ( $p > \alpha$ ). The data doesn't allow you to reject the null hypothesis and doesn't provide support for the alternative hypothesis.

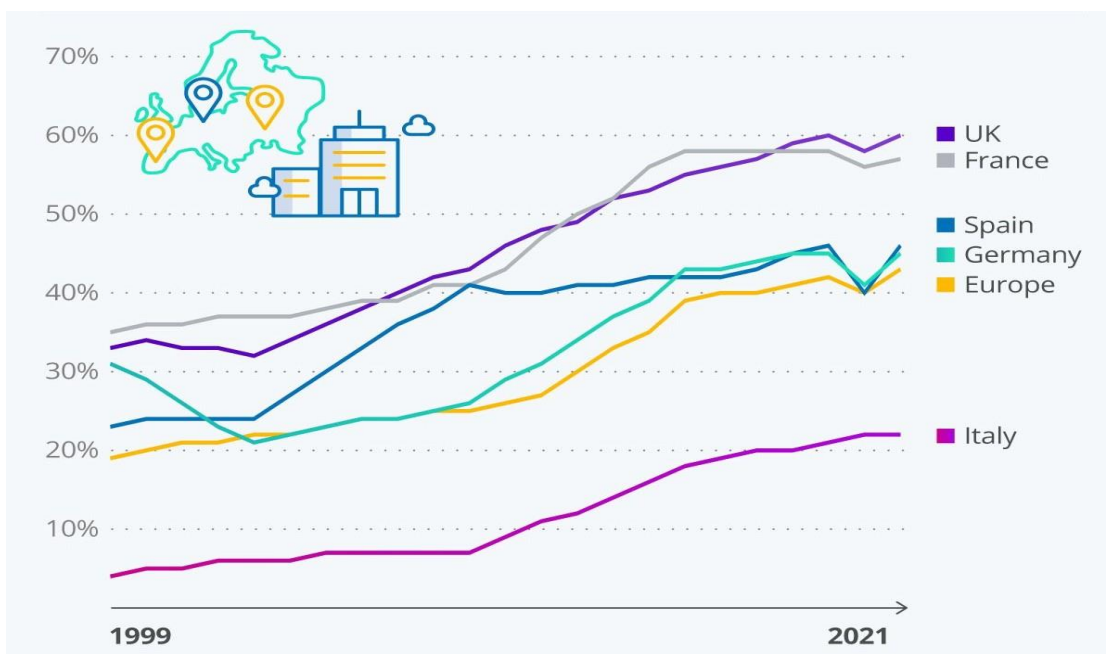
### 3 Literature Review

#### 3.1 Brief historical background of hotel business

Thanks to the industrial revolution, there have been rapid changes in the tourism sector. People started traveling and exploring different places. In connection with the religious pilgrimage, monasteries and cathedrals began to receive tourists and gave them free housing. Even though inns were opened in many countries in the 15th century, such as England and France, it was only in the 18th century that these establishments expanded. Most of the inns were in places where carriages changed horses and passengers rested.

Due to the appearance of railways, the need for the maintenance of inns decreased and inns turned into taverns. In 1634, Samuel Cole opened the first tavern. By the end of the 17th century, taverns had become popular meeting places for entertainment and meals. Then the name "tavern" was changed to "hotel", the residence of the rich was known as "hotel" in France. In 1774, David Law opened the first prototype of a modern hotel in London. Thus, hotels began to expand throughout the UK. However, only two decades later, hotels became places where people stayed overnight and ate for a fee.

Figure 1 Hotel chains on the rise in Europe



Source: (Hinton, T., 2022)

Then there were various changes in the socio-economic sphere, which made it possible for hotels to become part of the services that bring profit.

The history of the modern hotel industry is connected, of course, with entrepreneurs who wanted to do business on this on a large scale. Thus, such hotels as Plaza, Ritz Carlton, Statler began to appear. The first successful entrepreneur after the First World War in the hotel business was Conrad Hilton, who formed Hilton Group in 1946. By the 1960s, Hyatt Group hotels entered the arena, and by the 70s, Sheraton and Westin corporation and others (Sheela, Economics of Hotel Management, 2007).

### **3.2 Development of the hotel business**

Considering the topic of the hotel business, it is impossible not to touch on the hospitality industry, since this industry is based on hotel and entertainment services, in which small and medium-sized businesses play an important role. The main task of the hospitality industry is to serve tourists, that is, people who are outside their permanent place of residence (Venison, 1983).

The hotel business is a branch of entrepreneurial activity that represents a few services related to the living arrangements of a person who most often comes to a particular country because of tourism or business trip, which is based on hospitality. Hotels are independent enterprises organized for the purpose of providing services, the material and financial resources of which are intended to meet the needs of tourism (Myrzaliev, B.; Nahipbekova, S.; Dandaeva, B.; Izzatullaeva, B.; Baibosynova, G., 2018).

The development of any sector entails not only its own growth and formation, but also great benefits that it provides and gives to the economy.

The contribution of any sphere to the economic system is measured by the value of its output or "value added". Value added provides an estimate of the contribution of the factors of production employed in the sector, which is a measure of the value produced in this sector. It represents a contribution to the gross domestic product. In the context of the hotel business, it is also noticeable that every demand for a product generates an addition of value to this product, every addition of value to a product requires higher labor and raw materials costs.

In any economy, no industry functioned separately. The demand for hotel services generates activity in several industries and enterprises. The point is that the economic effect of the demand for hotel services does not end there, but spreads throughout the economy.

The impact of demand for hotel services in the economy can be qualified as follows:

1. Direct effect: applicable to activities that are directly related to the industry
2. Indirect effect: refers to auxiliary units of the activity that are not directly related to it, but supply auxiliary products to the main area
3. Induced effect binds secondary actions. The income received from factor payments must either be saved, taxed, or spent on imported goods. If this does not happen, then the income is spent on domestic products and thereby creates an induced effect.

In addition to the total contribution of the hotel business to economic activity, its main directions should be distinguished in aspects where it plays an important role:

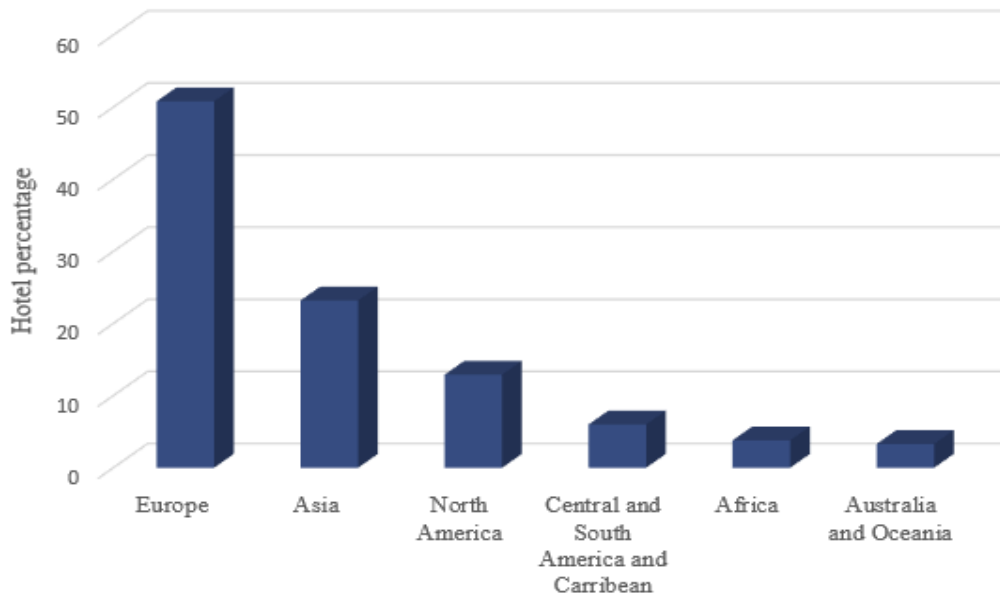
1. Employment: The hotel business creates many employment opportunities for qualified and semi-qualified personnel.
2. Regional economic activity: even though the hotel business is a profit-oriented service sector, significant income goes to the government (Sheela, Economics of Hotel Management, 2007).

The role of the hotel business in the modern economy is growing and changing. To date, the hotel business as an economic phenomenon has an industrial form, acts as a hotel product, and services that cannot be accumulated and transported, creates new jobs, and has an impact on the development of the national economy. In addition to all the above, the hotel business also acts as a means of protecting nature and cultural heritage (Kotler, Bowen, Makens, & Baloglu, 2016).

The hotel industry as a type of economic activity includes the provision of services and the organization of short-term accommodation in hotels, motels, campsites, and other accommodation facilities for remuneration (Christian, 2015).



Figure 2 Distribution of hotels around the world(in%)



Source: (BoldData, 2022)

Currently, there are about 402,933 hotels in the world, which are classified hotels with assigned "stars". Of these: 50.8% in Europe, 23.2% in Asia, 12.9% in North America, 6% in Central and South America and the Caribbean, 3.8% in Africa, 3.3% in Australia and Oceania (BoldData, 2022).

### 3.3 Major trends in hotel business

The hospitality industry as a type of economic activity is a complex of spheres, the main task of which is to serve tourists during their stay outside their permanent place of residence. The hotel industry is surrounded by competitive enterprises of the same type, and therefore requires constant updating and innovation in the way of adding services provided to customers. Therefore, it is very important to identify the pace of development and trends of the hotel market, analyse the demand of the audience and the segments that influence the hotel business.

The restoration of the European hotel business began immediately after the end of World War II, noting that the modern era of hotel business development began in the late 50s, which led to the introduction of modern management methods.

The post-war period brought widespread fame to hotel chains. One of the first was Hilton Hotels & Resorts, which was created by the American air transport company “Pan American”. Transporting people to Latin American countries, it turned out that the country does not have hotels with the same quality that American businessmen are used to. Thus, the idea arose to build hotels with the same quality of services. Joining the hotel chain gives a huge number of advantages, since the chain buys consumables for all hotels in bulk, the costs also apply to all hotels, which increases the efficiency of group accommodation facilities. Now there are dozens of international hotel chains in the world: Marriott, Holiday Inn, Choice, Sheraton, Best Western, Hilton, Hyatt, and others.

Global computerization has had a strong impact on the hotel business, hotels are now equipped with a management system that allows you to see all aspects of activities and control them. They include, for example: booking, accounting, settlement with clients, etc.) (Timiryanova & Kukushkina, Modern trends of hotel industry, 2020). To maintain a competitive level and ensure efficiency, companies need to follow and adhere to industry trends. The primary task is the digital transformation of the business, which, in turn, helps to create targeted, individual, personalized offers for customers. The interaction of people with new technologies and their adoption opens new opportunities for enterprises.

The following are highlighted as technological trends and innovations in the hospitality industry:

1. Virtual companions: an innovation that is related to robotics and artificial intelligence. To create the greatest comfort for the guest, digital assistants are being introduced. Basically, the main services are everyday requests for the type of taxi call, search for a restaurant or route, etc., and in some hotels, robot assistants are part of the staff, provide delivery services, concierge function, and tell information about the hotel (Choi, Choi, Oh, & Kim, 2020).
2. Mobile technologies: in modern society, almost everyone has a smartphone, which is an integral part of work and everyday life, which entails innovations in the service sector. Many hotels use special platforms (e.g., Booking) for booking a room. In addition, special applications are being created that allow people to check in and check out on their own (Kim, Connolly, & Blum., 2014).
3. Personalization: the hotel business is within the framework of competitiveness, so hotels should be able to quickly adapt to new trends and consumer demands. Personalization has become an integral part of the hotel industry, aimed at maximum

satisfaction of their needs, including maintaining the history of guests (Balayan & Lyakh , 2020).

4. Smart rooms: automation of operations in the hotel industry based on smart home technologies. The use of various devices, the action of which is activated by voice, has also become relevant for hotel rooms, contributing to improving the quality of guest service. The functions of the smart room also allow guests to connect the phone to the hotel room interface, thanks to which a person can control them from the phone.

Thanks to the introduction of the smart room concept, it is possible to achieve such goals as:

1. reduce energy and water consumption.
2. maximum convenience and comfort for the guest.
3. increase the reliability and quality of services provided.
4. increase the efficiency of staff thanks to updated information about the condition of rooms.
5. develop "environmental awareness" among guests (Petrevska, Cingoski, & Gelev, 2016)

The hotel industry as part of tourism, and accordingly part of the world economy, is comprehensively influenced by many factors. Together with the development of the economy and society, the future type and importance of tourism and travel is determined. The hotel industry in modern society is increasingly thinking about the impact on the sphere for the formation of a quality experience for the traveller (O.Polyakova, 2022).

### **3.4 Factors influencing the development of the hotel business**

Major changes in society, including the development of corporate culture, changes in lifestyle, globalization, innovations in communications, the development of information technology areas indicate that the hotel industry has a great influence from external factors. For example, a global partnership brings great benefits to the hotel business (Jha, 2010).

In addition to the factors that bring demand to the hospitality industry, there are barriers and restrictions that slow down the pace of its development. For example, economic crises, political and financial instability, inflation, unemployment, environmental problems, etc. (L.

& S., Factors and their impact on the development of the hotel and restaurant business, 2013).

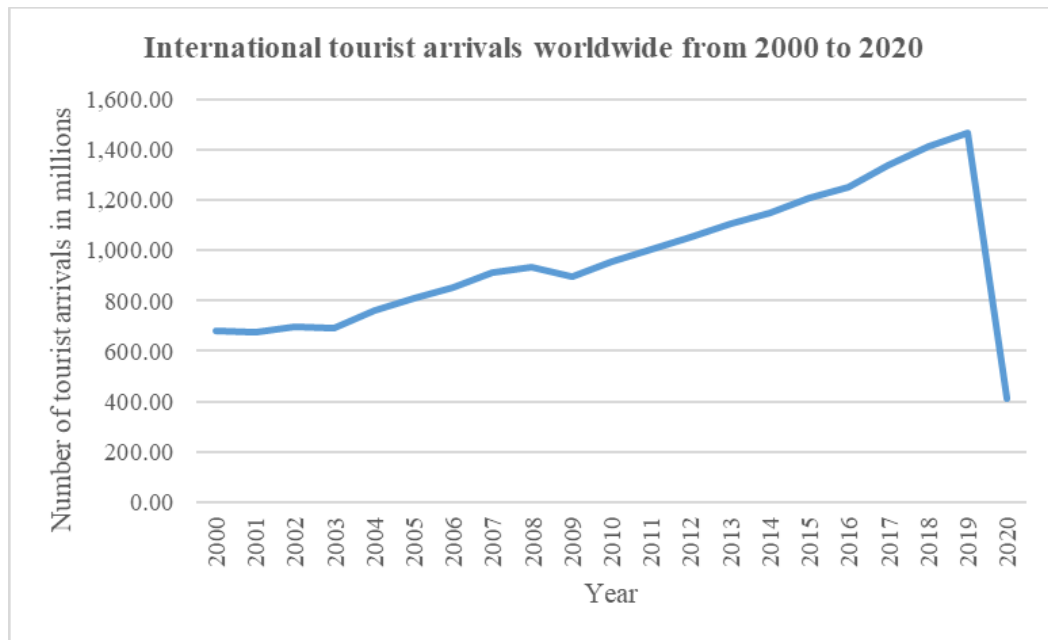
In the next part of this bachelor's thesis, some factors affecting the economy and the development of the hotel business will be presented.

### **3.4.1 Tourism industry**

In almost all the tourist countries, we find a well-developed hotel industry. This is because the hotel industry is directly related to tourism and is part of its spread in the country. It is obvious that the emergence of new tourist destinations entails the construction of hotels, the development of hotel infrastructure in various regions of the planet. Thanks to the promotion and recognition of the tourist side of the country, there is a high occupancy rate of hotels (N. & N., 2012).

The hotel business is based on the development of tourism and the direction of its development in each country. Analysing the hotel market and trends in tourism, hoteliers determine the further development of their hotels. For example, in countries with a hot climate and independent of the season, hotels with a path to the shore, an outdoor swimming pool are located to a greater extent, and infrastructure is being built in such a way that it is easier for people to get there. On the other hand, countries with climatic conditions predisposing frostiness, for example, a mountain climate, are building a concept of hotels with entertainment inherent in their climate (Petrik, 2006).

Figure 3 Number of international tourist arrivals worldwide from 2000 to 2020



Source: (Number of international tourist arrivals worldwide from 1950 to 2022, 2023)

The success of many enterprises depends on the level of tourist demand, as the inability to meet market demand often leads to failures. Therefore, planning and forecasting demand estimates play an important role at the stage of business creation. Also, correct and more accurate forecasting is necessary for further development due to the rapid pace of change in the structure of the tourism business, as well as responsibility to investment companies. For example, long-term financial investments require financial obligations, non-compliance, or inability to be realized can lead to large costs. In this regard, the demand for tourism-related infrastructure often requires careful forecasting and further plays a role in assessing the future project. (Song & Guo, 2008)

### 3.4.2 Political factors

The hospitality industry and tourism are very sensitive areas in relation to external changes, especially when in uncertainty, as they must always be prepared for changes and risks. One of the most important risks can be attributed to political ones. The influence of political risks and factors sometimes has a destructive nature, the consequences of which are raked for many years and eventually new horizons for tourism can be built, but this does not always happen.

It is important for tourists to know that their trip will take place in a safe environment, so when people perceive the situation in the country of their future stay as risky and dangerous, they cancel the trip and change their plans. Accordingly, hotel reservations are cancelled, investment in tourism decreases. At the same time, it can be quite difficult to recover from events and dangerous political risks can take away the motivation of travel (Zhou, Zhang, & Zhou, 2021).

The main point for the Government in the management of public affairs and in the principle of the distribution of principles and values of the whole society for the Government is public policy. Also with tourism, where public policy plays an important role (Traoré & Ouedraogo, 2021).

State policy, being to some extent the core of society, can have an impact on tourism, predetermining the further strategy and softening the destructive effect on tourism from politically unsafe events for tourists (Xu, Zhong, Cheng.H., & X, 2022).

The development of the hotel business within the country is inherently dependent on legislation. For example, it depends on such factors as tax and labor legislation, licensing rules, sanitary and hygienic requirements, consumer rights laws, etc. (Filippovsky & L., 2008).

### **3.4.3 Competition**

High rates of development of world tourism led to increased competition among the hotel business. Thus, the quality of services is one of the most important methods of gaining an advantage among competitors and improving the needs and expectations of customers. Responding to the needs of customers with high quality in the field of tourism and travel pushes other sectors of the economy to develop and increase GDP. Without a doubt, the supply of qualified services and the demand must be properly worked out. One of the driving factors in the field of tourism is providing tourists with accommodation where they can relax in comfort. In this regard, hotel services are at a high level that could satisfy even the most demanding customers. Among other criteria, price availability is included in the competitiveness index of the hotel business, being a reflecting component in the quality of service in tourism. One of the dominant roles in the provision of services is peace of mind and customer satisfaction, being the mainstay in the development strategy of such a business as a hotel. To achieve success in providing services, the opinion and evaluation of the client should be at the forefront. An indicator of a well-rendered service is customer reviews and

their recommendations of a place of residence to their relatives and friends. To assess the calmness of customers, there are various methods of collecting information, such as questionnaires and scales, such as the Likert scale. The degree of satisfaction reflects the difference between expectations and reality, which shows the value of the quality of service at the hotel. The most common factors are the quality of the staff, the rooms, and the pricing policy of the hotel. Summarizing the factors, we can distinguish them in this way: the quality of the staff as the friendliness and helpfulness of the staff, the speed of service and response to the customer's request and the price (location, cleanliness, convenience of the room) (Popescu, A.; Tindeche, C.; Hontus, A.; Marcuta, A., 2019).

The condition of the hotel in the conditions of the financial and economic crisis and the decline in demand is determined by its competitiveness and its subsequent development efficiency. Competitiveness in the hotel services market plays an important and twofold role. On the one hand, high competitiveness negatively affects entrepreneurs, since, for example, low occupancy of hotels leads to lower prices and, accordingly, lower profits. The positive aspects include the ability of hotels to develop and innovate, thereby isolating themselves from others and earning more demand. Thus, the competitiveness of a hotel service is the ability to meet the needs of consumers effectively and efficiently, while being ahead of its competitors, but doing so at minimal cost and without losing the commercial success of the organization (Jing, 2009).

### **3.5 Macroeconomic indicators**

#### **3.5.1 Gross Domestic Product**

The economic component of a country consists of many processes and levels. The essence and principles of economic processes lie deep, and not on the surface of study. The economy is the leading branch in the system of public relations. It determines the state of political, legal, spiritual, and other spheres of public life. Macroeconomics, in turn, examines the system at the level of the national economy. Macroeconomic indicators allow countries to focus on goods, services and other organizations that increase their gross domestic product (GDP). The main macroeconomic indicator in the statistics of countries, as well as in international organizations, is GDP (gross domestic product). It is used for international comparisons of the levels of economic development of various countries and regions of the world.

There are 2 main types of gross domestic product: nominal and real. Nominal GDP is estimated by the value of all final services and goods of the country or region in question, expressed in current market prices. With the change in the price index and the level of inflation, the value of nominal GDP also changes since it directly depends on the growth of prices and incomes of the economy in question. Thus, GDP grows with inflation due to rising prices for products and services and falls with deflation due to lower prices. For example, if the inflation rate rises by 5%, with the level of production of goods unchanged, then GDP growth will be 5% accordingly.

On the contrary, real GDP depends on the real growth of production, and not on the growth of prices for goods and services. Real GDP can be expressed both in the prices of the previous year and any other year taken as a basis. The ratio of nominal GDP to real GDP is a deflator of GDP.

It is worth noting that the calculation of the Gross Domestic Product includes, namely, excludes all non-productive transactions: government payments (including social insurance payments, unemployment benefits, pensions), transfers of funds from one individual to another (private transfer payments, financial assistance, student scholarships), securities transactions, stocks and bonds, prices of used goods, since their prices were already included in previous periods.

Three methods can be used to calculate GDP:

1. By expenditure (end-use method);
2. By income (distribution method);
3. By value added (production method).

All the different ways of calculating GDP should lead to the same result.

In the form of a formula, the calculation of GDP can be presented as follows:

$$GDP = C + I + G + (X - M) \quad (1)$$

where:

C is consumption of final goods and services by households

I is an investment in things like factories, hardware, and software

G is government spending on goods and services

X is an export

M is an import



In addition to the actual GDP values, various statistical agencies prepare quarterly and annual estimates. To do this, information is collected from sources such as business surveys, export and import data obtained from customs documentation and declarations. But the profits earned abroad, or the products produced by citizens abroad are not calculated in terms of GDP (Landefeld, S.; Seskin, E.; Fraumeni, B, 2008).

The gross domestic product is sometimes undervalued because it seems to be something abstract. But in fact, GDP is just the same indicator of what is happening inside the macroeconomics (Bergh, 2008).

### **3.5.2 Unemployment rate**

One of the important economic indicators is unemployment. Any country wants to achieve the lowest unemployment rate, as its indicator indicates how well the country's economy is working. The high unemployment rate indicates that the labor force is used inefficiently and, accordingly, fewer goods and services are produced than it could be.

Unemployment is measured by the ratio of the number of unemployed to the total workforce. For economists, an unemployed person is a person who wants and can work at the current wage rate but cannot find a job. Unemployment can be voluntary or involuntary. Voluntary unemployment describes a person who has decided to leave the labor market for several reasons, such as finding a better job, vacation, etc. Voluntary unemployment increases individual contribution to the economy, as a person undergoes a lot of training during unemployment. Involuntary unemployment describes an employee who wants and can work but cannot find a job. This type of unemployment is explained by various reasons, such as a shortage of effective demand, incompatibility of skills with what the market needs, imperfection of the market, and these are just some of them. There are three types of unemployment, depending on the period of unemployment:

Frictional unemployment means short periods of unemployment when an employee and an employer need time to find each other to meet the requirements and qualifications. These periods are voluntary.

Structural unemployment arises due to the inappropriate skills of employees and the requirements of employers. Also, the cause of its occurrence may be economic instability within the country or region.

Cyclical unemployment is caused by cyclical contraction of production. When unemployment becomes higher than the unemployment rate at the actual level of

employment, there is a difference between the actual and natural value of the unemployment rate (Mouhammed, 2010).

The following reasons can be attributed to the number of economic:

The high price of labor required by its seller (employee). In such a case, the buyer (employer) should analyze the ratio of labor costs and income received from its use with the costs that he could carry out by buying, for example, a machine that replaces the activity of labor. In this case, if the ratio is in favor of the machine, then the employer will refuse to buy labor and the employee will remain unemployed. In the modern world, such a reason quite often arises in connection with the introduction of technology and scientific and technological progress.

Low labor price offered by the employer. This is the reverse side of the coin, when the employer evaluates the labor force lower than the labor force itself and entails the refusal of the employee to sell his labor force for (in his opinion) a wage, remaining in the role of unemployed for another period.

Lack of cost and value of labor price. In any society, there are people who cannot be involved in the work process and sell their labor due to its absence, or due to its poor quality, So the buyer of their power does not want to acquire it for a few the above reasons. This category of citizens includes the homeless, vagrants, people with disabilities, etc. In most cases, this category of citizens permanently loses the opportunity to get a job and falls into a number of stagnant unemployed.

One of the causes of unemployment is an imbalance in the labor market. This imbalance increases during periods of economic crises, political instability, natural disasters, and so on (Makarchenkova, 2014).

Unemployment leads to a loss of gross domestic product (GDP), poverty, criminal activity, budgetary problems, problems with human capital, income inequality and mental health. For these reasons, politicians have studied this problem and developed various strategies, such as macroeconomic policy (fiscal and monetary), labor market policy, education, and training to address this problem (Layard, Nickell, & Jackman, 2005).

### **3.5.3 Foreign direct investment**

Foreign direct investment is the result of the internationalization of the market, companies during the stages of implementation and improvement, using various approaches of development and cooperation, came to an internationalized business and thus formulated

such a large-scale event as Foreign Direct Investment (hereinafter FDI). According to the World Bank, FDI reflects the net inflow of investments to acquire a long-term management stake in an enterprise that exists and is being implemented in a different economy than the investor himself, which can subsequently be further developed as the amount of equity, reinvestment of profits, and so on. FDI is usually considered as an integral part of fixed capital and technology and can replenish the existing stock of knowledge, the acquisition of skills and their dissemination, as well as the introduction of new management methods and organizational mechanisms. Thus, FDI is the investment of money and other material values in the country's economy by companies from other countries.

FDI is an important means of technology transfer, contributing relatively more to economic growth than domestic investment. However, higher FDI productivity is achieved only when the host country has a minimum threshold stock of human capital. Thus, FDI contributes to economic growth only when the host economy has sufficient capacity to master advanced technologies.

Investments allow the investor to control the work of the recipient company, and also imply long-term cooperation. For such cooperation, the main thing is necessary - a share of ownership. It may vary in different countries, but it always exceeds 10% of the company's value.

An important factor in the productivity of FDI is the level of well-being of the host country, it should have a minimum set of human capital reserves. That is, the possibility of economic growth due to FDI is possible only if the host country has the capabilities and abilities to master new technologies.

FDI can affect many areas of the host country's economy and investor companies. Of the beneficial effects, one can distinguish:

1. Companies investing their capital in other companies allows them to diversify their investments, while reducing the risks that may arise. At the same time, for the recipient's side, global capital mobility restricts the government, conducts bad policies, and also promotes the introduction of corporate governance practices and accounting rules
2. Technological progress plays an important role in the economic growth of the country. Thus, technology transfer of FDI has contributed to the productivity of the host country, since most often such technologies are more modern than those available locally.

3. FDI can also improve knowledge in the host country through the transfer of skills and practices. One example is the local staff who have interned in a foreign company, taking with them the acquired skills and implementing them in their own country.
4. FDI directly and indirectly affects employment. A direct impact occurs when a foreign enterprise employs citizens of the host country. An indirect effect appears when local suppliers create jobs as a result of investments.
5. The impact of FDI on the balance of payments of the host country is a significant factor. For example, it can be attributed to the fact that FDI can replace imports of goods and services, which makes it possible to improve the country's balance of payments account. Example: most of the FDI of Japanese automobile companies to the United States and the United Kingdom can be considered as a substitute for imports from Japan.
6. According to the OECD, FDI acts as a powerful incentive for competition and innovation, as it encourages domestic firms to improve, reduce costs and increase competitiveness ( (Foreign Direct Investment for Development, 2002).

As with any outside intervention, FDI has its drawbacks for the receiving party. Freedom of capital movement may entail fears of loss of national sovereignty. Often, large multinational enterprises own a block of shares, over which national governments have little power, thus developing foreign control over domestic industry, as well as abuse of market positions. Therefore, countries that are the host of FDI inflows have often experienced anxiety. The negative consequences include a deficit in the balance of payments, a reduction in local development and research, the displacement of domestic firms, respectively, a reduction in jobs, and a negative impact on the environment of heavy industry enterprises. However, in relation to the beneficial effects, the disadvantages do not have much weight.

Constraining factors for achieving benefits from FDI are the welfare of the host country, the level of health, education, weak competition, lack of technological development as such, as well as a dubious regulatory framework.

Thus, in order to maximize the benefits of FDI, the host country should have a favourable environment for business and investment (Kurtishi-Kastrati, 2013).

#### **3.5.4 Inflation**

Like unemployment, inflation plays a big role in macroeconomics. In the modern economy, inflation is not only an economic, but also a socio-political phenomenon. From

the point of view of economics, inflation refers to a steady increase in prices for goods and services over a certain period, which leads to the depreciation of monetary funds. As a rule, inflation reflects the general rise in prices and an increase in the cost of living in the country, but a narrower calculation is also considered, for example, food, or hairdressing services.

Inflation can be caused by a number of reasons: the excess of government expenditures over state revenues, resorting to monetary emission; an increase in the output of means of production over the output of consumer goods, leading to higher prices for scarce goods; excessive monopoly of certain corporations in certain areas (usually it concerns raw materials, and is directly related to options trading in the context of such assets) adaptive expectation, that is, the expectation of an increase in prices, resulting in unjustified purchases of goods and an increase in demand and prices. As for the national economy, the causes of inflation may be international exchange carried out through the price mechanism of international trade, when the rise in prices for imported resources gives a new impetus to inflationary costs within the country.

According to its rate of development, inflation can be moderate, galloping and hyperinflation. Moderate inflation is a small increase in prices per year (usually up to ten percent), which allows you to maintain relative stability, being an inevitable moment in the development of a market economy. Galloping inflation is characterized by an increase in prices up to two hundred percent, which forces the population to invest in goods with high value. Hyperinflation is a significant increase in prices per month (sometimes up to fifty percent), which is a sharp and negative indicator for the population, with a lag in wage increases.

Depending on the nature of its manifestation, inflation can be open and suppressed. In the conditions of the first inflation, the price level increases at free, unregulated prices by the state. The suppressed one differs in that the shortage of goods occurs under strict control of existing prices by the state. Other types of inflation include balanced, unbalanced, expected, unexpected, imported and exported inflation.

In the fight against inflation, an anti-inflationary policy acts, its essence is the struggle through state monetary reforms. The anti-inflationary strategy is being developed for the future to avoid the problem and may include strengthening market mechanisms, strengthening state control and regulation over the economy, changing the current budget policy, reducing dependence on all external factors of the exchange rate.

As a macroeconomic indicator, inflation clearly indicates the processes leading to instability in the state economy (and the higher the annual inflation rate, the worse the state of the economy). This leads to many additional side economic processes - for example, to the movement of resources from one sector of the economy to another (heavy industry enterprises are closed, the number of jobs is reduced, but the demand for imported goods and services is growing, etc.) (Barro, 2013) .

### **3.5.5 Exchange rate**

The exchange rate is one of the most important macroeconomic indicators, and also has an impact on the economic processes of the country. Currently, the exchange rate has been recognized as a link between the domestic economy of the country and the international economy.

The competitiveness of national goods and services on world markets, as well as the total volume of exports and imports, depends on the dynamics of changes in the level of the exchange rate. The impact on imports depends on the prices of imported final goods and services, as well as on the production costs of local goods and services, the costs of which include imported components. As for exports, changes in the exchange rate affect the volume of exports, which affects prices within the country. Thus, with an increase in exports, the prices of export goods may increase, with a decrease they may decrease accordingly.

In many ways, the role of the exchange rate in the functioning of the country's economic system, as well as its role in the country's macroeconomic indicators, depends on the exchange rate regime chosen by the country. In the past, many countries adhered to a fixed exchange rate, but over time they gained freedom of choice. And therefore, the exchange rate of countries may differ from rigidly fixed to floating, depending on the economic goals of the country. But among other things, there are also problems of inconsistency between the course used and the officially declared one. For example, countries that have announced the fixing of the exchange rate allow it to deviate from the fixed level within wide limits, which makes it floating. This mode is distinguished as 'Soft peg'. On the other hand, there are countries that present their exchange rate as floating, but in fact it is regulated by the state due to interference in foreign exchange markets and makes the country's exchange rate 'Hard float' (Klein & Shambaugh, 2010).

In addition, the exchange rate affects the direction of international capital flows by the fact that investing capital in the assets of a country is a decision that is conditioned by the

expected return on invested capital, which depends on the interest rate and changes in the country's exchange rate.

The effects of changes in the exchange rate on the price level in the country may be due to such circumstances as an increase in prices within the country due to a decrease in the exchange rate, but also a weakly expressed or absent decrease in prices due to an increase in the exchange rate. The level of inflation in the country may also have an impact. With high inflation, the process of dollarization occurs, which leads the domestic price market to a direct exchange rate to convert prices into the national one (Isard, 1995). .

### **3.6 Overview of Kazakhstan economy and macroeconomic indicators**

The development of the hotel business is carried out under the influence of several factors, the influence of which is carried out independently of the subjects of the market. The factors influencing the activities of hotels relate to the external environment.

Economic factors determine the trend and dynamics of the hotel business development. The main economic factors determining the formation of this industry are the rate of economic growth of the country, consumer incomes and their solvency, the state of the monetary sphere. In developed countries, the growth of social wealth is accompanied by an increase in spending on services in the structure of total consumer spending. The growth of employment in the industry stimulates the growth of the national economy, which then leads to an increase in employment. Thus, total employment increases by more than the initial increase in employment in the industry (Sadykova, 2020).

In 2019, Kazakhstan's nominal monetary income on average per capita per month amounted to 86845 tenge (approx. 225 US dollars). Kazakhstan follows the global trend of building a service economy, since the total volume of services production in 2017 amounted to 57.4% (Statistics Committee), which is less than in 2015 (59.4%). Now, the contribution of tourism to the country's GDP is 5.2%, according to the World Travel Tourism Council. To attract investments, the Law "On Tourism Activities" includes measures to reduce the threshold of an investment project to be recognized as a priority from 2 million MCI (5.8 billion tenge) to 200 thousand. MCI (583.4 million tenge) (National Statistics, 2020).

Figure 4 Main Macroeconomic Indicators in Kazakhstan

Main macroeconomic indicators %

	2016	2017	2018	2019	2020 proj.
GDP growth	1.1	4.1	4.1	4.5	-4.0
Inflation (average)	14.6	7.4	6.0	5.2	6.8
Government balance/GDP	-4.5	-4.3	2.6	-0.6	-5.0
Current account balance/GDP	-5.9	-3.1	-0.1	-3.6	-4.0
Net FDI/GDP [neg. sign = inflows]	-12.5	-2.8	-0.1	-2.0	-0.5
External debt/GDP	118.5	100.7	90.0	87.5	n.a.
Gross reserves/GDP	21.6	19.3	18.1	16.1	n.a.
Credit to private sector/GDP	33.0	29.2	25.9	24.5	n.a.

Source: (Country Assessments, 2021)

Additional financing of 0.6 percent of GDP is made available to small and medium-sized enterprises (SMEs) to finance short-term working capital needs. Farmers are offered forward contracts and fuel subsidies on top of concessional lending. Fiscal measures include exemption from income tax and social payments for six months, tax deferrals and value added tax reduction on essential food products from 12 per cent to 8 per cent (Country Assessments, 2021).

The employment situation in the hotel sector shows that in 2017 it employed only 2.2% of the population (slightly more than 190 thousand people) (Committee on Statistics). This number has increased to 14.8% compared to 2014. It is also worth noting that the average salary in the hotel sector (per month) is 92% of the average salary in the country, although the increase in salary payments since the second half of 2017 is slightly higher than the overall increase in wages for the economy (111.2% vs. 108.5%) (Statistics Comitee, n.d.).

Direct investment (FDI) plays an important role in the development of any country's economy. The dynamics of investment activity, the volume of foreign capital inflow directly affects the solution of socio-economic problems associated with the growth of the standard of living of the population, as well as the competitiveness of the country in the global arena. That is why this segment is stimulated at the state level, especially in emerging economies. In Kazakhstan, direct investments do not differ at the legislative level. The definition of direct investment was contained only in the Law of the Republic of Kazakhstan of February 28, 1997, No. 75-1 "On State support of direct investment", which was in force until 2003.



In addition, the Law of the Republic of Kazakhstan dated December 27, 1994, No. 266-XIII "On Foreign Investments" gave the concept of foreign direct investment. The Law of the Republic of Kazakhstan, which replaced them on January 8, 2003, No. 373-II "On Investments", as well as the current Business Code of the Republic of Kazakhstan contain only the definition of "investment". While the concept of direct investment has not received due attention (Bureau Of National Statistics, 2020).

The Organization for Economic Cooperation and Development (OECD) defines foreign direct investments as a type of investment reflecting the aspirations of a resident enterprise of one country (a direct investor) to acquire a sustainable influence on the activities of an enterprise located in another country (a direct investment enterprise). The acquisition of sustainable influence implies the establishment of a long-term relationship between a direct investor and an enterprise, as well as a significant degree of investor influence on the management of the enterprise (OECD Benchmark).

The growth of consumer incomes does not unambiguously have an impact on the hotel business. In the hotel business, where most of the consumers are foreign tourists, there is a greater dependence of business development on the global economic situation and on the level of tourism development in Kazakhstan. Changes in the main economic factors such as income level, cost of living, interest rates, availability of savings among the population and credit opportunities have a significant impact on the hotel services market. Firms use economic forecasts to anticipate these changes. By receiving warnings of this kind, enterprises can reduce their costs and, with the help of appropriate marketing measures to influence the market - marketing mix, get out of the economic crisis.

The influence of political factors on the development of the hotel market and the formation of market strategies of hotel enterprises is largely the same as the influence that these factors have on the activities of enterprises in any other industries. The unfavorable and unstable political environment directly affects the decline in demand for tourist and, accordingly, hotel services. Therefore, the hotel business can be attributed to particularly sensitive to political factors.

One of the factors influencing the hotel business are technological factors of technological factors, the most important at the modern stage is the Internet. Moreover, the Internet performs two functions in the hotel business: on the one hand, the vast majority of hotels make computer reservations in hotels using such systems as the booking system Amadeus, Worldspan, Galileo, Sabre, Siren, which allow for multiple procedures,

significantly reducing time and labor resources, on the other hand, the quality of the Internet is important for guests of Kazakhstan, because more than half of tourists are business consumers. Sale of hotel services via the Internet increases the efficiency of hotels, as it helps to reduce costs and time of consumers.

Scanning of the external environment should be carried out systematically and consistently (Rakhimbekova, Modern directions of hotel industry development in the Republic of Kazakhstan. Economics and Statistics, 2004).

## **4 Practical Part**

### **4.1 Current states and peculiarities of tourism in Kazakhstan**

In the current economic situation, the development of the service sector, especially tourism, plays one of the key roles. Like other Central Asian countries, Kazakhstan is trying to determine its economic priority by opening new branches and meeting its needs with resources. In order to create economic diversity, Kazakhstan is developing tourism sectors.

Kazakhstan has unique natural resources and an original culture of a nomadic people, as a result of the incorrect distribution of focuses and goals of the state, has a huge unrealized potential for the development of inbound and domestic tourism.

Kazakhstan has developed a number of programs aimed at effective development and implementation in the field of tourism, achieving the target indicators of its expansion. One of such programs is the State Program for the development of the tourism industry of the Republic of Kazakhstan for 2019-2025, as well as the Concept of the development of the tourism industry of the Republic of Kazakhstan. Both programs are approved by the Government of the Republic of Kazakhstan). In the list of priority changes in the above-mentioned projects are:

1. Development of tourist resources
2. Establishment of infrastructure facilities for the accessibility of tourist destinations
3. Creating a favorable tourist environment
4. Increasing the scope of marketing and promotion of the national tourism brand
5. Improvement of the management system

In addition to the tasks directly related to the development of tourism in Kazakhstan, great influence is also given to stimulating the development of small and medium-sized businesses. Today, there are more than 1000 tourist organizations operating in the tourist market. It is worth noting that the services of tourist organizations working to receive tourists from abroad are not subject to value added tax.

Kazakhstan has a huge potential, both for the development of domestic and external tourism, the reception of foreign travelers. The territory, historical and cultural heritage, wildlife in some regions, areas with excellent natural resources allow the country to receive tourists and leave its mark in memory.

Paying attention to inbound tourism, below is a graph showing that the number of incoming tourists varied depending on the political and economic situations in the world. Thus, affecting the last 10 years, we see an increase in incoming tourists until 2018. And only in 2019 there was a noticeable decline, which is due to the global economic crisis, which had a negative impact around the world.

Figure 5 International tourism, number of arrivals in Kazakhstan 2005-2020



Source: own elaboration based on World Bank Data

At the moment, as mentioned above, special attention is paid to the development of tourism in Kazakhstan. One of the reasons for the underdevelopment of tourism was the rejection of tourism as one of the spheres of economic activity.

## 4.2 Characteristics of the modern hotel market of the Republic of Kazakhstan

Due to the above-mentioned non-acceptance of tourism as an economic activity, accordingly, the hotel sector in the country has not been sufficiently developed. One of the main problems of their development is the poorly established marketing policy of the country, as well as the inefficient allocation of funds for the development of hotels.

In some hotels, the price does not match the quality, since the structure of the hotel was not properly worked out initially. However, despite the disparity of hotels in Kazakhstan, below is a table with the structure of hotels in the country.

*Table 1 Structure of hotel market in Kazakhstan as per 2020 year*

Hotel market sectors	Quantity	Purpose of the visit	Features
Chain hotels	18	Business	International management and standards, high level of service
Hotels with stars	117	Business and leisure	Do not always meet the assessment and standards
Hotels without category	1391	Business, recreation and entertainment	No clear positioning, often private and have a post-Soviet type
Total			

Source: own elaboration based on <https://kagir.kz/>

As can be seen from the data in the table, the number of accommodation facilities without a category prevails in Kazakhstan, as they often have a low price, but the quality also wants to remain the best. Only 1% of all hotels belong to the network type, where there is a high level of service and location in such large cities as Almaty, Astana, Shymkent, Aktau, etc.

The stable development of the hotel industry largely depends on the state of the marketing environment in the country and on market opportunities. Marketing opportunities are favorable circumstances that businesses can use to extract development opportunities. Hotels that clearly monitor changes in the external environment and how they affect business development will be able to form a marketing strategy, and the analysis of the external environment will make it possible to effectively use the prospects of the market. To strengthen the hotel business, it is necessary to improve the service sector through trainings and professional seminars to improve the quality of service.

As the analysis of the hotel market has shown, there are many competitors, but at the same time, the size of competitors can be divided into three groups: the first group is large 4- and 5-star hotels, the second group is medium 2- and 3-star hotels and the third group are

small hotels offering a list of basic services. If we talk about the maturity of the hotel services market in Kazakhstan, the market is moving into a phase of maturity. There is still an increase in the number of hotels and sales volumes, the development of new types of hotels. But it is also worth noting that there is a low level of development of the industry because hotels have no incentive to meet the "high" requirements of the consumer, because there are few consumers, but they are willing to pay fairly high prices.

### **4.3 Distribution of hotels by region**

Thanks to the map below it is possible to define in which regions located all main cities. Main cities in each region are:

1. South Kazakhstan: Almaty, Shymkent, Taraz, Kyzylorda.
2. North Kazakhstan: Astana, Pavlodar, Kostanay, Petropavlosk;
3. East Kazakhstan: Uralsk, Aktobe, Atyrau, Aktau.
4. West Kazakhstan: Oskemen, Semey.
5. Central Kazakhstan: Karaganda, Zhezkazgan.

The most attractive and important objects of the tourism are in the South of the country, they are known as the first settled settlements of Kazakhstan: Turkestan, Otrar, Baba- ata, Taraz, Talgar, Taldykorgan.

It is necessary to recognize the fact that Kazakhstan is less attractive for foreign tourists compared to European countries and exotic countries like Malaysia, Thailand, which in principle clarifies the underdevelopment of tourism infrastructure, weak material and technical base of the industry and little fame. If we consider the existing accommodation facilities, they differ in a very low level of comfort and service, which does not allow domestic tourist services to be competitive among other countries. Only highly qualified hotels in the cities of Almaty, Astana, Aktau and Shymkent can provide hotel services at the level of international standards.

Figure 6 Regions of Republic of Kazakhstan



Source: [www.dreamstime.com](http://www.dreamstime.com)

The hotel business in Kazakhstan consists almost entirely of private business, which is a necessary basis for the emergence of broad competition in this area and a significant reduction in the risk of monopolization. The insignificant participation of foreign capital in the domestic sphere of the hotel business may speak to a certain extent about the unattractiveness for foreign entrepreneurs of the scale of the local market and the weak recognition of Kazakhstan as a profitable region from the point of view of tourism business. In the future, with the growth of tourist and business flows, of course, the degree of interest of foreign business in investing in this area will increase. A well-known feature of the country's hotel services market is the extremely uneven distribution by region.

## 4.4 Main macroeconomic indicators

### 4.4.1 Exchange rate

The exchange rate can have a significant impact on the tourism industry in Kazakhstan. A fluctuation in the exchange rate can affect the cost of travel for foreign tourists, making it either more or less expensive for them to visit the country. If the exchange rate increases, the cost of travel will become more expensive for foreign tourists, potentially reducing the

number of visitors. Conversely, if the exchange rate decreases, the cost of travel will become cheaper, making the country a more attractive destination for foreign tourists.

The exchange rate between the US dollar (USD) and the Kazakhstani tenge (KZT) is shown in the table for the years 2005 through 2020. The right column of the table contains the exchange rates.

The statistics show that between 2005 and 2008, the value of the Kazakhstani tenge in relation to the US dollar was largely steady, oscillating between 120 and 133 KZT per USD. The influence of the global financial crisis is probably what caused the steep decline in the value of the tenge in 2009, when the exchange rate reached 147.5 KZT per Dollar.

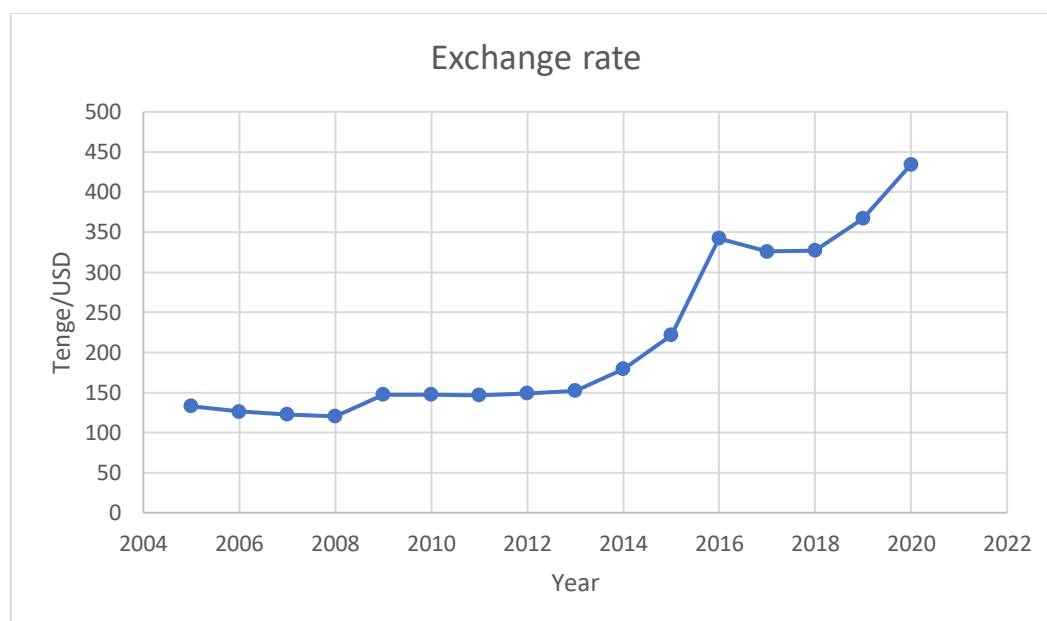
The currency rate was quite consistent between 2010 and 2014, hovering between 147 and 152 KZT per Dollar. The tenge, however, had a substantial devaluation in 2014, with the exchange rate hitting 179.19 KZT for each Dollar. This was probably brought on by the effects of declining oil prices and the slowing Russian economy, Kazakhstan's main trading partner.

The tenge continued to deteriorate in 2015 and 2016, with the exchange rate hitting 342.16 KZT per USD in 2016. This fall was probably caused by the ongoing decline in oil prices and the slowing of China's economy, another important trading partner of Kazakhstan.

In 2017 and 2018, the tenge began to stabilize, with the exchange rate holding steady at 326-327 KZT per Dollar. The tenge somewhat increased in value in 2019, with the exchange rate hitting 367.01 KZT per Dollar. Nevertheless, the COVID-19 pandemic's effects and declining oil prices caused the tenge to decline once more in 2020, with the exchange rate falling to 434.6 KZT per Dollar.



Figure 7 Exchange rate



Source: own elaboration based on <https://lsm.kz/kak-menyalsya-kurs-nacional-noj-valyuty-s-1993-goda>

Overall, the figure shows that external variables including global economic trends, oil prices, and the economic health of Kazakhstan's trade partners have had a significant impact on the value of the tenge.

#### 4.4.2 Foreign Direct Investment

The net foreign direct investment (FDI) inflows into Kazakhstan from 2005 to 2020 are shown in the figure 8. FDI, or foreign direct investment, is when a foreign corporation or individual invests in a domestic industry or company. It is a significant source of funding for emerging nations like Kazakhstan.

The data show that FDI in Kazakhstan has been erratic over time, with notable variations in net inflows. FDI net inflows increased steadily between 2005 and 2008, peaking at \$16.82 billion in 2008. Nevertheless, FDI inflows were negatively impacted by the global financial crisis of 2008, and net inflows fell to \$14.28 billion in 2009.

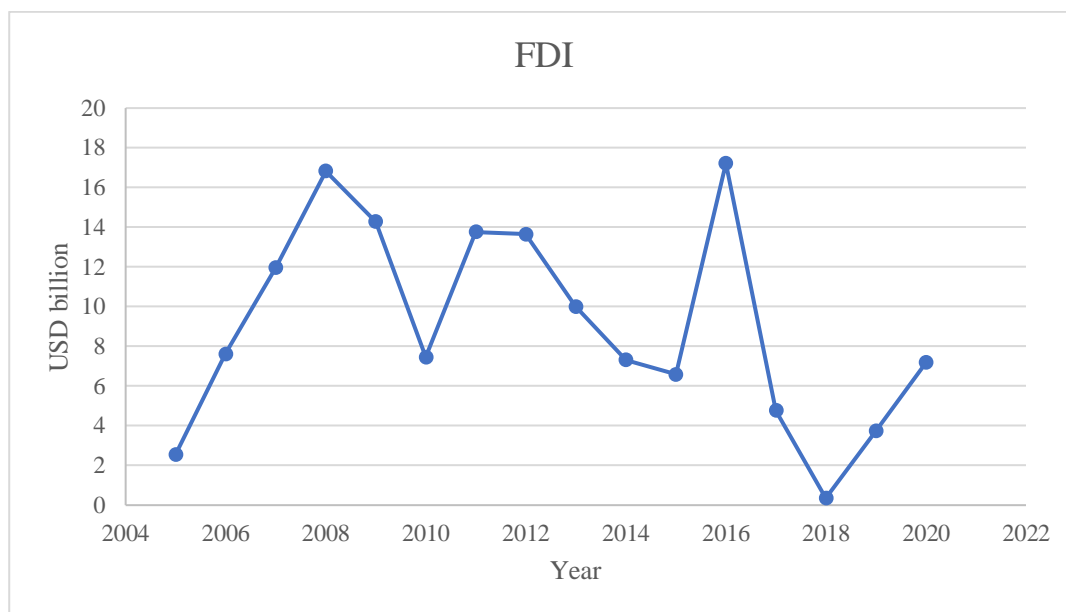
The net inflows of FDI to Kazakhstan between 2010 and 2014 ranged from \$7.31 billion to \$13.76 billion, remaining relatively modest. The global economic downturn and declining commodity prices, which had a negative impact on investor mood and decreased capital inflows to developing economies, were probably to blame for the dip.

FDI inflows to Kazakhstan sharply decreased in 2015 and 2016, hitting a low of \$6.58 billion in that year. The government's attempts to entice foreign investment through economic reforms and incentives are probably what caused the spectacular turnaround in FDI inflows that occurred in 2016, with net inflows reaching \$17.22 billion.

With net inflows of \$4.76 billion in 2017 and \$0.353 billion in 2018, FDI inflows stayed modest. FDI inflows did, however, somewhat improve in 2019 and 2020, with net inflows hitting \$3.73 billion and \$7.19 billion, respectively.

The data collectively hints that Kazakhstan's FDI inflows have been unpredictable and impacted by global economic patterns, commodity prices, and government strategies to draw in foreign investment. Kazakhstan continues to be a desirable place for international investors despite the changes because of its abundant natural resources, advantageous location, and continuous economic reforms.

Figure 8 Foreign Direct Investment (FDI) in Kazakhstan



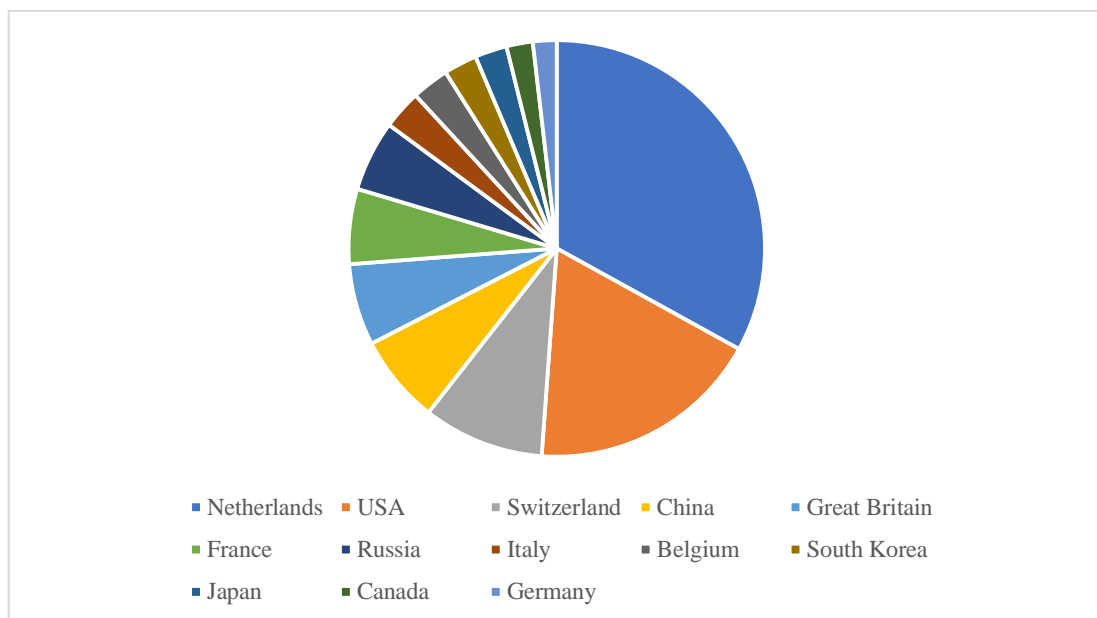
Source: own calculation based on the data from <https://data.worldbank.org/>

The figure 9 provides a visual representation of gross inflow of investments to Kazakhstan in billions of US dollars at the moment of 2020 year. The data clearly shows that the Netherlands had the highest investment, amounting to 96.9 billion US dollars, followed by the USA with 53.2 billion US dollars. Switzerland invested 27.6 billion US dollars, while China invested 20.2 billion US dollars and the United Kingdom invested 18.6

billion US dollars. The figure provides a comprehensive overview of the top countries that invested in Kazakhstan and highlights the significant contribution of these countries to the country's economy.

This information is crucial for policymakers, investors, and industry professionals to understand the investment landscape in Kazakhstan and to make informed decisions about future investments. The figure provides valuable insight into the trends and patterns of foreign investment in Kazakhstan over time and can be used to analyze the direction of future investments and to inform investment strategies.

Figure 9 Top 13 countries-investors as per 2020 year



Source: own calculation based on the data from <https://invest.gov.kz/media-center/publications-and-presentations/>

#### 4.4.3 Unemployment rate

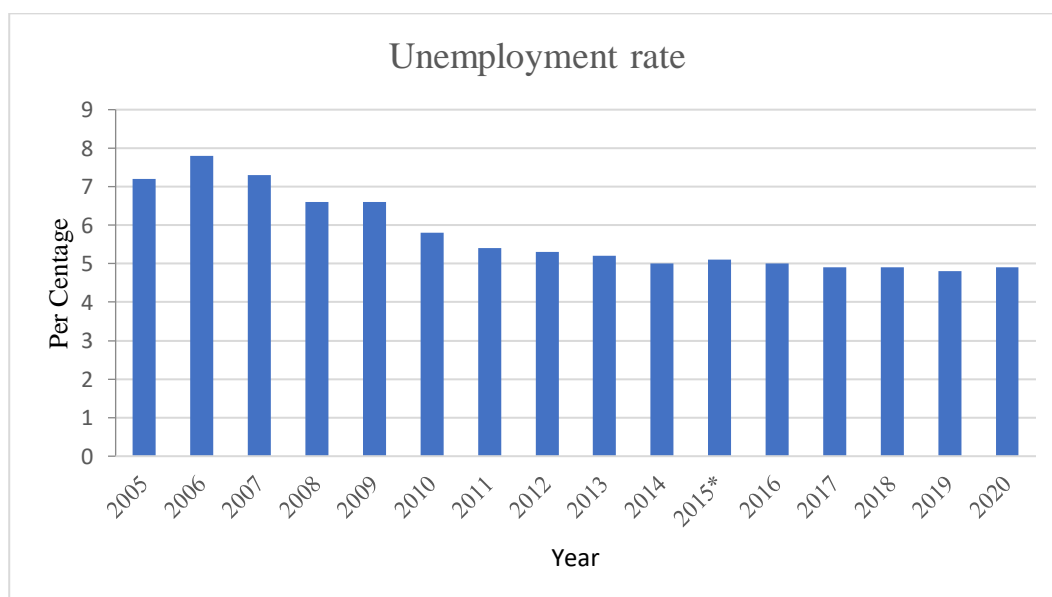
In terms of employment growth, small to medium-sized tourism businesses are growing more quickly than the average industry. This examination shows the functioning and development of tourism businesses in the modern market system as well as their contribution

Figure 10 shows Kazakhstan's unemployment rate for those of working age who are unemployed, are available for work, and are actively seeking employment. It varied from 2005 to 2020, although it consistently displayed a declining trend. The country's average unemployment rate over this time was 7.91 percent, ranging from 5.4 percent in 2018 to 12.5

percent in 2009. The unemployment rate in Kazakhstan fell to its lowest level in the previous 15 years in 2018, indicating a time of economic stability and expansion.

Nevertheless, despite this broad pattern, there were nevertheless peaks and valleys in the unemployment rate over this time. For instance, the unemployment rate increased as a result of the financial crisis in 2008, peaking in 2009. The unemployment rate in Kazakhstan was also influenced by other economic factors throughout this time, including inflation, government spending, and the state of the world economy. Despite these changes, Kazakhstan's trend of declining unemployment over the previous 15 years demonstrates that the country has made strides in enhancing its labour market and expanding job possibilities for its population.

Figure 10 Unemployment rate



Source: <https://gender.stat.gov.kz/>

#### 4.4.4 Inflation

The table and figure shows the inflation rate in the Republic of Kazakhstan from 2005 to 2020. The percentage change was calculated as (current year inflation - previous year inflation) / previous year inflation.

Table 2 Inflation changes

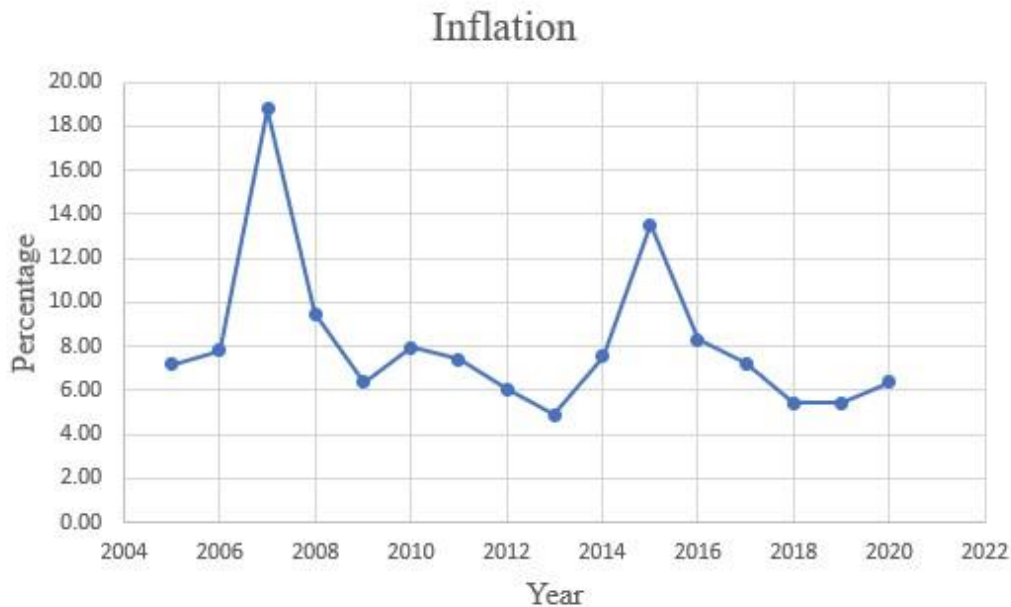
Year	Inflation	Percentage Change
2020	6.37	-
2019	5.43	18.47%
2018	5.43	0%
2017	7.22	33.04%
2016	8.29	15.09%
2015	13.53	62.91%
2014	7.54	-44.06%
2013	4.9	35.12%
2012	6.06	23.47%
2011	7.43	22.84%
2010	7.97	6.72%
2009	6.38	20.06%
2008	9.48	48.46%
2007	18.77	98.16%
2006	7.8	-58.54%
2005	7.2	-7.69%

Source: own calculation based on <https://tradingeconomics.com/kazakhstan/inflation>

The inflation rate in 2020 was 6.37%, which was the lowest among all the years listed in the table. The highest inflation rate was recorded in 2007, with 18.77%. The inflation rate in 2015 saw a significant increase of 62.91% compared to the previous year. In contrast, the inflation rate in 2014 showed a decrease of 44.06%.

The inflation rate has been relatively stable in the years 2018 and 2019, with a minor increase of 18.47% in 2019 compared to 2018. The inflation rate also showed fluctuations in the years 2011, 2012, and 2013, with increases of 22.84%, 23.47%, and 35.12%, respectively. In 2010, the inflation rate saw a modest increase of 6.72%.

Figure 11 Inflation



Source: own elaboration based on <https://tradingeconomics.com/kazakhstan/inflation>

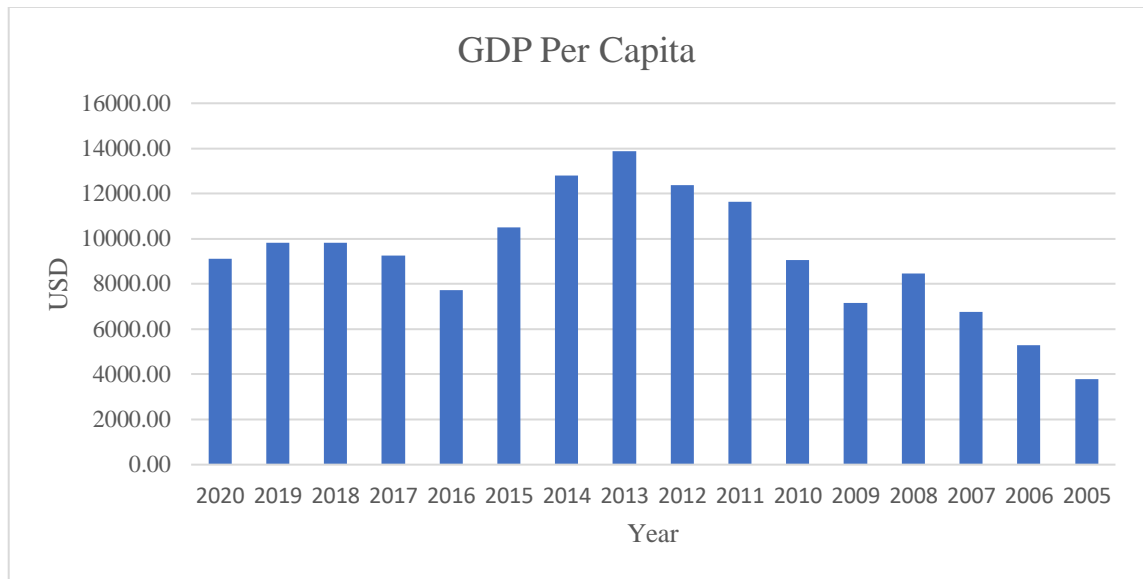
Overall, the table provides a comprehensive overview of the inflation rate in the Republic of Kazakhstan from 2005 to 2020. The fluctuations in the inflation rate reflect the impact of various economic factors on the economy of the Republic of Kazakhstan.

The inflation rate can impact the hotel business in various ways. A high inflation rate can lead to an increase in the cost of goods and services, which can cause a rise in operating costs for hotels. This, in turn, can lead to an increase in room rates, which may make the hotel less attractive to price-sensitive customers.

#### 4.5 Economic growth impacted by growth of the hotel industry

The nation's GDP per capita has varied throughout time, trending generally higher until 2014, when it reached a high of 12807. Nonetheless, the GDP per capita has decreased since 2015, with some small changes. The GDP per person in 2020 was \$9121.64. Insights for politicians and investors intending to make decisions based on the country's economic health may be gained from these variations in GDP per capita, which may signal changes in the economic performance of the nation.

Figure 12 GDP per capita



Source: <https://datacatalog.worldbank.org/dataset/world-development-indicators/>

The hotel and tourist sectors are important to the economy of many nations and may have a big effect on their expansion. Analyzing the links between different economic indicators and tourism-related features is crucial for understanding the dynamics between the tourist sector and a nation's overall economic performance. Correlation analysis is a helpful technique in this situation for determining the strength and direction of these associations.

#### 4.6 Correlation analysis

Correlation analysis will be used to calculate the Pearson correlation coefficients and then, as a consequence, to determine the level of significance of the relationship of the considered indicators. The Pearson correlation coefficient was chosen because, among other factors, it uses in case if both variables are quantitative. As a rule, correlation coefficients can take both positive and negative values. The correlation analysis will be carried out based on the data from Table 3.

The hotel and tourist sectors are important to the economy of many nations and may have a big effect on their expansion. Analysing the links between different economic indicators and tourism-related features is crucial for understanding the dynamics between the tourist sector and a nation's overall economic performance. Correlation analysis is a

helpful technique in this situation for determining the strength and direction of these associations.

Table 3 Macroeconomic & tourist indicators

GDP Per Capita	FDI	Inflation	Unemploy.	Exchange Rate	Number of Tour.	Spent on tourism
Thousand USD	Billion USD	Percentage	Percentage	KZT/USD	Millions	Billions USD
9,121.60	7.22	6.37	4.90	434.60	2.04	0.86
9,812.60	3.73	5.43	4.80	367.01	8.52	2.96
9,812.60	0.35	5.43	4.80	327.01	8.79	2.85
9,247.60	4.76	7.22	4.90	326.00	7.70	2.69
7,714.80	17.22	8.29	5.00	342.16	6.51	2.58
10,510.80	6.58	13.53	4.90	221.73	6.43	3.05
12,807.30	7.31	7.54	5.10	179.19	6.33	3.77
13,890.60	10.01	4.90	5.20	152.13	6.84	3.77
12,386.70	13.65	6.06	5.30	149.11	6.16	3.61
11,634.00	13.76	7.43	5.40	146.62	5.69	1.83
9,070.50	7.46	7.97	5.80	147.35	4.10	1.49
7,165.20	14.28	6.38	6.60	147.50	3.77	1.32
8,458.00	16.82	9.48	6.60	120.30	4.12	1.36
6,771.40	11.97	18.77	7.30	122.55	5.31	1.40
5,291.60	7.61	7.80	7.80	126.09	4.71	1.06
3,771.30	2.55	7.20	8.10	132.88	4.37	0.94

Source: based on the data above

Seven different variables—GDP per capita, FDI, inflation, the exchange rate of the tenge to the US dollar, unemployment rate, spent on tourism by tourists and the number of tourists—are shown in the correlation table as pairwise relationships. The hotel and tourist sectors are important to the economy of many nations and may have a big effect on their expansion.



Table 4 Correlation analysis

	<i>GBP p.c.</i>	<i>FDI</i>	<i>Inflation</i>	<i>Unemploy.</i>	<i>Ex.Rate</i>	<i>Num.of Tour.</i>	<i>Spent on Tour.</i>
<i>GDP p.c.</i>	1.00						
<i>FDI</i>	0.09	1.00					
<i>Inflation</i>	-0.37	0.63	1.00				
<i>Unemploy.</i>	-0.76	0.10	0.31	1.00			
<i>Ex.Rate</i>	0.09	-0.35	-0.17	-0.66	1.00		
<i>Num.of Tour.</i>	<b>0.41</b>	<b>-0.34</b>	<b>-0.14</b>	<b>-0.50</b>	<b>0.28</b>	1.00	
<i>Spent on Tour.</i>	<b>0.79</b>	<b>-0.09</b>	<b>-0.38</b>	<b>-0.68</b>	<b>0.15</b>	0.76	1.00

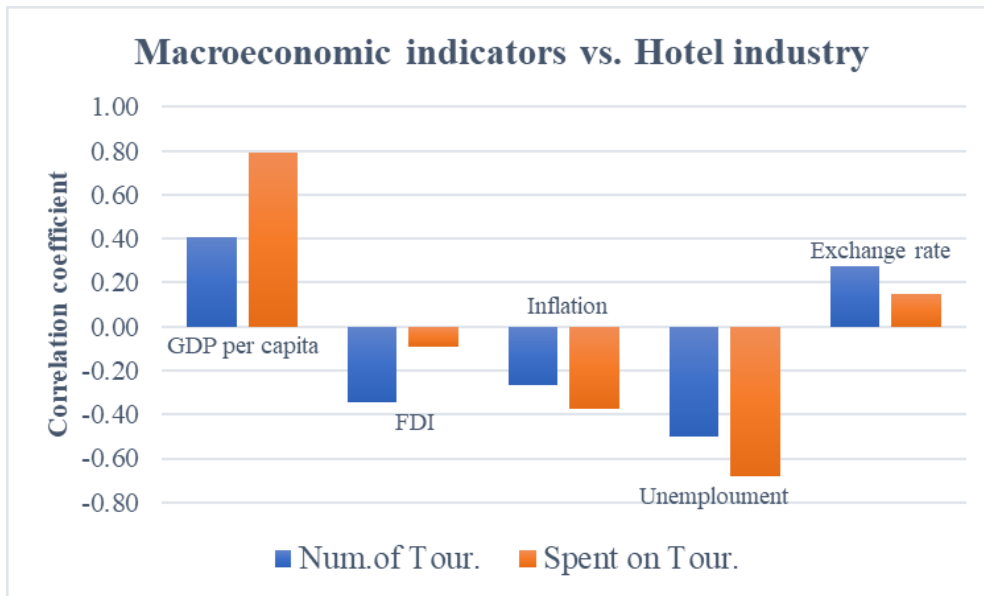
Source: own calculations based on the data above

The correlation coefficient  $r$  indicates the power of the linear relationship between  $x$  and  $y$ . In addition, the reliability of the model depends on how many observations are in the sample. To understand the degree of correlation, it is necessary to look at both the correlation coefficient and the sample size. The Pearson correlation coefficient can be used to check whether the relationship between two indicators is significant. Table 4 shows the correlation coefficients that were calculated between each of the two tourism indicators and each of the five macroeconomic indicators. To determine the significance between the relationships of variables, a test will be conducted.

#### 4.6.1 Evaluation of the relationship of correlation coefficients

The Pearson Correlation coefficient ( $\rho$ ) is one of the commonly used methods for measuring linear correlation. The relationship between the two variables is determined in the interval between -1 to 1, depending on the location of the coefficient, its strength and direction of the two variables are determined. This study evaluates the relationship between the selected indicators of the hotel industry (The number of tourists and the indicator Spent on tourism) and macroeconomic indicators.

Figure 13 Macroeconomic indicators vs hotel industry



Source: own calculation based on the data above

According to Figure 13, GDP per capita has a moderate positive trend with the number of tourists (0.41) and a strong positive trend with the indicator spent on tourism (0.79). Which indicates that with an increase in the number of tourists, GDP per capita will also increase, but it has an indistinctly stable linearity. In turn, the correlation between GDP per capita and the indicator spent on tourism indicates that the growth of indicators will go in almost one way.

FDI has a moderate negative correlation with the number of tourists (-0.34) and very weak with the indicator spent on tourism (-0.09). A moderate negative correlation means that there is some relationship between the two variables, but that there's also a lot of randomness affecting one or both variables, so the direct relationship isn't strong, but it's certainly noticeable. In turn, FDI and the indicator spent on tourism are almost at zero, which means a minimal relationship.

Such a macroeconomic indicator as inflation has a moderate negative relationship with the indicator spent on tourism (-0.38) and a weak negative relationship with the number of tourists (-0.27). Thus, inflation and the amount spent on tourism do not have a strong, but

tangible correlation, while inflation and the number of tourists have a weak correlation, which means a decrease in one indicator relative to the second will be in a weak manner.

Tourism indicators and unemployment indicators have a strong negative relationship. The correlation coefficient of unemployment and the number of tourists is -0.5, and the coefficient of the indicator spent on tourism with the unemployment rate is -0.68. Which suggests that if one of the tourist or macroeconomic indicators will increase, then the other will decrease in one magnitude.

Exchange rate has a significant positive association with GDP per capita (correlation coefficient of 0.899), showing that there is a strong propensity for GDP per capita to rise when the tenge appreciates versus the USD. Tenge to USD also has a slender positive association with FDI (correlation coefficient of 0.093), indicating that there may be a minor trend for FDI to rise when the tenge appreciates.

Last but not least, the exchange rate has a weak positive correlation with both tourist indicators, which oddly enough suggests that the indicators tend to increase, but in a weak and unstable manner.

Table 5 T value calculation

T Value		
Macroeconomic indicators	Num.of Tourists	Spent on Tourism
<i>GDP p.c.</i>	1.66	4.86
<i>FDI</i>	-1.37	-0.34
<i>Inflation</i>	-0.53	-1.52
<i>Unemploy.</i>	-2.18	-3.46
<i>Ex.Rate</i>	1.08	0.56

Source: own calculation based on the data above

Table 5 shows the calculations of 2 tourism indicators separately for each macroeconomic indicator. Based on the results obtained, it can be concluded that the t-test will be conducted in two directions and therefore is a two-tailed one. Since we got both positive and negative values.

In order to understand whether there is a statistically significant relationship between macroeconomic indicators and tourist features, a table of critical values will be used.

Table 6 The table of critical values

	P						
one-tail	0.1	0.05	0.025	0.01	0.005	0.001	0.0005
two-tails	0.2	0.1	0.05	0.02	0.01	0.002	0.001
DF							
1	3.078	6.314	12.706	31.821	63.656	318.289	636.578
2	1.886	2.92	4.303	6.965	9.925	22.328	31.6
3	1.638	2.353	3.182	4.541	5.841	10.214	12.924
4	1.533	2.132	2.776	3.747	4.604	7.173	8.61
5	1.476	2.015	2.571	3.365	4.032	5.894	6.869
6	1.44	1.943	2.447	3.143	3.707	5.208	5.959
7	1.415	1.895	2.365	2.998	3.499	4.785	5.408
8	1.397	1.86	2.306	2.896	3.355	4.501	5.041
9	1.383	1.833	2.262	2.821	3.25	4.297	4.781
10	1.372	1.812	2.228	2.764	3.169	4.144	4.587
11	1.363	1.796	2.201	2.718	3.106	4.025	4.437
12	1.356	1.782	2.179	2.681	3.055	3.93	4.318
13	1.35	1.771	2.16	2.65	3.012	3.852	4.221
14	1.345	1.761	2.145	2.624	2.977	3.787	4.14
15	1.341	1.753	2.131	2.602	2.947	3.733	4.073

Source: (How to Read the t-Distribution Table, 2020)

To determine whether the relationship between each of the macroeconomic indicators and the number of tourists/spending on tourism is significant the table above will be used, the generally accepted significance level of 0.05 and the two-tailed direction will be taken as a basis. Thus, in the case under study, as mentioned above, the significance level is 0.05 and the degree of freedom is 14. According to the table of critical values, it was determined that the comparison with the absolute value of the t-value to the critical value of 2.145 will be provided.

#### 4.6.2 Determination of statistical significance

Based on Table 5, we see the calculated value of t between the number of tourists, the value of spent on tourism and related macroeconomic indicators. Now let's compare the absolute value of t and the critical value of t and calculate which of the indicators has a statistical significance of the relationship, and which ones do not. Since a two-tailed t-test is being performed, the critical value will be used as negative, i.e. -2.145 and as positive 2.145.

Thus, the results will be statistically significant if the value of t is less than the critical negative and more than the critical positive.

1. GDP p.c.: t-value =  $1.66 < 2.145$
2. FDI: t-value =  $-1.37 > 2.145$
3. Inflation: t-value =  $-0.53 > -2.145$
4. Unemployment: t-value =  $-2.18 < -2.145$
5. Exchange Rate: t-value =  $1.08 < 2.145$

Thus, we can conclude that GDP per capita, unemployment and the exchange rate do not have a statistically significant relationship with the number of tourists coming to the country. The data doesn't allow you to reject the null hypothesis and doesn't provide support for the alternative hypothesis. However, there is a statistical significance of the relationship between FDI and inflation with the number of tourists as critical value is less than calculated t-values for each indicator. The data allows you to reject the null hypothesis and provides support for the alternative hypothesis.

Let's determine the significance of macroeconomic indicators and the indicator spent on tourism:

1. GDP p.c.: t-value =  $4.86 > 2.145$
2. FDI: t-value =  $-0.34 > -2.145$
3. Inflation: t-value =  $-1.52 > -2.145$
4. Unemployment: t-value =  $-3.46 < -2.145$
5. Exchange Rate: t-value =  $0.56 < 2.145$

In this case, when evaluating macroeconomic indicators and values of spent on tourism, we come to the conclusion that the indicators of GDP per capita, FDI, inflation have a statistically significant relationship with the values of spending on tourism. Which means the data allows you to reject the null hypothesis. The remaining indicators are less than the critical value which means they have no statistical significance of the relationship and doesn't allow you to reject the null hypothesis and doesn't provide support for the alternative hypothesis.

Summing up, the statistically significant relationships were proved with two identical macroeconomic values, this is FDI and inflation, the indicator spent on tourism also had a statistically significant relationship with GDP per capita.

## 5 Results and Discussion

1. What are the regional disparities in the volume of hotel services in the Republic of Kazakhstan?

Having analysed and compiled a table with the number of hotel accommodations in Kazakhstan the conclusion is as follows: the two cities belonging to the Akmola and Southern regions of Kazakhstan are the most attractive both in terms of accommodation of hotel sectors and in terms of tourist attendance. Since these cities are endowed with great cultural heritages, histories, and well-established infrastructure.

The demand for hotel services is rather modest and there aren't as many hotel rooms in Kazakhstan's other regions, like the Eastern, Western, and Northern regions. This might be ascribed to a lack of infrastructure, poor transportation options, and insufficient marketing and promotion to draw tourists to these areas. This variation in the number of hotel services throughout Kazakhstan's regions emphasizes the need for more funding for infrastructure and the growth of the travel industry in the underserved areas. This can enhance economic growth in these areas and level out the distribution of tourism.

2. What are the tendencies of hotel services development in Kazakhstan?

The trends in the development of the hotel business are slightly ambiguous due to the sufficient isolation of this sector from the rest of the components of tourism and the economy. In general, according to statistics, the number of trips within the country has increased in the country, which gives hope for the full development of domestic tourism. The trends also include the fact that the country focuses more on the construction of health complexes than on the construction of hotel chains, which indicates a slight stagnation in the market and the lack of a strategy for the development of this business.

3. What are the shortcomings and prospects of hotel business in Kazakhstan?

The disadvantages include the non-perception of the tourism and hotel sectors, respectively, as a type of economically active activity, as well as the unclear distribution of resources in this area. Due to underdeveloped marketing services, the hotel business is often responsible for itself, without additional support.

The prospects include the developing policy towards tourism, the creation and signing of programs to improve and develop tourism in the country. With the establishment of the infrastructure of cities, comes the establishment of hotel services. It is also worth noting that

the popularity of domestic tourism is growing in the country, so the population itself can raise the level in the country.

4. Is there a statistically significant relationship between indicators related to hotel business development in Kazakhstan and selected macroeconomic indicators (i.e., GDP per capita, Unemployment rate, FDI in tourism etc.)?

Based on the conducted research, here are the most significant trends that have developed between macroeconomic and tourism indicators related to the hotel business:

**Inflation:** High inflation rates can impact the hotel business by reducing consumer spending power. This can lead to a decrease in demand for hotel services, as consumers are less likely to spend money on travel and leisure. Thus, in the analysis of the relationship, a statistically significant relationship between inflation and tourist indicators was proved, which indicates its importance for tourism and the country's hotel business.

**Unemployment rate:** A high unemployment rate can negatively impact the hotel industry, as fewer people are employed and have the financial means to spend money on travel and leisure. A decrease in the unemployment rate, on the other hand, can increase consumer spending power and boost demand for hotel services. However there's no significant relationship between selected hotel business indicators and unemployment in this research.

**Gross Domestic Product (GDP):** An increase in consumer spending, especially spending on travel and leisure, is typically correlated with a rising GDP. This might result in a rise in demand for hotel services, which would help Kazakhstan's hotel industry expand. In addition to the previously mentioned factors, there is a significant relationship between the indicators related to hotel business development in Kazakhstan and GDP per capita. As GDP per capita increases, so does the consumer spending power, which can lead to an increase in demand for hotel services.

Increase in FDI creates job opportunities and contributes to the overall economic growth of the country. Therefore, there may be a statistically significant relationship between the hotel industry's indicators and FDI in tourism.

Exchange rate fluctuations can also impact the hotel industry in Kazakhstan. For instance, a depreciation in the exchange rate of the Kazakhstani tenge against major currencies, such as the US dollar, can make it more expensive for foreign tourists to

travel to Kazakhstan. This can lead to a decrease in the number of visitors served by hotels, which can negatively impact the hotel industry's development.



## **6 Conclusion**

The purpose of this bachelor thesis was to find out the trends in the development of the hotel business and economic growth in a particular state, which was Kazakhstan. The literary review described the history of the hotel business, the importance of the hotel business for the economic development of countries, as well as the main trends in the development of the hotel business and the factors influencing it. Macroeconomic indicators related to economic growth and development of the hotel business have become an important part of the literary review of this thesis. During the study of the above topics, it was revealed that the hotel industry has been developing for a long time but is an integral part of tourism.

The hotel business has a positive impact on the country's economy, providing services to tourists, as well as creating new jobs for the local population. A significant part of the profit goes to the state, which is also a plus for the state. Hotels are divided by types, one of the important trends in the development of the hotel business is the creation of hotel chains that can provide the state with high-quality services, reducing time and attracting foreign investment to the state.

The hotel business is competitive and is in a business market with a high level of change. Therefore, we can conclude that this business is able to quickly adapt to external changes.

The practical part of this bachelor's work consisted in the study of the market of tourism and hotel business in the Republic of Kazakhstan. Identification of the main macroeconomic indicators affecting its development, as well as determining how the hotel business is distributed in the regions of the country.

The development of the hotel business in Kazakhstan can be divided into 2 periods, the first period immediately after independence and up to the 2000s, the second period after the 2000s and to this day. In the first period in Kazakhstan, the hotel business developed spontaneously, and it was not given enough attention, since the hospitality focused on other aspects of the country's economy. Due to the lack of strategies and plans for the development of tourism in the country, the hotel business had almost no strong influence.

Summing up, Kazakhstan remains on the list of developing countries, which has something to strive for. A rich cultural history, natural resources, as well as a stable political situation attract tourists to Kazakhstan. However, the country should improve the domestic

economy of the country, as well as pay special attention to the development of the tourism sector.

Kazakhstan's hotel industry makes a major contribution to the nation's economy and is influenced by a number of political and economic variables, such as GDP, the number of tourists staying in hotels, the country's inflation and Foreign Direct Investments, and so on. These elements may have a substantial impact on the demand for hotel services, which may then have an impact on the industry's expansion and development.

A healthy environment for the hotel sector to flourish can be created by a stable and expanding economy with low rates of inflation and unemployment, a growing GDP, and a large number of tourists. This may result in greater industrial investment, expansion, and employment possibilities, promoting national economic growth. An expanding hotel sector can also draw more foreign visitors, which will help the economy.

It is significant to remember that the hotel sector is extremely competitive and impacted by changes in customer demand and macroeconomic factors. Hotels must consistently adjust to shifting market conditions and customer preferences in order to remain profitable. By making investments in cutting-edge technology, enhancing customer support, and providing unique goods and services, this can be accomplished.

In conclusion, Kazakhstan's hotel industry has the ability to significantly contribute to the nation's economic growth and the creation of job opportunities. In a strong, expanding economy with lots of tourists and a rising GDP, the industry is anticipated to expand and prosper.

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## 9 Appendix

Appendix 1 t- Distribution table with the degrees of freedom and alpha levels

	P						
	0.1	0.05	0.025	0.01	0.005	0.001	0.0005
one-tail	0.1	0.05	0.025	0.01	0.005	0.001	0.0005
two-tails	0.2	0.1	0.05	0.02	0.01	0.002	0.001
DF							
1	3.078	6.314	12.706	31.821	63.656	318.289	636.578
2	1.886	2.92	4.303	6.965	9.925	22.328	31.6
3	1.638	2.353	3.182	4.541	5.841	10.214	12.924
4	1.533	2.132	2.776	3.747	4.604	7.173	8.61
5	1.476	2.015	2.571	3.365	4.032	5.894	6.869
6	1.44	1.943	2.447	3.143	3.707	5.208	5.959
7	1.415	1.895	2.365	2.998	3.499	4.785	5.408
8	1.397	1.86	2.306	2.896	3.355	4.501	5.041
9	1.383	1.833	2.262	2.821	3.25	4.297	4.781
10	1.372	1.812	2.228	2.764	3.169	4.144	4.587
11	1.363	1.796	2.201	2.718	3.106	4.025	4.437
12	1.356	1.782	2.179	2.681	3.055	3.93	4.318
13	1.35	1.771	2.16	2.65	3.012	3.852	4.221
14	1.345	1.761	2.145	2.624	2.977	3.787	4.14
15	1.341	1.753	2.131	2.602	2.947	3.733	4.073
16	1.337	1.746	2.12	2.583	2.921	3.686	4.015
17	1.333	1.74	2.11	2.567	2.898	3.646	3.965
18	1.33	1.734	2.101	2.552	2.878	3.61	3.922
19	1.328	1.729	2.093	2.539	2.861	3.579	3.883
20	1.325	1.725	2.086	2.528	2.845	3.552	3.85
21	1.323	1.721	2.08	2.518	2.831	3.527	3.819
22	1.321	1.717	2.074	2.508	2.819	3.505	3.792
23	1.319	1.714	2.069	2.5	2.807	3.485	3.768
24	1.318	1.711	2.064	2.492	2.797	3.467	3.745
25	1.316	1.708	2.06	2.485	2.787	3.45	3.725
26	1.315	1.706	2.056	2.479	2.779	3.435	3.707
27	1.314	1.703	2.052	2.473	2.771	3.421	3.689
28	1.313	1.701	2.048	2.467	2.763	3.408	3.674
29	1.311	1.699	2.045	2.462	2.756	3.396	3.66
30	1.31	1.697	2.042	2.457	2.75	3.385	3.646
60	1.296	1.671	2	2.39	2.66	3.232	3.46
120	1.289	1.658	1.98	2.358	2.617	3.16	3.373
1000	1.282	1.646	1.962	2.33	2.581	3.098	3.3
Inf	1.282	1.645	1.96	2.326	2.576	3.091	3.291

Source: (How to Read the t-Distribution Table, 2020)