

**IMPLEMENTATION OF THE RECOMMENDATIONS OF THE WORLD TOURISM ORGANISATION  
IN DETERMINATION OF TOURISTS EXPENSES IN GEORGIA****Nino ABESADZE***I.Javakhishvili Tbilisi State University , 0177, Georgia  
ninka\_abesadze@yahoo.com***Nino PARESASHVILI***I.Javakhishvili Tbilisi State University , 0177, Georgia  
nino.paresashvili@tsu.ge***Abstract**

*The most important direction for tourism statistics is tourism and expenses that include tourism value assessment, which is necessary to assess its influence on the national economy, including the balance sheet, as well as the description of tourism industry sectors. It is therefore necessary to define the classification of the expenses, which is a necessary indicator of statistical study of tour expenses.*

***The main purpose** of the thesis is to identify the problems of introduction of the World Tourism Organization's recommendations for tourism expenditure in Georgia.*

***Research methodology.** The paper uses methods of analysis and synthesis, induction and deduction, statistical observation and grouping methods*

***Findings.** Tourist expenses include the expenses of goods and services purchased during a tourist trip, regardless of whether they are purchased or for others. This includes both the expenses incurred by tourists, as well as the expenses paid or paid by others. Travel costs exclude acquisitions that benefit benefits to the visitor. All individual goods and services that the National Accounts System considers to be a part of tourism expenditure may be the use of goods or services. In addition to the expenses incurred by the visitors and the goods, tourist expenses include: The expenses incurred by the employer on the traveling goods and services of the employee; Visitor's Cash Flow financed by third parties, expenses incurred by the visitor for individual services, secured and subsidized by government and NGOs in education, health, art and other fields; Small expenses incurred by employees employed by travelers and their families; Additional expenses incurred by the visitors, mainly covered by the manufacturers of the sport or cultural events. It is necessary to examine the type of expenses that the tourist can travel while traveling, but not the tourism expenses. For example, taxes and liabilities are covered by any type of expenses, including expenses incurred when traveling or traveling, to purchase financial and non-financial assets, purchase of goods for sale, all kinds of money in cash, such as charitable organizations or other individuals Because they do not comply with the purchase of goods and services.*

***Keywords:** tourist, expense, classification, service, accounting*

***JEL classification:** C1*

**I. INTRODUCTION**

One of the most important things in the every country's economy in 21st century is Tourism. Tourism and hospitality sector in the national and global economy is the leading type of social activity. (Khasanov, 2015) Economically, tourism has growing importance to many nations and is recognized as the largest export earner in the world and an important provider of foreign exchange and employment.( Paresashvili, Maisuradze, 2016 )

For estimation of events in a tourism field, as well as for detection of trends and determination of statistical rules, we need objective information that requires perfect adaptation of international techniques of statistical accounting of tourism and practical implementation of these techniques on-site. Currently tourism statistics is at the stages of transformation and perfection in Georgia.(Abesadze, Mindorashvili, Paresashvili, 2017 pp.1097)

Nowadays, calculation of indicators of tourism and therefore, their quantitative analysis is not possible as yet in Georgia. In terms of the lack of provision of information, it is impossible to precisely determine the tourism potential with all its expected results and forecasts ( Abesadze, 2018).

Tourism revenues and expenditures are the most important direction of tourism statistics; this includes value assessment of tourism, which is essential for assessing its impact on national economy. In particular, it includes balance of payment, as well as description of the sectors in tourism industry. Therefore, it is necessary to determine the classification of expenditures that is an essential indicator for the statistical study of tourism expenditures.

And yet, what kind of spending is considered as tourism expenditure?

Tourism expenditures refer to spending on goods and services purchased during a tourist trip whether they are bought for one's own use or for others. This includes both the expenses paid by tourists, as well as the expenses paid or financed by others. Purchasing the goods, which provide benefit to visitors are not included in tourism expenditures; e. g. the use of accommodation services if received from one's own vacation property, as well as other intermediary and indirectly measured costs. These belong to inclusive concept of tourism consumption.

## **II. RESULTS**

All individual goods and services that the System of National Accounts (SNA) considers as consumption of goods and services (which meet the needs and requirements of individuals) may be part of tourism expenditures. This includes visitor spending on typical services like transportation, accommodation, food, drinks, etc., as well as other valuables (paintings, jewelry, work of art, etc.) purchased during the trip regardless of their unit value, as well as goods for long-term use (computers, machines, etc.), prepared and unprepared food, locally produced or imported goods, personal services and others.

Besides the visitors' spending on goods and services, tourism expenditures include:

Expenses incurred by the employer on the goods and services of the employee during his/her trip;

Money expenditure of a visitor funded by a third party, whether it is an employer (business providing service for households, government and non-government organizations), other household or social insurance;

A visitor's expenses on individual services guaranteed and subsidized by the government or by non-government organizations in the fields of education, health, art, etc.;

Small expenses incurred by the employee for travelling employees and their families like subsidized transportation, accommodation, staying at holiday houses and other services;

Additional expenses by visitors on attending sport and cultural events, mostly funded by producers (business providing service for households, government and non-government organizations).

Tourism expenditures do not include all kind of expenses incurred by a visitor; it does not include the expenses which is not used for purchasing goods and services, in particular:

Paying taxes and liabilities, which is not included in the price of a product purchased by a visitor;

Any type of interest, including expenses incurred while travelling or getting ready for travelling;

Acquisition of financial and non-financial assets including land and real estate, but excluding valuables;

Purchasing goods for resale, whether on behalf of a third party (producers or others) or one's own;

Any kind of transfer of money to charitable organizations or other people (mainly families and relatives), gifts, as they are not regarded as purchase of goods and services.

Costs related to buying, repairing and substantial improvement of houses and real estate is considered as capital expenditures in the SNA and the balance of payments, even when they are bought by households. In addition, they do not comply with the concept of consumption. It is recommended to exclude them from tourism expenses. Costs related with residential houses generally paid by the owner as a producer of the service should be excluded from tourism expenditures.

Time is very important in tourism expenditures as transportation, accommodation and other services are bought or booked long before actual consumption of such services or the payment can be carried out with a credit card or a special loan taken for this purpose.

According to the SNA rules, final consumption of the household is not considered the time of purchasing, but the moment when property rights are transferred or the service is delivered. The same rules refer to tourism expenses: consumption expenses for transportation services will be considered directly during using transportation, expenses incurred on accommodation – directly while staying at the accommodation; expenses incurred on the services provided by travel agencies will be considered when tourism services are booked; etc. All expenses incurred on goods and services during a trip are part of tourism expenditures.

In addition, the expenses incurred on all the services related to travelling (e.g. passport services, medical examination, travel agency expenses, etc.) before starting a trip belong to tourism expenditures. Besides, all the goods purchased specially for travelling (special clothes, medicines, etc.) before departure, as well as the goods intended as gifts are included in travel expenses.

Although tourism expenses are always related to the people traveling or willing to travel outside the usual environment, goods and services can be purchased at the visitor's usual environment and at any other place the tourist is visiting. This may depend on the nature of goods and services purchased (fuel for travelling, services provided by travel agencies, etc.) or on the individual and specific behavior of the visitor (some of them prefer to buy the clothes and other goods that they need for travelling beforehand, while others like to buy these things during their trip as part of their tourist spendings).

Proceeding from the above-said, depending on the forms of tourism, three categories of tourism expenses can be identified:

Domestic tourism expenses – expenses of the residents of the given country traveling only within this country;

Inbound tourism expenses – expenses of the non- resident traveling in the given country;

Outbound tourism expenses – expenses of the residents of the given country traveling outside the country. ( Abesadze, Mindorashvili, Paresashvili, 2018)

It is worth noting that all the expenses related to a particular trip do not belong to the same category; in particular, expenses related to the domestic and outbound tourism may include the spendings on the goods imported from other countries. However, such expenses can be included in domestic and outbound tourism related expenses only if these goods are produced by the resident producer of a specific country.

Delivery of goods to residents in the economic territory by non-resident carriers is considered as a special case. This case is outlined in the balance sheet and is most probably to take place in terms of Open Skies agreements. One more problematic issue arises when the goods intended for domestic travellers are purchased through the internet from international suppliers. In this case, the purchase of a service provided by a non-resident (transportation and retail trade services) should be considered as domestic tourism expenses, as no other economic area is identified. Due to conceptual sequencing, the costs that include transfers from residents to non-residents are considered as outgoing tourism expenses, even though the visitor does not cross the geographical boundaries.

Inbound tourism expenditures include only spendings on the goods purchased in a particular country. Adding up the inbound tourism expenses related to a particular trip and the expenses incurred to other countries during the same trip might be interesting for the policy formation purposes – to compare total tourism expenditures while travelling in a particular country to the expenditures in other countries.

Outbound tourism expenditures include not all spending on goods and services purchased by outbound tourists, but only the expenses incurred outside a particular country. Spending on the goods and services purchased by outbound travellers in a particular country is included in internal tourism expenditures.

Depending on the above-mentioned factors, we can provide another classification of tourism expenditures:

Internal tourism expenditures includes all the expenses incurred by resident and non-resident visitors in a particular country. This is the sum of domestic and inbound tourism expenditures. It also includes the cost of the goods and services imported in a particular country purchased by the visitors. This indicator is the most comprehensive measure of the country's tourism expenditures;

National tourism expenditures consist of all the expenditures of the resident visitors within and outside of a particular country. This is the sum of domestic and outbound tourism expenditures. (Abesadze, Mindorashvili, Paresashvili, 2018)

We can also determine the international tourism expenditures, but it has no real economic significance as it will be the sum of spendings of non-resident visitors in the particular country (export) and spendings of the residents outside this particular country (import).

Assessment of tourism expenditures depends on the forms of purchasing goods and services. In case of a market deal, assessment shall be made at the price of the buyer, which corresponds to the value of the unit of goods paid by the visitor. This price should include all the costs, including mandatory costs and voluntary costs, e.g. leaving a tip at restaurants and hotels. Discounts for non-residents on sales tax and VAT should be also taken into consideration, even when it takes place at the borders as it reduces the actual price paid by the visitors.

**For ensuring being informed on tourism expenditures, it is recommended to apply classification of expenditures by their purpose. The most common way to receive information from visitors about their expenses is to ask them to group their expenses according to their purpose. This process should be carried out according to classification of individual consumption by purpose (COICOP).**

The most commonly used and recommended categories for tourism statistics are:

Complex trips, service packages for leisure trips and complex tours;

Accommodation;

Food and drinks;

4. Local transport;

5. International Transport;

6. Recreational, cultural and sporting events;

7. Shopping;

8. Others.

For detailed study of the expenditures on goods and services, it is recommended to apply cross-classification of this information by the characteristics of visitors or the traveler parties and/or the travel (purpose of travel, destination, organizing travel, etc.). It is recommended that countries have a special module of expenditures (a unit of measurement) for observing incoming visitors, whether it is at the border or at any other place where it is possible to observe them.

Observation at the border can be carried out regularly (monthly, quarterly, yearly) or in certain periods (high- and low-demand seasons). Some countries may decide to apply such measures periodically, but using the appropriate sample size and format, so that the data interpolation and extrapolation is possible based on modeling. Similarly, observation can be carried out only on several border posts. (International Recommendations for Tourism Statistics. 2008)

In case of open land borders, difficulties arise when carrying out observation on the borders. In such situation, some countries can use the combination of the study of visitors using collective accommodation facilities and mirror statistics, which refers to the statistics of the non-resident visitors, the visitors leaving the country of residence and the outbound tourism expenditures. This may be added with other sources of data, e.g. credit card transactions.

With regard to internal and outbound tourism expenditures, a special study of households with respect to tourism, or a periodic module (monthly, quarterly, yearly) included in the study of household expenditures can be used. This study might be conducted regularly. However, if consumption indicators are relatively stable in short-run, such study can be conducted relatively seldom and be connected with the assessment based on a certain model of a procedure, like in case of inbound tourism study of household expenditures.

When measuring internal tourism expenditures, it is recommended to identify the country, which supplies goods and services, so that it is possible to determine the economic effect related to visitor movement in this country. (Hoppen, Brown, Fyall, 2014)

The alternative methods of assessment may include the use of various indicators, like bank account systems, credit card accounts, transportation costs incurred by travel agencies, companies or transport regulatory bodies.

Asking the visitors to provide detailed information on the expenses incurred on a particular trip requires special attention and caution to get the most accurate data, especially in the long term.

In some countries the information is collected according to the reduced number of categories in combination with the classification of the purpose and payment methods. For instance, we may get the information from the visitors about their total expenditures including the cost of hotel and other expenses. Besides the cost of accommodation, expenditures may include other services like spa, phone, laundry, etc. Therefore, it will not be possible to separate these sub-units without additional procedures.

For information assurance of tourism expenditures, it is important to identify the main characteristics of visitors in more details. This will allow us to connect this information with other statistical calculations of the complex expenses incurred by visitors and extend the data collected in this way. (Cheia, 2010.)

Since purchasing of goods and services by visitors is classified as expenditures related to domestic, outbound or inbound tourism depending on the resident country of the visitor and the supplier, it is advisable to clearly determine the place of residence of each of them. This is very important when purchasing is done before starting a trip, especially in case of international transportation. ([www.ec.europa.eu/eurostat](http://www.ec.europa.eu/eurostat))

The information about the visitors who purchase a travel package should be collected on the basis of the total amount paid and about the components of a travel package, the resident country of a tour operator, the travel agency from which the travel package was purchased; the resident countries of special suppliers (especially of international transportation) and the visitors.

The means of the transportation (including transporters, when it is possible to identify their country of residence) used when entering and leaving the country should be clearly identified even when this kind of service is included in the travel package. ([www.sesrtic.org](http://www.sesrtic.org))

International methodology for assessing tourism expenses does not prohibit frequent (e.g. monthly) measuring the tourist flows and their characteristics. However, in this case, it is recommended to study the expenditures for some periods (e.g. once every two or five years). In this case tourism expenditures in the current period can be reported and analysed by additional studies, using extrapolation of the existing ones, using visitor expenditures modeled by price indexes, etc.

It is important to clearly determine not only the expenditures incurred by the visitors from their own funds, but also to identify the expenditures incurred by other people in the interests of visitors.

Final consumption of households accounts for the majority of tourism expenditures. However, some of the expenditures do not belong to the final consumption. For instance, accommodation and transportation costs incurred by visitors during their business and professional trip, that, according to the SNA, belongs to intermediate expenditure incurred by the employer. This also refers to the purchase of valuables, which does not belong to the final consumption of households. ([www.elgarblog.com](http://www.elgarblog.com))

Valuables and goods for long-term use purchased by the visitors during their trip represent part of the tourism expenditures regardless of their unit price. However, the goods whose value exceeds the limits set by the country should belong to the category of trade in goods with the purpose to calculate balance of payments and national accounts. Therefore, these goods should be excluded from tourism expenditures of the non-residents of a particular country or the residents traveling abroad.

In addition to the above, it should be also taken into consideration that:

Some duplicate accounting of expenditures might take place.

For some tourism expenditures, the country may introduce the scale of equivalence, which is a quite approved method for analyzing the budget of households. It should be noted that when recording costs of traveling individually or in groups, reduction in the level of expenditures might be observed both in case of accommodation (sharing a room by a few people) and transportation (sharing the cost of renting a car, the cost of rail and other public transport by a few people).

It should be taken into consideration that the information about tourism expenses should be collected from the places visited by visitors and in any case, in connection with the average duration of stay.

For analyzing visitor demand for and supply of tourism products, it is recommended to collect information about total tourism expenditures as well as about its structure.

Taking these recommendations into consideration will increase the reliability of statistical information about tourism expenditures, which, in turn, will contribute to improving tourism statistics.

### III. CONCLUSION

Recommendations discussed above in tourism expenses should be taken into account in the statistical study of expenditures. This will improve the quality of tourism statistics. It will also promote the comparison of indicators at international level and the approximation to the European standards.

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