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FINANCIAL PROVISIONS OF TOURISM BUSINESS RISK MANAGEMENT

ФІНАНСОВЕ ЗАБЕЗПЕЧЕННЯ РИЗИК-МЕНЕДЖМЕНТУ ПІДПРИЄМСТВ ТУРИСТИЧНОГО БІЗНЕСУ

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The article is devoted to the current problems of risk management of tourism enterprises, which in their activities face specific risks that arise due to geopolitical, economic and socio-political factors. The COVID-19 pandemic has caused a serious crisis in the tourism sector, the assessment of the tourism business indicates significant losses and changes in the demand and practices of tourism enterprises. Risk management requires a comprehensive assessment of the external and internal environment of the tourism enterprise, as well as taking measures to reduce the impact and eliminate risk factors. The article presents the distribution of the totality of risks in the tourism sector into tourist and economic, it is proposed to identify types of insurance according to the type of risk. It is determined that the financial support of the tour operator's risky activities includes such methods as self-insurance, creation of a system of restrictions, restriction, dissipation.

Keywords: risk, insurance, risk-management, finance management, tourism enterprises, business valuation.

Стаття присвячена актуальним проблемам ризик-менеджменту туристичних підприємств, які в своїй діяльності зіштовхуються зі специфічними ризиками, котрі виникають через геополітичні, економічні та соціально-політичні фактори. Пандемія COVID-19 спричинила серйозну кризу в сфері туризму, оцінка туристичного бізнесу свідчить про значні втрати та зміни в попиті та пропозиції. Ризик-менеджмент вимагає комплексної оцінки зовнішнього та внутрішнього середовища туристичного підприємства, а також прийняття заходів для зменшення впливу та усунення ризикових факторів. У статті представлено розподіл сукупності ризиків туристичної сфери на туристичні та економічні, запропоновано види страхування ідентифікувати відповідно до виду ризику. Різноманітність та масштаби впливу ризиків ставлять проблему пошуку ефективних методів та інструментів їх запобігання та зниження. З урахуванням можливостей впливу на рівень і зміст ризиків вони реалізуються за двома напрямками: макроекономічне регулювання та ризик-менеджмент підприємства. Адміністративне та економічне регулювання ризиків з боку держави передбачає існування системи туристичного законодавства та підзаконних актів, що описують механізми та процедури ефективного вирішення проблемних ситуацій. Кабінет Міністрів України схвалив створення Єдиного туристичного реєстру, для обліку готелів та туристичних операторів. Зазначено, що до фінансового забезпечення ризикової діяльності доцільно залучати туристичні агентства. При цьому розмір забезпечення для них повинен бути встановлений істотно нижче, ніж для туроператорів. Участь туристичних агентів у системі страхування туристичних ризиків виправдана, оскільки саме вони реалізують тур кінцевому споживачеві. Визначено, що фінансове забезпечення ризикової діяльності туроператора включає такі методи як самострахування, створення системи обмежень, рестрикція, дисипація. Зазначено, що ризики мають специфічні риси, пов'язані з сутністю туристичної сфери як міжгалузевого комплексу. Туристичні ризики стосуються підприємств туристичної сфери і самих туристів і, маючи мультиплікативний ефект, дуже істотно коригують рівень туристичної активності.

Ключові слова: ризик, страхування, ризик-менеджмент, фінансовий менеджмент, туристичні підприємства, оцінка бізнесу.

Problem statement. Tourism activity, as one of the most important factors in the social and economic development of a region, is subject to specific risks that differ in their causes, scope and other indicators typical of this type of business activity. The relevance of the problem of tourism risk management is due to the growing role of the tourism services market in the world economy, the recovery of the industry after the COVID-19 pandemic, the complication of socio-political instability in the modern world and the need to form and implement a risk management mechanism in tourism activities. In today's world, services have taken a worthy place in the economic structure of many countries. For some countries, tourism is the main type of economic activity, having the largest share in the redistribution of funds and resources of economic entities. Thus, tourism has become one of the most dynamically developing segments of the world economy and is showing a rapid recovery after the 2020 crisis. The lack of complete information, the existence of opposing trends, elements of chance and other new economic conditions make it difficult to predict the management process, as most of the management decisions of a company are made under conditions of uncertainty and economic risk. To survive in these difficult conditions, tourism companies have to make unconventional and bold decisions, but this also increases the level of economic risk.

Analysis of recent research and publications. Theoretical and methodological foundations of risk management tourism enterprises are presented in the works of such Ukrainian and foreign scientists as Pisarevsky I., Steshenko O. [1], [1], Lenko, I. [2], Voronina, N., [3], Steene A. [4], Ural M. [5].

The COVID-19 crisis has affected global travel and tourism even more than any other industry in the world. According to statistics, comparing 2020 to 2009, the number of international tourists has decreased by 74%, and the loss of export earnings is more than 11 times higher than the loss during the global economic crisis of 2009. A gradual recovery in travel demand has begun as vaccination coverage and vaccination rates increase, although it will take a significant amount of time to return to pre-Covid-19 levels. Following the COVID-19 pandemic, due to public health concerns, tourists have been exposed to more health risks than before, so there have been three shifts in tourism modes: from general to refined, from open to closed, and from radical to conservative.

74% of risk management experts surveyed believe that geopolitical tensions will have a significant impact on their organizations in 2024.

47% of the global concerns shared by International SOS with clients in 2023 were related to political violence and unrest.

38% of experts believe that their organizations are not prepared to respond to or mitigate the effects of social or civil unrest.

In an increasingly volatile global landscape, International SOS, the world's leading health and safety company, highlights the need for organizations to address the dual challenge of rising geopolitical risks and their impact on employee mental health and well-being. The findings of the International SOS Risk Outlook 2024 report highlight this pressing issue: the pre-crisis environment is taking a significant toll on both organizations and individual well-being [6].

65% of risk management professionals agree that the world has become more dangerous over the past year, and around three-quarters of them expect employee mental health to have a significant impact on their organization this year.

The global spread of political polarization has also increased. More than half (53%) of the countries analyzed in the 2023 Edelman Trust Barometer report feel more divided than ever, with distrust of government a key factor. Steady but not overly encouraging global growth is expected to continue in 2025 as economic uncertainty eases and leading central banks begin to cut interest rates in the second half of the year. Geopolitical tensions, the emergence of new technologies, and persistent environmental threats are the main challenges for 2025.

Statement of the task. The purpose of the article is to consider the peculiarities of risk management of tourism enterprises and its financial support.

Presentation of the main research material. Risks in the tourism sector can be divided into two categories. The first category of risks relates to tourists. Tourists can be exposed to danger for various reasons. The reasons include an unfamiliar place of stay, various surprises such as loss of luggage, sudden illness, robbery, etc. The second category of risks relates to tourism enterprises that provide catering, accommodation, flights, recreation services, which is associated with monetary losses due to the occurrence of risky circumstances [1].

Another classification would be the division of risks into internal and external (endogenous and exogenous). They differ from internal risks,

which a tourism enterprise can manage, in that it cannot influence external ones. The classification of risks is presented in Table 1.

Risks associated with the risk of non-fulfilment of obligations by the tour operator's counterparties, in particular, failure to provide paid services to customers in accordance with contracts for the provision of travel services, are of significant importance in the course of business activities in the tourism sector.

There are also internal risks that affect the company's operations: deterioration of reputation due to customer dissatisfaction; mismatch of price and product quality; errors in marketing strategy; risk of bankruptcy; risk of non-payment or cancellation of an order; staff errors; disruption of operations due to technical problems. Speaking about tour operators' civil liability insurance, it should be noted that they, like any other organisation, face the risk of causing damage to persons using the services provided by tour operators.

In the event of such circumstances, if the fault for their occurrence lies with the tour operator, the question of compensation for the damage caused to the affected entities may arise. And such compensation will, of course, be made at the expense of the company's own resources. Since the risks in this activity are multifaceted and diverse, and the probable

losses can be measured in multimillion-dollar amounts, the tour operator is very interested in insurance. Civil liability in respect of persons using its services [3].

The crisis caused by the COVID-19 pandemic offers a unique opportunity to rethink tourism policy and introduce measures that will contribute to a more sustainable, inclusive and adaptive tourism economy in the future.

To achieve these goals, sustainable development should become a key element of strategic planning in tourism. It needs to be supported by effective policy decisions and governance mechanisms that cover all levels of administration.

The recent and ongoing crises are having a significant impact on consumer preferences and business structures, accelerating existing trends (e.g. digitalisation) and leading to new behaviours (e.g. the momentum around domestic tourism). Strategic foresight approaches that take into account the 'known unknowns' can help managers better understand the future and better prepare for it.

The main list of risks includes the following issues: the impact of a full-scale invasion of Ukraine on long-term tourism trends; the impact of the energy crisis and rising fuel costs in terms of long-term changes in travel patterns; acceleration of social trends towards sustainable

Table 1

The classification of risks in the tourism industry

Types of risks	Example
Market	inflation risk risk of reduced effective demand imperfect tourism infrastructure high cost of customs and visa formalities
Foreign exchange risk	Foreign exchange risk credit risk
Political	international conflicts toughening requirements for the entry of foreign tourists
Social risk	change in consumer preferences in tourism displacement of tourism by other types of recreation
Legal risk	introduction of laws restricting the tourism sector insufficient harmonisation of the countries' legislation in the tourism sector.
Environmental risk	probability of natural disasters, cataclysms and other phenomena
Internal company risk	deterioration of positive reputation due to customer dissatisfaction price mismatch suspension of operations for technical reasons incorrect marketing strategy risk of bankruptcy failure to fulfil contractual obligations by partners risk of non-payment for services or cancellation of an order

Source: composed by authors based on [2; 6]

tourism development through the greening of the tourism business and consumer behaviour; the likelihood of destinations returning to a growth-at-any-cost model or shifting to more sustainable tourism models; xml-p

The diversity and scale of the impact of risks pose the challenge of finding effective methods and tools to prevent and mitigate them. Taking into account the opportunities to influence the level and content of risks, they are implemented in two areas (macroeconomic regulation and internal risk management).

Macroeconomic regulation has the following components: clear rules governing risks in the tourism industry, as well as a system of information support for its participants; effective state supervision of tour operators in the domestic and international tourism market; a reliable and effective system of financial, organisational and economic guarantees for tourist safety.

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Administrative and economic regulation of risks by the state implies the existence of a system of tourism legislation and bylaws describing mechanisms and procedures for effective resolution of problematic situations.

The Cabinet of Ministers of Ukraine approved the resolution on the Procedure for Maintaining the Unified Tourism Register (UTR) initiated by the Ministry of Community, Territorial and Infrastructure Development, which defines the procedure for maintaining the UTR, its structure, functioning, administration, and the procedure for generating and entering information about hotels and tour operators.

The key objective of the Unified Tourism Register is to ensure transparency and equal opportunities in the tourism services market. The register was created to register hotels and tour operators, i.e. tourism entities.

The full launch of the Unified Travel Register will contribute to the de-shadowing of the tourism sector, as it will allow for the registration of hotels and travel operators. Currently, this registration is voluntary. The register will enable the government to formulate policies based on real data.

Equally important changes in tourism legislation include measures to improve the level

of civil protection of the rights and interests of tourists. In order to provide tourists with high-quality and low-risk travel products, the state obliges tour operators to have a civil liability insurance contract or a bank guarantee for fulfilling obligations under a contract for the sale of a travel product. The institution of financial guarantees is quite successfully used in the USA, Spain, the UK, Israel and other countries, and the amount of financial security can be set for both tour operators and travel agents. For European countries, the existence of a mechanism for state insurance of travel risks is a prerequisite for EU membership.

The next step in streamlining the tourism market and reducing risks should be the creation of a unified database containing all important information about domestic and foreign citizens travelling under organised tourism programmes. This will allow not only to monitor the tourism market and obtain up-to-date statistical information, but also to take measures to identify people in crisis situations and, if necessary, provide them with timely assistance.

In terms of developing the institution of financial guarantees, it is advisable to involve travel agencies in this system. At the same time, the amount of collateral for them should be set significantly lower than for tour operators. In any case, the participation of travel agents in the travel risk insurance system is justified, since they are the ones who sell the tour to the end consumer (tourist). Therefore, it would be more correct to give the tourist the right to file claims for non-fulfilment or improper fulfilment of the obligations assumed against the travel agent rather than the tour operator.

Dividing the entire set of risks of the tourism industry into tourist risks (affecting tourists when planning and carrying out tours) and economic risks (affecting the activities of tourism industry enterprises), it is advisable to identify the types of insurance in a similar way, as shown in Table 2.

Of some interest to the tour operator is the method of self-insurance as one of the ways to reduce the degree of risk (and not the transfer, which is insurance). And here the insurer with its own interests, different from the interests of the insured, as an independent unit is absent. A tour operator wishing to reduce its risks creates its own insurance (reserve) fund at the expense of internal resources (in particular, from deductions from profit), the use of which allows you to quickly overcome temporary difficulties in internal financial and commercial activities.

Table 2

Types of insurance according to the type of risk

Risks	Types of insurance
Tourist risks (affecting tourists when planning and implementing tours)	compulsory and voluntary medical insurance for tourists;
	accident insurance for tourists;
	insurance of personal items and tourist equipment;
	insurance of tourists' expenses against imperfect travel;
	civil liability insurance for tourists temporarily travelling abroad (including motor vehicle liability);
economic (affecting the activities of tourism enterprises),	specific types of insurance (insurance against 'bad weather', non-return, failure to provide certain types of services, etc.
	mandatory insurance of the tour operator's financial liability for failure to fulfil its obligations;
	insurance of the tour operator's property;
	insurance of business risks of tour operator activities; specific types of insurance.

Source: composed by authors based on [6]

At the same time, it should be taken into account that self-insurance cannot provide protection against major risks and paralyzes reserved resources. The next method - creating a system of restrictions - involves setting clear limits on the current activities of the tour operator. These can be, for example, maximum amounts of funds for maintaining the management apparatus, a minimum threshold level of commissions, the maximum number of types of tourist programs and offers, the maximum number of travel agencies that have contracts for the sale of a tourist product, etc. It is advisable for a tour operator to establish a range of changes in the main indicators of financial and economic activity (liquidity ratios, maneuverability, autonomy, etc.). The distribution of the tour operator's profit may be subject to restrictions, which concerns the payment of monetary remuneration to individual groups of employees, as well as the financing of excessively risky tourist programs.

Dissipation methods are key tools of tour operator risk management, most fully described in the analysis of the activities of production systems. Their essence lies in the organizational, financial and technological sharing of risk with other counterparties, as well as its regional or zonal distribution. In fact, these methods can be implemented as an organizational association of various participants in the tourism market interested in the success of a common cause. As a result, the tour operator reduces the level of its own risk, involving independent legal entities as partners in solving problems. For this purpose,

alliances are created with hotels and carriers, tour operators enter into various consortia, associations, etc.

Therefore, it is advisable for tour operators to combine the expansion of the list of tourist services with a reduction in the costs of their formation and promotion on the market. For a tour operator focused on mass tourism, such an approach will contribute to the rejection of more expensive services in favor of less expensive ones (replacing individualized services with standardized ones). A situation is also possible in which the tour operator offers a variety of services, but provides them not alone, but with the assistance of other tour operators (combining diversification of activities with the distribution of responsibility for its results). In other words, by analogy with "charter pools", the creation of "program pools" is justified.

Diversification of tourist areas and consumers, i.e. work in both the domestic and foreign markets with different categories of tourists. This allows tour operators to compensate for failure in one or more of them with success in others; at the same time, it is desirable to have an even distribution of activity volumes in all sectors of the market and the share of each counterparty in a particular sector.

At the same time, the specifics of the work of a particular tour operator should be taken into account, since, contrary to the trend of multi-profile tour operator activity, there are still highly specialized organizations. Therefore, for example, a tour operator that provides

extreme tourism services on the domestic market could not act as an organizer of beach tours. In this case, diversification leads to increased risks. Tour operators need to deepen their already occupied "market niche", to enter those markets that are close to their profiled activities.

Conclusions. Thus, the study of tourism risks shows that they have specific features associated with the essence of the tourism industry as an inter-sectoral complex. Tourism risks extend to infrastructure facilities, tourism industry enterprises and tourists themselves and, having a multiplicative effect, can very significantly adjust the level of tourism activity. From a broad perspective, tourism risk is defined by us not only as a danger and probability of losses, but also as the possibility of obtaining

economic benefits, as a stimulating factor for the development of tourism.

In the context of the impact of economic risks, the functioning of the tourism industry of Ukraine, even during military operations, requires a wide discussion and adoption of a modern tourism development strategy, laws and by-laws that regulate individual aspects of the development of the industry (social tourism, small hotel activities, tourist safety, etc.). Internal management of tourism risks should be considered as a special management function that connects tourism product management and organizational management. Tourism risk management methods fit into the risk management toolbox, but have their own specifics related to the nature of tourism activities and trends in the modern tourism services market.

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