

# Socio-Economic Effects of Small Business Development in The Hospitality Industry in the Context of The Digital Economy

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**Abstract:** The article deals with the socio-economic effects of small business development in the hospitality industry in the context of the digital economy. It is established that the growth impact of qualitative indicators of socio-economic development is due to structural changes in the economic system, where internal changes occurring in the small hotel business cause dynamic instability. The authors prove that internal changes in the structure of the microlevel of the hotel business are manifested due to the formation of positive feedback, which provides the transfer of information and resource flows through the information channels of the management hierarchy system. It is determined that the strategy of activating small hotel business towards socio-economic leap can be conducted in terms of structure and content as a specificity of the present reality, which consists in the trend of substituting the progressive advance by nonlinear development that allows receiving a boost for making the quantum leap at the microlevel for the economic growth of small hotel business.

**Keywords:** socio-economic effect, small business, hospitality industry, digital economy, information technology, management, hotel product.

## INTRODUCTION

Quantitative characteristics of socio-economic effects in the digital economy become relevant in the diagnostics of profitable and continuous activity of the small business in the hospitality industry. In this case, digitalization as a process of transmitting and exchanging information in a discrete form is increasingly becoming part of the daily life of tourists and the financial and economic activities of the hotel business. Therefore, under the influence of information technologies and innovative business processes, modernized management tools are actively developing, transforming on a social and entrepreneurial basis. At the same time, the traditional ways of economic activities are subject to volatile changes occurring through the adaptation and optimization of processes, the establishment of new communication channels, and the acceleration of

information exchange in the digital environment. Simultaneously, the structure of economic activity in small businesses in the hospitality industry is changing. Therefore, the effective and comprehensive use of innovative digital techniques, tools, and technologies has entailed the desire for a systematic transition to a new level of performance. In this case, the digital information market can transform a small business in the hospitality industry, as well as a social project in particular, regardless of the scale of business activity and effects. Besides, the diversity of business processes, social phenomena, and business activities in the hospitality industry requires a competent approach to differentiation and identification of classification features to facilitate the management process and decision-making. The study of issues related to the development of small business in the hospitality industry is reflected in the works of S.A. Volkov et al. (2020), E.Yu. Nikolskaya & Dekhtyar (2019), A.V. Petropavlovskaya (2020), M.M. Semenova (2019), E.G. Telicheva & Nam (2020), A.M. Yunusova (2019), et al. Nevertheless, research shows the need to further study the socio-economic effects of small business development in the hospitality industry in the digital economy.

## METHODS

The theoretical and methodological basis of the research includes an abstract-logical method, methods of induction, deduction, analysis, synthesis, and systematization, used to justify approaches to the development of small business in the hospitality industry, as well as graphic method, employed to study the level and trends of the processes under study. The information base of the article includes statistical data of state bodies, legislative and regulatory documents governing the socio-economic consequences of small business development in the hospitality industry, as well as the conducted scientific research insights (Blokhdina et al., 2018; Konovalova et al., 2018; Zavalko et al., 2017). In the course of the research, it is planned to systematize the features of small business development in the hospitality industry, work out measures to coordinate activities among the main participants of small businesses in the hospitality industry and determine their individual characteristics in the digital economy.

## RESULTS

The practice has shown that shortly all industries, markets, and business areas will be reoriented according to the requirements of new digital economic models. At that, an economic layer, such as a small business in the hospitality industry will not be an exception. Therefore, technologies of large databases, machine learning, blockchain, robotics, smart things, virtual and augmented reality, wireless communication, and many others, including those that currently are only discussed by visionaries, based on the unconditional and large-scale application of digital data sets, determine our near future. Besides, social efficiency is completely dependent on factors, such as the population's standard of living, employment terms, favorable environmental conditions, and availability of spare time. It is impossible to increase the economic effect by reducing the quality of life, deteriorating working conditions, and other elements of the social component. Therefore, the economic and social factors are directly closely related by direct proportionality; as far as social efficiency increases, so does the economic effect. Accordingly, the higher are the results of economic activity of the economic realm or an individual enterprise in the hotel business, the higher is the public income. Therefore, in

terms of the impact on the social conditions for adaptation of a part of the population to entrepreneurial activity, the small business in the hospitality industry is the basis for the employment of enterprising youth. The transfer of enterprises in the hospitality industry into the hands of private entrepreneurs will have positive impact on the growth of the national economy and the social component of the hotel business. Research shows that the strategic development of small business in the hospitality industry should lead to several socio-economic effects, namely, creating and extending a network of business units; crediting and emerging a tax effect; stimulating channels of state aid and support for small business; creating jobs, stimulating employment of the youth and creative people; developing the infrastructure of the territory; implementing innovative technologies to stimulate sales and development of hotel policy in small business (Fig. 1).

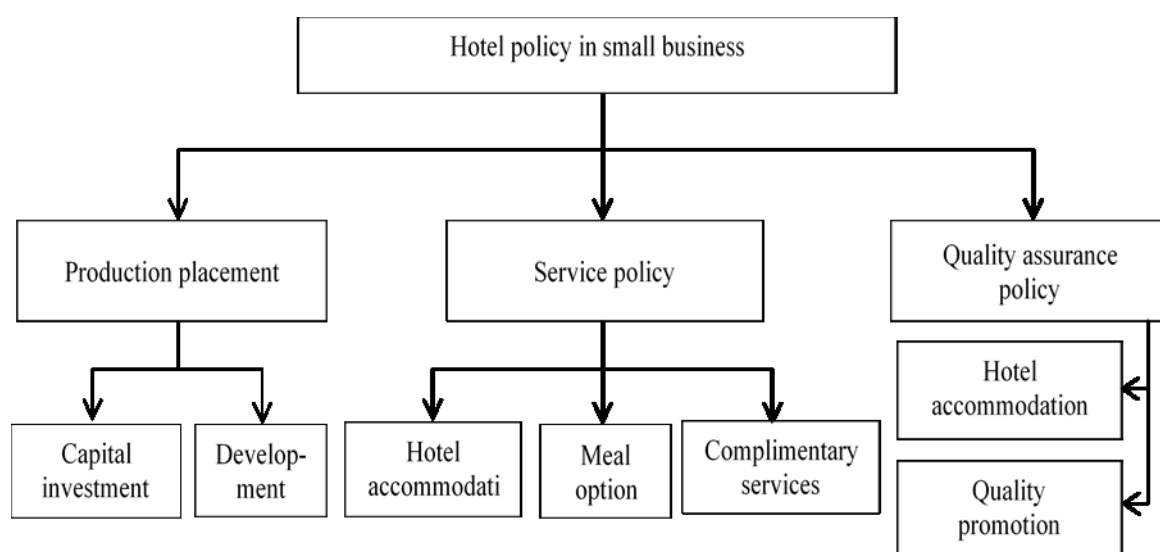


Figure 1. Hotel policy structure in small business

At the same time, quantitative characteristics of the socio-economic efficiency of the strategic development of small businesses in the hospitality industry represent a choice of quality indicators that characterize the socio-economic process of satisfaction of hotel services users. Therefore, the conversion of quality indicators into numerical data can be carried out to assess in general the performance of tasks to respond promptly to consumer preferences in the array of small hotel enterprises. In this case, for the effectiveness of the strategic development of small businesses in the hospitality industry, it is necessary to provide planning, organization, promotion, regulation of activities, and control, which would cover the entire spectrum of the studied area. It is advisable to determine the criteria of socio-economic efficiency and their characteristics:

- availability and quality of hotel services predetermines the stimulation of demand and the number of satisfied consumers, the provision of hotel services on situational, time-limited demand;
- a wide range of hotel services ensures, first of all, convenient choice and trust in the owner of a small business;

- environmental programs and actions include landscaping of the surrounding area, garbage removal, participation in charity events aimed at optimizing tax payments;
- participation in public life and social programs, i.e., providing discounts and benefits to individual social strata of the population;
- working conditions, timely and full payment of taxes and contributions.

Besides, the measurement of socio-economic processes can often be called a quasi metric, that is, conditional quantitative analogs of qualitative characteristics. Therefore, most processes in the hospitality industry are increasingly being formalized, and then subjected to quantification. At present, complex quantitative assessments are increasingly being implemented in the development of absolutely all realms of human life. In this case, it is considered appropriate to propose a system and algorithm for quantifying expectations of the socio-economic impact of small business in the hospitality industry, determining in the future the strategic directions of its development in certain vectors. Besides, from the standpoint of the digital environment, small businesses in the hospitality industry have huge opportunities and prospects, because the provision of hotel services is moving into the digital space. Also, to get feedback from customers to study the level of socio-economic satisfaction, one can remotely conduct surveys and questionnaires, and based on the processed information, draw conclusions and take steps to improve hotel service. The practice has shown that the usual, traditional ways of economic activity in the hospitality industry are transformed and optimized, becoming saturated with information flows, and inevitably accelerated followed by occurring both process and structural changes. Therefore, the effective and systematic use of innovative digital methods has led to a new level of small business development in the hospitality industry (Fig. 2).

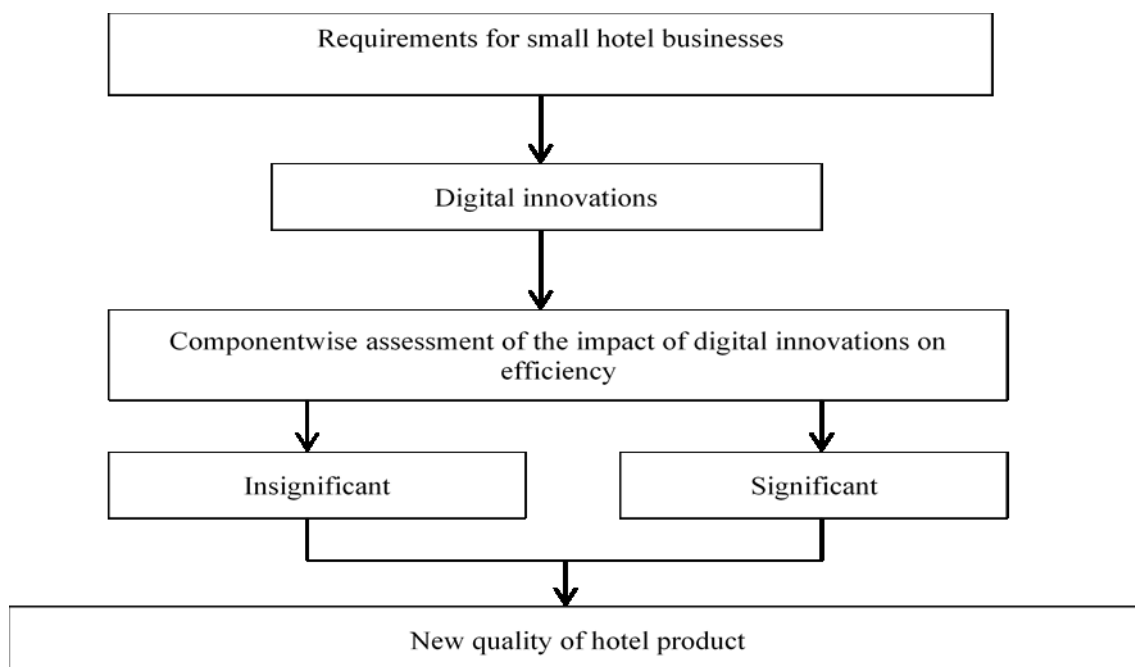


Figure 2. Impact of digital economy innovations on the hotel product in small business

At the same time, the digital information market can transform the hospitality industry and any social project individually, regardless of the scale of business activities of hotel enterprises. Besides, in the digital economy, the specifics of assessing the strategic development of small businesses in the hospitality industry have not yet been sufficiently reflected in practice, causing interest and the need to expand the study areas. Also, the issues of an economically justified level of income and expenses for the strategic development of small businesses in the hospitality industry are closely related to the ability to objectively assess the quality attributes of business processes in the digital economy. To find the relationship between the level of income and expenses, as well as the quality attributes of business processes carried out by the small business in the hospitality industry, it is necessary to measure correctly. Since income and expenses have a quantitative assessment, while qualitative attributes do not, there is a need to scientifically justify the principles of a comprehensive quantitative assessment of quality. Research shows that the increase in the scope of hotel services at the expense of the deterioration of working conditions, increased fatigue of the workforce can be only short-term. Therefore, resources are depleted and become unsuitable for economic activity if they are not restored. Consequently, in the digital economy, economic and social efficiency are interrelated determining the strategic development vector of small businesses in the hospitality industry. Besides, a high level of income as an economic effect leads to the achievement of appropriate social results. However, high expenses that are directed to solving social problems change the dynamics of the economic efficiency of the hotel business. In this case, the mechanism for quantifying the level of income and expenses of the strategic development of small businesses in the hotel industry is aimed at identifying the relationship between economic and social performance indicators.

At that, a significant number of social growth results are expressed by numerical indicators that reflect the standard of living, such as growth or decrease in wages and real incomes of employees; in the income of socially vulnerable segments of the population, and the level of provision of their housing; in the level of access to quality medical care; and the level of access to quality education. In the hospitality industry, small business is the basis of national wealth growth in developed countries, and a key force in the fight against poverty. As a social component, small business improves and refines the hotel infrastructure, providing access to jobs. The loss of access to jobs through small businesses is one of the main causes of social stratification. Thus, in the hotel industry, the strategy of small business development provides a reduction in the number of poor people both by influencing the economy of the megalopolis and directly affecting the daily decrease in the level of monopolization. The growth of the level of monopolization in the hotel services market is a natural process since large hotel business always strives to set a high price for the product. This monopolization worsens the already difficult situation of vulnerable segments of the population, who are on the verge of difficult access to necessary food and nonfood products.

In such a situation, a small business can reduce the threshold of critical prices for a hotel product for the needs of socially vulnerable segments of the population. Consequently, the mechanisms for quantifying the socio-economic effect show the importance of small businesses in the hospitality industry. At the same time, measuring qualitative characteristics of social effects from small business activities in the hospitality industry and reducing them further to quantitative categories allows introducing efficiency coefficients. Therefore, the strategy of the revitalization of the small business towards quantum economic leap as growth impulse of quality indicators of socio-



economic development of Russia can be originated and implemented based on trivial methods, such as techniques motivating to learn and improve skills and competences in the field of small business, motivating to use electronic tools to integrate into the modern digital market economy in the context of the hotel business, motivating to choose the optimal types of activities and supporting the private initiative on the platform of digital information and communication technologies.

## DISCUSSION

The reliability of the presented approaches is confirmed by the fact that the performance of small hotel businesses is due to generating income, paying taxes to the budget, organizing jobs, developing human resources, and forming material, intangible, and human capital. In the context of digitalization, the state needs to motivate entrepreneurs to train in digital technologies to improve their knowledge (Agamirova et al., 2107; Dikova et al., 2019; Lukiyanchuk et al., 2020). At the same time, the method of using electronic tools in the small hotel business activating strategy towards a quantum economic leap involves the universal integration of electronic and digital space in the entrepreneurs' activities. The level of national economic security will increase on the platform of modern communication technologies as an impetus for the growth of qualitative indicators of socio-economic development. At that, smoothing national borders in the practice of digital communications increases access to innovative tooling that minimizes the risk of innovation backwardness. When activating the small hotel business, electronic technologies and tools will allow building a progressive consulting mechanism for advising and supporting the facts of the economic life of small business towards political, social, environmental, economic, information, and resource support. Besides, choosing the optimal interaction of small business with the state in the context of digital transformation will be based on the platform of information and communication techniques and technologies. At the same time, the small hotel business activating strategy towards a quantum economic leap is obvious, since small businesses in the real and virtual economy do not carry out business activities in isolation but develop within the socio-economic system of the Russian Federation.

## CONCLUSION

Summing up, it can be noted that the forward momentum of qualitative indicators of socio-economic development is due to structural changes in the economic system, where internal changes occurring in the small business cause dynamic instability. At the same time, internal changes at the microlevel of the small business structure are manifested in the formation of positive feedback, which determines the transfer of information and resource flows through the information channels of the management hierarchy system. Therefore, the small business activating strategy towards a socio-economic leap can be structurally and meaningfully implemented as a specificity of the present reality, which consists in the tendency of shifting the progressive development to a nonlinear evolvement. A nonlinear system is characterized by situations of instability and unpredictability that allows getting an impulse to make a quantum leap at the microlevel for the economic growth of small hotel businesses. That is why, on the platform of innovative readiness for transformation, small entities in the hotel business are making

a quantum leap to economic growth, causing the entire national system to strive for growth.

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