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**TOURISM
IN FUNCTION OF DEVELOPMENT
OF THE REPUBLIC OF SERBIA**

Tourism product as a factor of competitiveness of
the Serbian economy and experiences of other countries



**THEMATIC
PROCEEDINGS**

II



**UNIVERSITY OF KRAGUJEVAC
FACULTY OF HOTEL MANAGEMENT
AND TOURISM IN VRNJAČKA BANJA**



TOURISM AS A POTENTIAL AGENS OF ECONOMIC DEVELOPMENT - A REPORT FROM SERBIA

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Abstract

Tourism of Serbia is not on the expected and satisfactory level of development, because of the unfavorable political and economic situation that has befallen the country in the last years of the 20th century. It is believed that this economic activity will experience its expansion and its moving force will increase the determination of economic and commercial spheres. Starting from the assumption that tourism has a chance in the development of the whole economy in Serbia, the authors of the paper tried to point out the determination of the parameters on the current state of tourism development on the territory of Serbia in correlation with other branches of the economy. Also, the authors show the existing and potential positive effects, which reflects the development of the tourism industry, the main macro-economic segments. Based on the analyzed statistical data and other secondary documentation, authors will indicate the key issues, which are the main component of the slack development of this activity.

Key words: *tourism, development, economy, Serbia*

JEL Classification: *Z32, O1*

Introduction

Tourism is one of the suitable and acceptable forms of modern people to fulfill their basic social and economic needs (Gursoy, 2004). The determining factors of tourism are very different in nature and their influences range from facilitating the tourist spending over the routing of the existing tourist wave in the direction of creating new forms of tourism

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trends and impacts on the overall economy (Alvesson et al, 2000). Program, policies and results of building the material basis of society is an economic component of tourism development. Tourism includes in its structural frames a large number of economic and non-economic activities, and has gradually transformed into a powerful factor of economic development and efficient means of international economic exchange (Deighton, 1984). In the original cultural, social, political and technical upgrading and economic functions. Once launched, travel cycle except from allowing the creation of the main goals of tourists (non-economic nature), causes numerous effects in the production area (Vujko et al., 2015). The basic features of the modern tourism include: its absolute and relative level of development, constant dynamism, dissection of the internal structure, multi-purpose connection with broader systems of social activities, and significant inter systemic homogeneity (Abubakirova, 2016). Tourist activity is taken as a social phenomenon from the point of causes, objectives, forms and their non-economic consequences, but also as an economic phenomenon from the point of ways and means to achieve social tendencies of current economic processes in the tourism industry and their consequences.

Tourism is primarily emphasizes its positive features: the construction of economic infrastructure and superstructure, the development of the Internet in economic activity, the development of a network of non-economic activities in the function of tourism (Gajić, 2009). Owing to this function are established tourism flows of people, goods and income between the emitting and receiving tourist areas. Generally, Serbia has never been a country where tourism dominates as a sector and which contributes significantly to national income (Bakić, 1997). However, the assumed is the massive development of this activity, implying a positive attitude, that in the near future will become the tourism industry which will contribute to the overall economic and commercial development. The authors have started from the general hypothesis and several sub-hypotheses, and with the analysis of available statistical data, came to certain conclusions regarding the level of the achieved level of development of this activity at the state level, and present the position of tourism in the group of leading industries. The paper will be a concise way to show the participation of tourism in certain macroeconomic aspects. Also, the authors have indicated the general problems that have plagued the tourism industry of Serbia, and which are a result of poor economic and political situation, and inadequate business in the sphere of tourism, as well as the lack of interest of key stakeholders.

Theoretical framework and hypothesis development

Many authors have been engaged in the research impact and importance of tourism to the economy. Tourism contributes to the socio-economic development of communities through increases in employment, real per capita income, tax revenues, access to tourism and recreational resources and so on (Dogru t., et al, 2015). From policy-makers' perspective, tourism development means the number of jobs created; however, the impacts are not limited solely to job creation (Bartik, 1991; Cheng, 2011). Policy makers could capitalize on tourism development in their regions, but they first need information about the strength, composition, and performance of their local tourism economy relative to the economy of an area taken to be the norm (usually the average national tourism economy) to introduce new tourism activities, or to expand the existing tourism base of a region (Sirakaya, et al., 1995). While tourism development of a specific region could be gauged historically, the assessment might be more useful from a macroeconomic point of view if it is assessed in comparison with other regions or the national average (Shi et al, 2008). The main reason for the growing interest in this type of study is an awareness that tourism development has positive and negative effects at the local level (Heo, 2016). On the positive side, tourism can generate new employment opportunities for local residents (Andereck et al., 2011; Belisle et al., 1980). Tourism, as a significant form of human activity, can have major impacts. These impacts are very visible in the destination region where tourists interact with local environment, economy, culture and society (Gajić, 2009).

Hence, it is conventional to consider the impacts of tourism under the headings of socio-cultural, economic and environmental impacts (Choy, 1995). Because it is arduous to separate economic impacts from social influences, social impacts are regarded as the most difficult phenomenon for researchers to measure scientifically (Oh, 1999). When discussing the economic impacts of tourism, the multiplier process should be the most well known and frequently applied approach to measure the economic contributions of tourism industry extensively on macroeconomic fields, involving investment (including the flows of income and the numbers of jobs), export, governmental expenditure (such as, constructing public infrastructures and facilities) and taxation revenue, tourist consumption, and so forth (Heo, 2016). However, the greatest challenge associated with calculating the multiplier process originates from the complexities of collecting the necessary data and defining acceptable numbers of

parameters (Samsul, 2016). Therefore, different approaches for measuring the economic impacts of tourism have been developed: the use of an input-output measure, tourism expenditure modeling, the development of satellite accounts, and local impact studies utilizing a number of ad hoc measures (Ryan, 2003, Witt et al., 2013). Some studies indicated that there are three effects of the multiplier process: direct effect (taking place only in the industry that is immediately affected), indirect effect (concerning inter-industry interaction), and induced effect (relating to changes in household income) (Riley, 1994, Cheong, 1995). Multiplicative function of tourism in the economic field is reduced to the movement of funds in tourist spending in various sectors of the economy with its ripple effect on the development that continues after the phase in which the funds of tourist spending has already completed its primary circulation (from their places of formation to the site of their consumption) (Dredge, 2015). It is a continuous process, launching new or increasing existing economic activities in the function of tourism (elements of the economic component of the tourism industry) through the transfer of income between economy and non-economy (Hawkins, 1989). Power input of tourism is reflected in the process of discovering the fundamental values and their inclusion in a part of the tourist offer, consumption, and therefore the system of economy and positioning on the tourist market, which it actually derives from economic isolation (Gajić, 2010). In a frontal performance of the tourism sector creates a massive flow of tourists, as well as potential consumers in all parts of the economy, only then there is a spill of national income from emitting into the receptive field, and their economic awakening (Opperman, 1997).

Economic and non-economic functions of tourism are of dual nature, but it must be noted that the two sides of tourism can never be placed in opposed relationship of positives and negatives (Riley, 1994; Choy, 1995). The transformation of the tourism phenomena from aspirational to its dynamic development, increasing the number of economic functions, which are the main features: the commercial activation of human resources, conversion effects, the economic development of receptive fields, intensification of economic development of the emitting area, harmonization of commodity-money flows and balancing markets, inductive effects, stabilization of the balance of payments, and the promotion of international economic exchange (Gajić et al., 2011). Besides the already mentioned disproportion in the flow of people, goods and income for the tourist motivation, the dimensions of the positive economic impact of tourism in the economy of the emitting area of

development of influence, content and degree of vivified general concept of tourism and tourism policy areas that are linked to primary and secondary streams (Schneider, 2000). The tourism sector is an important driver for economic growth by contributing foreign exchange earnings, increasing wealth and providing employment and business opportunities for the communities (Petrović et al, 2017). The tourism industry can also play a leading role in the alleviation of poverty particularly in the developing economies (Badariah et al., 2016). According to the research and all of the above on the current topic, the authors of the work headed by the general hypotheses and several sub-hypotheses:

H1: Tourism Serbia is not at an adequate level in the system of economic development.

H1a: Tourism in the structure of incentives and employment of the working age population, to compete with other industries.

H1b: Tourism in Serbia realized the importance of the share of the gross income.

H1c: There are significant investments in tourist activities.

H1d: There are significant differences in the realization of turnover in the tourism and hospitality industry.

H1e: There are trends of intensive tourism development.

The state of development of world tourism and basic indicators of tourism development on the territory of Serbia

According to UNWTO, tourism has experienced continued growth over the past decades and is becoming the fastest growing economic sector in the world. From 1950 (when international travel became more accessible to the general public) the number of arrivals has increased from 25 million to 277 million in 1980, then to 438 million in 1990, or 683 million in 2000 to u, 2008., the number of tourist arrivals totaled 919 million. During the crisis of 2009, the number of arrivals has decreased, but in 2010 there was an increase again to about 935 million. In 2016, the continued growth in the tourism sector took place, but at a slower pace. According to projections of UNWTO, the number of international tourist arrivals will increase by about 4-5% in the near future. Europe shares the largest number of international tourist arrivals (563.4 million) followed by Asia and the Pacific (248.1 million), America (167.9 million), Africa (55.8 million) and the Middle East (51.6 million) (WTO, 2014). The World Travel and Tourism Council (WTTC, 2014) reports that the tourism industry contributed 9.5 per cent of the global gross domestic product, 8.9 per cent of the worldwide total employment and 5.4 per cent

of the world's export in 2013. During the same period, the tourism sector, in terms of international tourist arrivals has reached a record 1.1 billion arrivals worldwide, with USD 1160 billion in international tourism receipts. International tourism receipts are the earnings generated in destination countries from expenditure on accommodation, food and drink, local transport, entertainment, shopping and other services and goods. In terms of growth, the Asia and Pacific recorded a 6 per cent increase in international tourist arrivals, followed by Europe and Africa (5.4 per cent), and the Americas (3.2 per cent). On the other hand, the Asia and the Pacific region (+8 per cent) recorded the largest increase in international tourism receipts, followed by the Americas (+6 per cent) and Europe (+4 per cent). However, for the year 2013, the Middle Eastern countries experienced a decrease in both international tourist arrivals (-0.2 per cent) and international tourism receipts (-1.9 per cent) (WTO, 2014). When it comes to tourism development in the territory of Serbia, primarily a basic indicator of development must be noted, and this is the realized turnover and the number of tourist nights.

Table 1: *Tourist arrivals and nights (2006-2016).*

| Year | Total | Domestic | Foreign |
|--------------------------------|--------------|-----------------|----------------|
| 2006. | 2006488 | 1537646 | 468842 |
| 2008. | 2266166 | 1619672 | 646494 |
| 2010. | 2000597 | 1317916 | 682681 |
| 2012. | 2079643 | 1269676 | 809967 |
| 2014. | 2192268 | 1163536 | 1028732 |
| 2016. | 2753591 | 1472165 | 1281426 |
| Realized overnights 2006-2016. | | | |
| Year | Total | Domestic | Foreign |
| 2006. | 6592622 | 5391913 | 1204301 |
| 2008. | 7334106 | 5935219 | 1398887 |
| 2010. | 6413515 | 4961359 | 1452156 |
| 2012. | 6484702 | 4688486 | 1796217 |
| 2014. | 6086275 | 3925221 | 2161054 |
| 2016. | 7533739 | 4794741 | 2738998 |

Source: *Authors created based on the data of the Statistical Office of the Republic of Serbia.*

By analyzing data on the number of tourists annually and the number of overnights for the same period (2006-2016), one can see that there is little

tourist traffic fluctuations during this period. In fact, by 2016 the annual increase in the number of tourists was made, but not on a significant level. Also, the number of tourist nights for the ten-year period follows a slight magnification. It certainly emphasizes the fact that the largest percentage of tourists who do the tourist movement in the territory of Serbia is the domestic category, which is very important to emphasize for their involvement in tourist spending in certain economic segments. In consideration of the significance of tourism for a country, it is important to distinguish domestic from foreign tourist spending, due to the differences in the economic effects that arise from them. For domestic tourism, the consumption is not about redistribution of income acquired in an economy, while the foreign tourist spending is an overflow of income from one economy to another, which has a direct impact on GDP growth. The general hypothesis H1, which we started from in the research, that tourism is not at the expected and the satisfactory level, is confirmed based on the data from Table 1.

Interbranch position of tourism in the development and function of stimulating certain macroeconomic parameters

The importance of tourism is not only limited to its contribution to the nation's income, job and business opportunities, but it is also important as it involves diverse tourism-related industries as well (Badariah, et al., 2016). The main characteristic of the tourist activity is economic activation of human resources, which is one way to solve the problem of unemployment (Gajić, 2010). Table 2 shows that employment is still moving wave leaving the primary sector. On the one hand, due to the evident reserves in the labor force, and on the other hand, because of the new technology and modernization of production processes, as well as the permanent desire of the population to fight for better social status. When analyzing data related to the period 2006-2016, it is noted that tourism is participating at least in the sphere of employment, and in the same manner and in the sphere of realized earnings of employees in the tourism business. This denies sub-hypothesis H1a, which was the assumption that tourism has a significant share in the employment of the population in this region and is balanced with other industries. However, although the data show a low level of participation of tourism in the activation of the working age population, it must be noted that there are hopes that in the future the situation will be changed. In the period from 2006 to 2016, the significant increase in the number of employees is noted, although still well below the levels in comparison with other sectors.

Table 2: *Overview of employment and earnings generated by sectors of economic activity (2006-2010)*

| Year | 2005. | | 2010. | | 2015. | |
|--------------|----------|------------|----------|------------|----------|------------|
| | <i>e</i> | <i>rsd</i> | <i>e</i> | <i>rsd</i> | <i>e</i> | <i>rsd</i> |
| Agriculture | 63877 | 13835 | 37382 | 27591 | 33000 | 53995 |
| Mining | 30552 | 20989 | 22954 | 49630 | 24000 | 99531 |
| Industry | 459950 | 13945 | 301452 | 29057 | 401000 | 58393 |
| Energetics | 45555 | 24369 | 27854 | 54595 | 30000 | 106286 |
| Construction | 88063 | 22389 | 74506 | 29459 | 90000 | 59895 |
| Trade | 204730 | 15498 | 186748 | 25830 | 328000 | 48259 |
| Transport | 115961 | 20341 | 89003 | 37141 | 114000 | 64849 |
| Tourism | 26964 | 12000 | 20863 | 18899 | 69000 | 37503 |

Source: *Authors created based on the data of the Statistical Office of the Republic of Serbia. (RSD - earnings in Serbian currency, e - employees)*

Tourism Industry has a dual function in the employment of the population. On the one hand, it reduces the problem of youth unemployment and educated generation, and stimulate employment of parts working age who are exempt activity in other industries, which actually represents the economic and social impact of tourism trends (Baum, 1993). The tourism industry, as part of the tertiary sector, with a number of activities based on the participation of labor, already affirmed in the world with a very significant immediate results and multiple indirect positive impacts on the overall economic development of the country and society (Szymanski, 1993). To affirm employment in tourism, the solutions should strive to overcome, or at least alleviate respecting numerous problems, primarily of an objective and systematic character, including, in particular, those resulting from the uneven spatial and temporal distribution of basic segments of tourism development, labor relations and systems rewarding to work, the system of education and training of personnel, and the relationship of the private sector economy (Gajić, 2010). Expectations in terms of tourism's contribution (direct and total) GDP growth in the world in the coming years are very optimistic. Table 3 presents the results and projections of the contribution of tourism to GDP as an aggregate of the WTTC, which essentially means its broader impact on the overall economy. According to the WTTC, the total contribution of tourism to GDP in the world in the period from 2007 to 2015 amounts to an average of 9.3%.

Table 3: *Participation of Tourism in GDP (% , 2007-2015)*

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------------|------|------|------|------|------|------|------|------|------|
| World | 9,6 | 9,4 | 9,3 | 9,0 | 9,1 | 9,1 | 9,2 | 9,3 | 9,3 |
| Europe | 8,1 | 8,0 | 8,0 | 7,7 | 7,6 | 7,7 | 7,6 | 7,6 | 7,7 |
| EU 27 | 8,3 | 8,1 | 8,1 | 7,8 | 7,8 | 7,8 | 7,8 | 7,8 | 7,9 |
| Croatia | 27,6 | 28,5 | 25 | 26,3 | 27,5 | 29 | 29,7 | 30,1 | 30,5 |
| Macedonia | 5,1 | 5,2 | 5,2 | 5,1 | 5,5 | 5,2 | 5,6 | 5,7 | 5,7 |
| Montenegro | 21,6 | 24 | 16 | 15,7 | 17,1 | 19,7 | 22,9 | 25,5 | 27,4 |
| Serbia | 6,1 | 5,9 | 7,5 | 7,8 | 8,0 | 8,0 | 8,0 | 8,0 | 7,9 |
| Austria | 12,1 | 12 | 12,3 | 11,7 | 11,8 | 12,2 | 12,5 | 12,6 | 12,8 |
| Greece | 17,3 | 16,5 | 15,2 | 15,3 | 15,7 | 16,3 | 16,7 | 16,9 | 17,1 |
| Italy | 9,3 | 8,7 | 8,4 | 8,4 | 8,5 | 8,7 | 8,8 | 8,9 | 9,0 |
| Portugal | 13,6 | 14,2 | 13,3 | 13,8 | 14,7 | 15,1 | 15,4 | 15,6 | 15,7 |
| Spain | 14,9 | 14,9 | 14,7 | 14,3 | 14,3 | 14,4 | 14,4 | 14,3 | 14,3 |

Source: *WTTC, Tourism Research*

According to the data that show the direct contribution of travel and tourism in GDP, Montenegro and Croatia, according to WTTC forecasts, it would have the most significant growth until 2015. This growth is significantly higher than the forecasted growth of total contribution of travel and tourism to GDP in the world.

Table 4: *The share of tourism in gross income – a comparison to other sectors in Serbia (mil.RSD)*

| Activities | 2005. | 2010. | 2015. |
|-----------------------|--------------|--------------|--------------|
| Agriculture | 137691,3 | 217094,1 | 302226,3 |
| Mining | 16496,5 | 37407,7 | 43385,8 |
| Industry | 168258,1 | 392430,7 | 613437,3 |
| Energetics | 34631,4 | 82587,2 | 112643,5 |
| Construction | 35057,3 | 103860,6 | 167087,8 |
| Trade | 112922,1 | 262914,2 | 387046,2 |
| Transportation | 110975,1 | 137012,4 | 152258,5 |
| Tourism | 9004,2 | 27233,7 | 41578,5 |

Source: *Authors created based on the data of the Statistical Office of the Republic of Serbia.*

Direct and total share of the tourism sector in the region will be significantly lower. Serbia is in rough position, when viewed from the analyzed data. Many levels are below the state region, where tourism is

the primary industry. Table 4 gives an insight into the position of tourism in achieving gross income, but compared to other industries. Based on the data it can be concluded that tourism does not possess a large cumulative, observed from a very low share of the national income. The analysis of the data disproves the Sub-hypothesis H1b. Tourist spending has a positive impact on non-tourist activities, which encourages the production and income of non-economic branches, and with respect to their location, it causes economic benefits of the emissive areas. In some exclusive tourist areas tourism, is the dominant economic sector and driver of development, while in Serbia, mainly agricultural and non-tourist area, it is really just an additional source of income (Vujko et al., 2014). The factor on which the pace of achieved economic growth depends primarily some are new investments by tourist authorities. The current development is characterized by a relative decrease in the intensity of investment, slower growth rate of production, and by analogy and employment. Table 5 provides an overview of the slow growth of investment funds in accommodation facilities. That testifies of a slight increase in the number of units and buildings. The former essentially limiting factor for the development of tourist activities and the overall economy of Serbia was the material basis of tourism (relatively worse receptive infrastructure, low capacity utilization, poor quality housing and services). Table 5 illustrates the number of accommodation capacities and facilities in Serbia. There is an increase number of accommodation units (rooms), with the number of beds decreased in the period between 2011 and 2015.

Table 5: *Accommodation facilities*

| Type of accommodation | 2011. | 2012. | 2013. | 2014. | 2015. |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Rooms | 50755 | 46020 | 43657 | 43603 | 45396 |
| Beds | 127664 | 113385 | 107256 | 102940 | 106102 |

Source: *Authors created based on the data of the Statistical Office of the Republic of Serbia.*

Tourism has a significant impact on investment in infrastructure and improving the quality of accommodation. Although the largest investment, when it comes to tourism, is coming from the private sector, the state is required to provide indirect growth and development of infrastructure (Dogru, 2015). In addition to hotels, restaurants representative, infrastructure, the secure availability of tourist destinations have a large impact on the overall development of tourism. The of

Serbian tourism infrastructure condition has been improving in recent years, but still it is not at a satisfactory level. Data analysis refutes the sub-hypothesis H1c, where the authors started from the assumption that there are significant resources investment in the development of this activity. Table 6 displays turnover in the period from 2012 to 2015, where you can notice a slight increase in turnover in the tourism and hospitality industry. As for the structure of the turnover, during 2005 the largest turnover was in the segment of food 46, 2%, followed by pizza 30.1%, 19.9% and overnight to other services 3.8%.

Table 6: *Realized turnover (mil. RSD)*

| Year | 2012. | 2013. | 2014. | 2015. |
|-------------------------|--------------|--------------|--------------|--------------|
| Turnover | 60.841.400 | 64.685.091 | 65.104.515 | 67.318.055 |
| Indeksi 2010=100 | 110,6 | 117,6 | 118,4 | 122,4 |

Source: *Authors created based on the data of the Statistical Office of the Republic of Serbia.*

During the period of the next ten years, precisely in 2015 recorded a reduction in traffic in the domain of pizza nights, while in the field of nutrition slight enlargement of turnover (29.8% pizzas, food 48.3% of overnight stays 19.1%, other 2, 7%). At this time there are discrepancies in the positive direction as regards turnover, but it certainly is not as important to the large and noticeable influenced the economy of Serbia. H1d sub-hypothesis is refuted. Turnover is of no large fluctuations in growth. However, it can be concluded that tourism still not nearly used all the opportunities and resources available to the tourism industry of Serbia. All it was achieved as a positive effect of tourism, actually has been achieved with a very weak association of the tourism sector with all the factors without which the full engagement of the effects remains limited. Tourism in the previous period was isolated and left to work in a very limited maneuvering space (Petrović et al., 2017). In these conditions it not only was not able to not achieve those effects that should and could have achieved as one of the ideal final form of export loans for a significant part of the total national production, but was increasingly losing its natural characteristics and decreasing its development and export potential. What happened to tourism in previous years, when they first manifested obvious consequences of many years of unfavorable trends in relation to our position in the international tourism market, mainly reflects the outstanding isolation of tourism and disadvantages of stakeholder relations with the rest of the economy, as well as the lack of

necessary social engagement. H1e sub-hypothesis, that there are tendencies intensive development of tourist activities can be disproved, but not completely, at least until the state does not come out in the economic sphere from the above problems.

Concluding remarks by observing the key problems as a factor of tourism development stagnation

Tourism sector stays in the limelight, especially because of the economic benefits that it provides to the state. Therefore, it is observed that an important part of the literature studies on tourism are related to the economic aspects of tourism (Abubakir et al., 2016). The development of tourism and other sectors of the economy are in a causal relationship, in which a decisive role is played by the pace of development of the tourism sector, which provides a framework for growth of other sectors (Zeglat, 2005). It should be noted that the final product market tourism industry aggregate services, made up of many components, of which a large part consists of products and services of other activities (Heo, 2016). For tourism to realize favorable effects on the market, especially foreign, tourists and bids must be in a synchronized manner to include, in addition to the attractive components, even transport, catering, trade, crafts and a variety of other services (Barry, 2004). Tertiarization has long been an open process in Serbia, but still far from the level which was reached in the world, primarily because of utilization of available resources and labor productivity in the first two sectors of the economy have not yet reached the level of developed economic structures, such as no standard is not the purchasing power of the population have not yet caused such a high level of development of the service sector. Authors of the paper in the research started from the premise that tourism is not developed in the expected rate, nor is satisfactory. The general hypothesis H1 is confirmed by analyzing the available statistical data. After that, the authors have set several sub-hypotheses focused on exploring comparative analysis of the impact of tourism on economic and commercial parameters with other leading industries. It was concluded that tourism cannot be balanced with other sectors when it comes to the level of employment and earnings (sub-hypothesis H1a disproved). Share of tourism in total fixed capital, projects which are encouraged in the tourism sector, foreign investments in tourism, the ratio of tourism expenditures to expenditure on imports, contribution of tourism revenues to GDP, basic economic impact of tourism revenue and expenditure balance are considered under the scope of study (Abubakirova et al., 2016). The empirical findings confirm the

long-run equilibrium relationship among the variables. Results from long-run elasticities indicate that tourism increases income inequality significantly (Samsul et al., 2016). The former isolated functioning of tourism was affected by the fact that tourism cannot form a quantitatively and qualitatively adequate export product, so it is logical that the market is losing what was proven in previous years on the territory of Serbia (Vujko et al, 2015). Tourism does not have a large stake when it comes to gross earned income, which shows the data analyzed in the work, and thus sub-hypothesis H1b is denied. Also, if you take the analyzed data, it can be noticed that there is no significant shift in investment in infrastructure in tourist activity, as evidenced by data storage capacity and number of beds, which does not change to a significant extent. This information denies H1c sub-hypothesis that there are significant investments in its infrastructure in the tourism business. When it comes on the turnover in the industry (H1d), it is noted that there are no significant improvements and growth in the above period. These data from the survey show that Serbia as a tourist zone does not represent one of the developed regions, but there are hopes that it will soon have the characteristics of a complex tourist zone, it will be a real consequence of the fact that in its territory established tourist concentration of wealth balanced qualitative and quantitative structure. H1e sub-hypothesis, can not be fully disproved, precisely for the reason that state, but not to a great extent, makes some progress with regard to the placement of the tertiary sector into a better position. The reasons for the stagnation of previous, large or stunting tourist traffic and average foreign exchange earnings for one overnight stay of foreign tourists should be sought in a very unfavorable structure of the tourist offer, the shortcomings in terms of quality and content of the existing tourist offer, inadequate range, quality, scope and structure of production of goods consumer, which does not encourage the increase of foreign tourist spending (Vujko et al., 2015, Gajić et al., 2011). The also mentioned reasons of slower development of tourism activity in this area are: environment Serbian areas that have more general recreational value, more complete and better quality of hospitality and tourism network system mediating factors with an almost aggressive performance in relation to tourist demand; then the harsh competitive struggle on the international tourism market for which the Serbian economy is not ready because of its relative competitiveness; the absence of a program of tourism development as a systematic tourism policies in relation to it; then the effects of foreign exchange policy and reform as an essential reduction of border and other formalities of arrival

and stay of foreigners, who often have a stimulating effect in Serbia for the development of foreign tourism.

The synthesis of objective and subjective determining factors, including certain existing demand (Serbia realistically its capabilities can satisfy the expressed demand) for services from this area may enable the competitiveness of the market, but with the setting of targets for the development of tourism which will affect the quantitative change in the modern tourist offer with priority to maintain in the current structure and other qualitative characteristics. The ultimate aim of tourist business will be providing a solid position in the market, creating loyal customers thus ensuring long-term business, but the most important thing is that this industry through its business system makes the entire economy of the country more stable, and thus affects all economic aggregates.

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