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**International
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1-3 June, 2017
Vrnjačka Banja, Serbia

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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**



The Second International Scientific Conference

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

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Thematic Proceedings

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FOREWORD

The Faculty of Hotel Management and Tourism in Vrnjačka Banja is the host of the second International Scientific Conference Tourism in function of the development of the Republic of Serbia, Tourism product as a factor of competitiveness of the Serbian economy and experiences of other countries, that takes place in Vrnjačka Banja from 1st to 3rd June, 2017. The Conference will present 80 papers contributed by 143 participants coming from Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, the Republic of Srpska, Portugal, Romania, Ukraine and Serbia.

The aim of the Conference is the exchange of ideas and experiences of the participants coming both from Serbia and abroad, establishing collaboration with other institutions and analysing the possibility of using Good Practice to reach conclusions concerning the potential trends of further development of spa tourism in Serbia.

The Thematic Proceedings, as a result of the Conference, is published in two volumes, and will be available to a wider scientific audience, with the purpose of promoting sustainable tourism in the Republic of Serbia, with a special emphasis given to tourism product as a factor of competitiveness of the Serbian economy and experiences of other countries.

Vrnjačka Banja,
June, 2017

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KNOWLEDGE FOR TOURISM DEVELOPMENT

*Robert Dimitrovski*¹

Abstract

Tourism is an important economic sector for many countries and regions around the world. In relation to the necessary resources, many countries have more than only attractive unpolluted areas on the international market of the demand, where in order to maintain and even enhance the level of expectations and the tourist offer, comes to population growth. For these destinations, it is vital to understand the procedures from which the modern tourism can take advantage of, the purpose of their needs and preserving the environment in which it operates and on which it depends. Therefore, tourism is one of the priority sectors of each country. In the strategies which are prepared by the countries, the tourism sector has a special significance. This is certainly not accidental: the development of tourism has an impact on both the social and political and socio-economic relations in society. It is reasonable to consider tourism as an area that assimilates total domestic commercial surpluses and integrates local, regional and international stakeholders and resources.

Industry without chimneys can produce growth and development without precedent. It all depends on resources, tradition, habits. Today we live in a world of globalization and highly developed management strategies. However, such a development and use is impossible in today's world of offer of the tourist destinations, which as a tourist option existed for decades. In the sense of improvement and tourism development, the most successful tourist destinations are increasingly oriented towards knowledge. Without knowledge, as the strongest resource, none of the economic branches, including tourism in the global society stand any chance. They can only survive as marginalized offers or supplements to other bigger and more experienced traditionally proven and successful destinations.

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This indicates the intention that the knowledge as a resource and especially as a special practice must be used. Knowledge management in the tourism business is not only winning need, but it is also the essential need. Knowledge management is inextricably linked to the man as a unique resource in the world of the global economy, as the most important driver of any economic development and tourism.

Key words: *Tourism, development, knowledge management.*

JEL classification: Z32

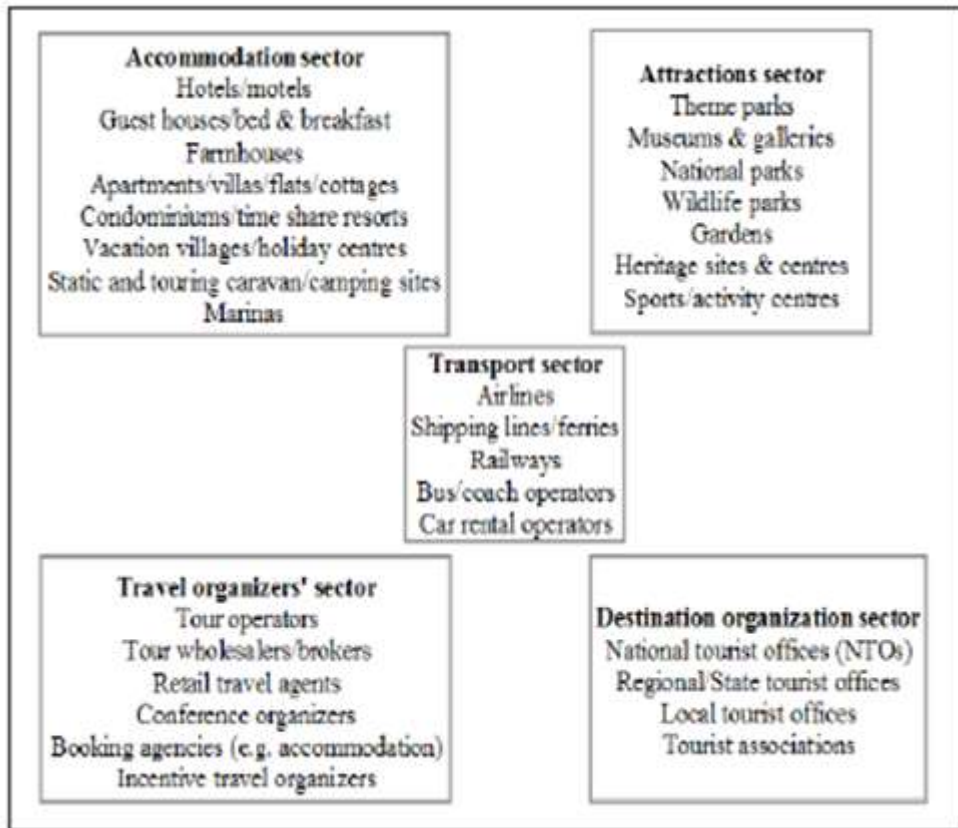
Tourism in modern context

The fact that the tourism is an economic sector from which many countries, economically speaking, survive, and even develop, is an irrefutable fact since ancient times. Many of the touristic-developed countries are highly developed and have utilized the existing resources. On the other hand, there are countries which can even create touristic conditions which are not natural and given – they create something they do not have. In the modern global society, the scope of tourism is equal or sometimes higher than the scope of oil production, food production, automobile industry or the production of technology. Tourism is one of the major players in the international trade and is one of the main sources of income for many developing countries. Such growth (diversification and competition between destinations) facilitates strengthening of tourism as a global process, which was used by the developed and industrial countries for employment in many related sectors. From construction to agriculture and telecommunications, the importance of tourism in economic development and prosperity depends on the quality and revenues of the tourist supply. The United Nations and the World Tourism Organization help tourist destinations to create sustainable development of the domestic and international market. This is especially oriented towards developing countries. However, the path towards green economy does not end only by the desire and help. Although developing countries are prepared and willing to use the enormous potential and are prepared for lifelong learning, use of new skills and competences, yet they face limited budgets and lack of abilities of the professional management in order to take advantage of its benefits.

Since the end of the last century (Middleton, 1998), it was clear to everyone that tourism is already an important economic sector in many countries and regions around the world. The five most important sectors

of the travelling and tourism industry (Middleton, Victor T.C., 1998) are presented in Figure 1.

Figure 1: *Five most important sectors of travelling and tourism industry*



Source: *Middleton, Victor T.C., 1998*

In the past decade, it is more than clear that the role of the quality of the education in tourism is more than important. For the tourist experts it is more than clear (theoretically and practically) that the quality education creates professionals in the field of tourism. Their awareness and satisfaction, their guest orientation in the wish to fulfill the high expectations of the guests and, first of all good management, are some of the most important conditions in the touristic successfulness. The changes that occur and the willingness to face them and incorporate them, using resources, is another in a series of indications of development.

The concept of the modern tourism is undoubtedly oriented towards the modern tendencies and in this way in the foreground emphasizes the need to be dedicated to a process, not to a need or destination. In this sense, helping all employees on all different organizational levels (sometimes even all the stakeholders, such as the suppliers and customers) to understand the knowledge as a basis for better performances and successful world is a key factor for improvement of the effects of the business (tourism).

The actualization of the knowledge and especially its management is a process which is constantly developing. Its strengthening with all its attributes of the serious practice and discipline come at different times. From here comes the perception and the reality for the knowledge management and its infiltration in the entire society. The articulation of the knowledge in the institutions is a different story. Given the conditions, trends and strategies for the development of the tourism, the need for coordination is strongly emphasized, because knowledge management is one of the essential fields which provide competitive advantage. Knowledge management in the context of practicing knowledge is an option which brings success, when oriented towards future.

Management

There are countless perceptions about management, and based on this statement, countless definitions. Every single definition about management takes place in the diapason of pejorative to mystification. From Taylor and Fayol, to Drucker and Senge, every one of them (including consultants as well, who have given enormous contribution to the development of management) have created a mosaic of cells in scientific and professional values and have enriched and upgraded the process of management. We undoubtedly find management in every institution and without management we cannot even imagine that we can achieve anything. The processes of management from practice and theory have been transformed into a philosophy, or even art, in the field of results. The space of management is wider and stronger every day, trying to define policies, strategies, structures, processes and organizational objectives which are used as directions for better organization and homogenous creation from heterogeneous resources. The articulation of people (personnel and organization) as the sole creator of the new values is a task of the management and from its professional assessment,

orientation and performance come the results and prolific work, which are tightly related to tourism.

We can find management everywhere, and the need for management in tourism is more than evident. If tourism articulates a set of resources in a certain area or society, then management is in charge to harmonize the resources in the best way possible. The results of the tourism are the effects of the successful management. There is no good touristic offer, destination or success without a good manager/management. These two factors are highly connected and related.

There exist more ways to manage, but related to knowledge, there are three ways of management:

1. Logical management
2. Knowledge management
3. Only knowledge.

The time which we live in and the accessibility to everything is inevitably pushing us towards knowledge and its exploration; however, knowing what, how, when to use it and how to use it is more than necessary. This is an imperative for the global society. Additionally, the intuition is also present, which implies the managerial specifics of the personality, and intuition is used just about every decision. The intuitive decision making and the possibilities of the creator and its invention and creations are qualitative and already defined predispositions of the modern manager. All this, upgraded with knowledge and acquired abilities, with use of the human potential (capital) created predispositions for success in the practice of the knowledge management. Tourism certainly is not excluded from this.

Knowledge

Knowledge begins as a set of data, which contains raw facts and figures. Furthermore, information is data put in a specific context, which are related to the field of our interest. Not every data becomes information.

Only when the information in combination with the experience is seen as something that is necessary for a given area of interest, it can be transformed into knowledge. According to Longman Dictionary of Contemporary English, knowledge is defined as “facts, skills and understanding which are gained through learning or experiences”. It includes insight of the workers, as well as wisdom. When people gain

knowledge, they can use it for work and decision making. Defined like this, it looks like a process that goes easily. Still, it is an area that is in the center of many interests (Lobanova & Shunin, 2008; Light & Cox, 2005).

So, research data are particularly important from the point of view of the development of future specialists and their "personal and creative quality, key and professionally-oriented competencies which produce graduates with better chances for a successful adaptation and self-realisation in terms of new information technologies, lifelong learning and personal development" (Lobanova & Shunin, 2008).

The knowledge (as a management process) as a totality of accumulated information, facts, and values has acquired its necessity especially in the last three decades.

It is evident that the awareness of the need for knowledge has not yet been raised everywhere on the respectful level; however, in the developed countries many efforts are made especially in that direction. So, the beginning of the 21st century promotes the knowledge as a unique resource in the world of the global competence. The knowledge will remain the only resource by which the organizations will be distinguished. The information society (its actuality has already finished at the beginning of this century) evidently leaves space for the society based on knowledge, same as the industrial society has left space to the information society.

Management and knowlegde

In the modern society in which we live in, knowledge management is already into the spotlight. The companies are struggling in order to save knowledge whenever possible, in the processes of a possible change in the global world. The need to rush towards adaptation of the future and the possible knowledge becomes an imperative. The organizations, faced with the challenges of the topical issues in short term, must be trained so that they can accumulate more organizational knowledge, creating new visions and experiences, having in view the challenges and the possibilities of doing business as soon as possible than ever before. The knowledge management (which started as a concept in the 80ties in the last century) and is treated as maximization of the use of the knowledge in the companies, identifying useful information, knowledge, vision and documents (Barth, 2002).

Nowadays, in practice as well as in theory, it is told that the knowledge must be shared and multiplied (Allee, 2002). The knowledge management can be defined as creation, retention and transfer of knowledge in the organizations (Argote et al., 2003). Knowledge management is usually seen as a tool or a way to understand better the company's mission, the environment, the performance or creation of values on the basis of existing accumulated knowledge in the company. As a process, it usually includes the range, storage and sharing between employees, sectors and/or other companies, including activities and supplies created in the past years (Santonus & Surmacz, 2002). All these approaches are closely connected and close to the tourism sector.

The situation now is such that, "every business is a business of knowledge and every worker is a knowledge worker" (Allee, 2002). The knowledge management is focused on two main directions:

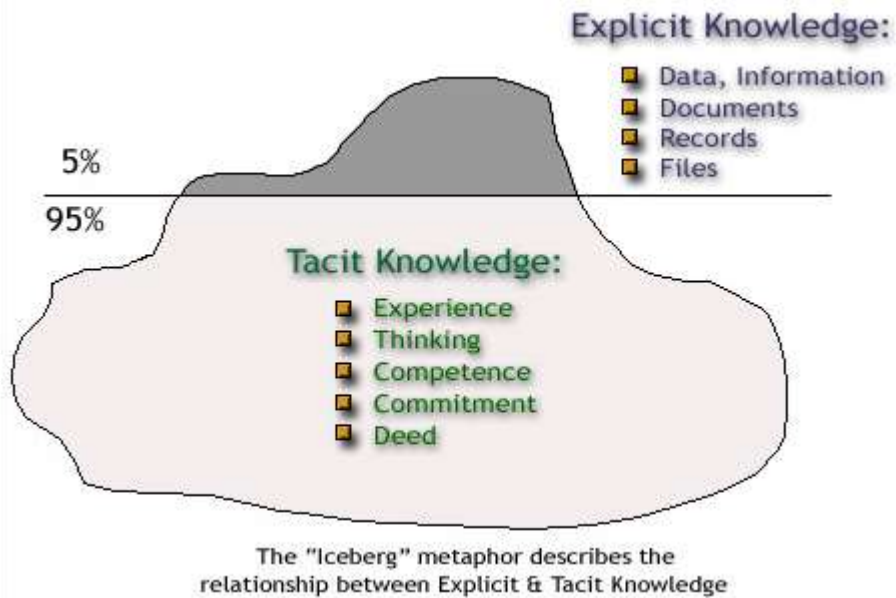
- Knowledge management oriented towards information (late 1980s);

Knowledge management oriented towards people (Sveiby, 2001). The logic of both concepts is very obvious and very important for the tourism as an important, specific business sector. Realizing that the people and its tacit knowledge represent a special competitive advantage in the new tourism industry, the application of the knowledge becomes a top concern. Knowledge management oriented towards people is more and more focused on adoption, change and improvement of the people's abilities and their individual behavior.

This type of management is much closer to the new way and relation to tourism as complementary activities, with evident success to the learning organizations, promoting the organizational culture and investment in human potential and the process of recruitment. The benefits of the knowledge management through use and sharing knowledge (especially tacit knowledge) have 6 categories: (Kaplan, 2002).

1. Fast innovations, encouraged by the fast flow of ideas;
2. Improvement of the services through reduction of the operating time;
3. Increase of the income, derived from the faster market;
4. Better performances (thus better income) for the companies, coming from keeping and constant rewarding the loyalty of the employees;
5. Original operations and reduce of the costs, through elimination of the redundancy;
6. Reduce of the training time.

Picture 2: *Classification of knowledge*



Source: *Polany, 1966*

Starting from there, when we talk about of knowledge management in modern conditions, probably the most important are the following facts:

- the total work of the companies is based on useful information, in most cases;
- the organizational competence of the company on the market is based on knowledge;
- all products and services are more complex and contain more information;
- the need for constant learning and promotion is real, constant and obvious;
- formulation and implementation of development strategies;
- acquiring and applying knowledge;
- improvement of the business processes through knowledge development;
- monitoring and evaluation of activities arising from the use of knowledge;
- monitoring and evaluation of the activities regarding the management of knowledge, its development and application.

Management, knowledge and tourism

Organizations do not work in an imaginary environment. The organizational environment enables the working conditions, which are more than needed. Additionally, in the era of knowledge, the internal factors from the organizational environment must be on an exclusively high level. Therefore, this process is one of the most important. This, furthermore, means that there must be an adequate level. By definition, only leaders have the capacity to lead – that is why they are leaders. They create guidelines based on their feelings for doing business, and of course, higher level of knowledge than the people they lead.

The knowledge management nowadays is a key component of every business (touristic offers included). The competencies have to be defined and measured by the supplier of the service, and valued by the user of the service or the product. Over time, the workers become increasingly close to the business, adopting new knowledge and having more and more opportunities for promotion. This way, they become more responsible towards themselves, their knowledge and the users of their services. Like other businesses, tourism has a rare opportunity to promote everyone included in it. However, exclusively management is responsible for all that: the intensity, the quantity, when, how and in what way will be able to understand the need of knowledge management will define the level of its integration and positioning in the society. In practice, it is evident the mere declaration and pragmatism in the realization of real activities. All this is directly related to the styles of management and the meaning of management in the field of tourism. The new logic shall be created as a competitive discourse in the new formula of touristic activities.

The question of modern tourism management is not accidental – it has a meaningful dimension. The tourism, as a business sector and modern industry, shall not only protect, but it has to promote the knowledge management because the user of the touristic offer in a certain moment of use of the service expects to receive a certain relation in that exact moment and in an adequate way. If the user does not receive the expected service, it is expected dissatisfaction to appear, which implies the need for finding satisfaction on another place. Because of this, tourism shall not only synchronize the working process, but it should implement knowledge management in the process, as a scientific discipline. The knowledge management should be practiced transparently, clearly, without waiting for a period of evaluation, after which comes correction.

In the 21st century, the touristic destinations have an imperative to innovate and to remain competent in the world of global competence. The main prerequisite for innovation is understanding the destination as a source, action, and first of all, use of knowledge.

However, the biggest part of the literature and the applications for knowledge management elaborate individual organizations, and not complex organizations, which is a main characteristic of the tourist destinations. Of course, the focus on individual organizations can be applied to the tourism corporate companies, the management processes in the organization and the destinations.

On the other side, if we consider the knowledge management to be efficient mean for implementing innovations in the tourism sector, then we have to consider how this can be useful at the level of organizational destination. Because of this, we should understand the nature of the connection, the possibility and the use of knowledge and innovation as a possibility to assure bigger competence at the global market. Therefore, the researches and analyses in this field would certainly be useful for the tourist organizations in the future, showing the usefulness and function of these approaches for understanding the touristic destinations.

The touristic sector creates new working posts for the local residents and increases the income of the other companies which obtain supplies for the tourist industry. In this way, the green economy shows that this is something more than only an environment. The implementation of its main principles requires exceptional human creativity, knowledge and participation of all. The green economy is a way to solve the dilemma about development and impact on the environment (Gundega & Dzintra, 2013).

In a society that is customed to the values of knowledge, the main dilemma is whether we talk about management of knowledge or managing with knowledge. The corporativity as an approach with application of appropriate strategies in the way of realization and achievement of the mission and accomplishment of the vision is one of the prerequisites of a healthy touristic supply. Of course, the direction and the focus are determined by various factors. So, probably, the most important factors will be: government regulations, organizational regulations, professional regulations, management, and of course, the competition. These 5 factors are amended and the following factors are

added: tradition, competition and its relations created, the types of government regulations, the types and forms of academic leadership, types of management, etc. these factors define the modern touristic supply, as well.

The role of the leadership and management in tourism in the environment can be situated more in the field of intuitive, but structured knowledge management. The situation is as it is, not only because the relations and the work in the tourism are such – the relations are the same in the whole environment. It is surprising that after many years of education and profiling of academic education in the field of tourism in the tourist institutions (with exceptions, of course), the situation generally is not satisfactory.

The relation to the existing touristic factors for education and knowledge should be seen as a defined system. When I talk about this, I include the formal, but also the non-formal education. The clear rejection of the non-formal education is highly expressed, and we can freely say that the non-formal education is hardly defined as existing. The system of lifelong learning has moderate dimensions. Probably the worst thing that is happening in the touristic activities is the current strategy. From all strategies known in the economic theory and practice, only the reactive strategies are used (instead of proactive). Worldwide, in the world of the picky user of the touristic services, there is no chance for a second impression. People, who are willing to spend money, expect that the service they receive is compatible to the sum of money spent. People expect a service which always offers something new. It is noticeable that the private initiative makes some efforts in this sector, but often is slowed down by administrative barriers and weak sustainability.

There are many things missing in tourism: skills for a practical use of foreign languages in one of them, intercultural communication, providing services for the user, even the simplest communication. In the dynamic global society the needs in the field of security and health are even more expressed. In the field of knowledge, as an insufficiency we can list the customer service, geography, ethics, and use of modern ICT, use of data bases, business planning and organization of the work posts. There are still no sufficient confirmed information about the employed in the field of rural tourism and eco-tourism.

We can conclude that the organized approach lacks. Knowledge lacks. Knowledge management lacks. Functional education lacks. Care and investment in human resources, responsibility for the human capital also lack. If in practice the awareness for knowledge management is so low, then it is clear that knowledge management is not in some advanced stage, especially in the Balkan countries. The existing conditions clearly show that the focus is already towards information management, not knowledge management. This means that the world is oriented towards the past (1980s), in the era of information and information revolution. This is why we can see only reactive strategies – not proactive. When we realize that we live in a knowledge-based society and the main focus shall be placed on the knowledge (not data, information or ICT), maybe the companies will start to implement proactive strategies.

Tourism and knowledge management

The basis of the improvement of the touristic success is the relation towards people and the human potential of the companies. There exist different circumstances which create and generate development of the human resources. Unfortunately, this happens rarely. In the theory, there are 6 key fields important for tourism:

- Importance of the training, with a new access to the training;
- Career development based on skills and abilities of the candidate;
- Change management;
- Showing initiative;
- Leadership development;
- Suppliers and users management.

These fields do not exclude one another. They represent the differences which may occur from one to another worker (which must be seen as a company's potential and main resource) and are focused on the factors which are important in the field of tourism, the touristic offer and the touristic demand. It can be said that the tourism also contains the following values:

1. Identification of the human resource management as an instrument of the corporate strategy;
2. Urgency of the implementation of a concept for knowledge management and its integration in the organizational practice;

Use of continuous development of the technology for logistics of the process of e-learning in the process of development of the human resources (Allen, 2002).

This trend, considered as a set of factors, can be a useful and has a strong impact for strengthening the corporate structure of the tourism and it can have a direct impact on its role in the organization. Sadly, not everywhere the tourism is actively included in the researches for the importance of the significance of the sectors for training and its role as a relationship between training, work performances and organizational objectives.

Challenges for tourism

There is none universally accepted definition or a structure, as well as universal mission of the knowledge in tourism. According to some authors, the importance of the knowledge in tourism can be seen through synchronized possibility and initiative for a corporate learning of the business strategies (using the individual development and increase of the level of the most important skills and competence). According to others, the most important objective is to provide the employees with unlimited possibilities for increase of their capacities and skills, using different existing methods.

To provide the right opportunities in the right time for the right people so that the environment can benefit from this in a way that it will be possible to use the educational technologies to acquire new knowledge is also one of the challenges. If we connect all the previous factors, undoubtedly we will encounter the questions about:

1. Possibilities for development and improvement of the learning processes;
2. Management of the human resources as a tool for learning and its implications in the short term and long term;
3. Knowledge management system in order to develop and increase the skills and competencies on an organizational level;
4. How to transform the experimental studies into a practice;
5. What is the best way to use knowledge management in order to improve and increase the quality of the product/service?

We have to emphasize that even just thinking about the use of knowledge can be considered as a positive change. The change can be done to an individual or a group basis. This means that employees will have to leave

their personal comfort and their individual values, and will have to accept the organizational shared values. The system of tourism in the process of transformation, beginning from the insufficiency in the society and environment, has to go through a few stages.

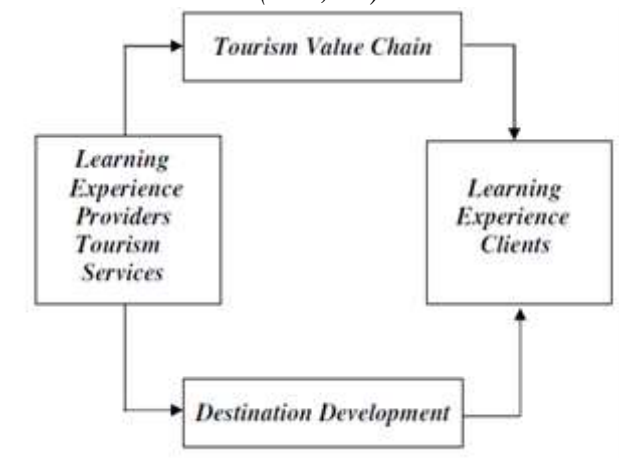
The employees who are successful and competent will re-define their positions first – they will enter the space of knowledge and its usage. The ones who are less ready to make some changes in their behavior will accept the knowledge through their own prism of creativity and will try to avoid the changes, without any real transfer of real values. Unfortunately, in the world there has always been place for everyone – not rarely, trusts are better positioned and more efficient than the queens. Luckily, first of all because of the pickiness of the touristic business and its clients, as well as the everyday “flood” of news in the tourism creates certain conditions which point out the most successful and skilled workers, instead of the most sly. The personal success is created by the workers themselves; however, not always the most skilled workers become leaders.

In the economy of knowledge, the destinations shall be innovative, with the main purpose to stay competent for a longer period. The knowledge management practices support innovation processes and through it we understand how we can manage knowledge through complex matrixes in the organizations, which are the basis for such processes. For the tourism, as it can be seen, the main problem is the fact that the biggest part of the destinations is created but small or medium enterprises. Organizations which have a tendency to be in the world of knowledge and its management in the public sector, it is necessary for them to be defined certain boundaries of collaboration through matrixes on a level of destination, not a level of organization. With other words, the theoretical interest for understanding of the process of knowledge transfer in the complex systems, such as tourist destinations, is of biggest importance, from the practitioners’ point of view. This implies that the future research programs should be based on configuration of matrixes, related on competitive performance destinations.

Myths have an impact on the application of the systems of knowledge management in practice, where the basic step is to formulate “knowledge societies”. In the center of these knowledge societies there are people who are willing to work. The realization consists of the following steps: (http://www.iclconference.org/dl/proceedings/2009/program/pdf/Contribution_072.pdf)

1. Formulation of the objective and the intention of the knowledge management system;
2. Description of the type of knowledge and organization (declarative knowledge, procedures of the knowledge, the source of the knowledge, the type of collaboration and the access towards the actions of knowledge);
3. Draft procedure for presenting knowledge in relation to the process of decision-making;
4. Draft technology (technology for detection of data information, sharing strategies, transfer, etc.)
5. Creation of an efficient system for knowledge management (for example, based on the principle of acquiring experiences from the learning experience from the clients – see picture 3 below).

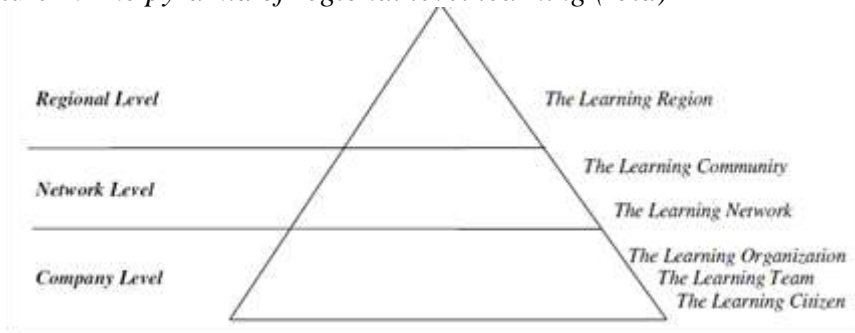
Picture 3: *Tourism Value Chain (Ibid, 12)*



Source: Shimikova, E., *Knowledge management in tourism*

In order to create a system for knowledge management and its usage in practice, it is needed that the involved participants define the level of management application. In case when the knowledge management is used at a destination level, the procedures will have to start at a lower level, i.e. at the organizational level, where the practical work is more frequent. (picture 4).

Picture 4: *The pyramid of regional level learning (Ibid)*



Source: *Shimikova, E., Knowledge management in tourism*

The comparative analysis of the matrix of destinations could be useful to improve the relation of the interventions in order to repair the destroyed relations or to make a reconfiguration of the matrixes in order for them to be more efficient.

Development of the tourism

In the process of continuous touristic promotion, we can define at least three main fields: applied strategy, knowledge management and e-learning. All three fields have an enormous significance on the development of the human resources. So, the role of the knowledge management for the touristic efforts to be more successful is very important, in order to create learning culture and positive relation to the sustainability. The process of the lifelong learning should be applied firstly on us, and after that it should be implemented as a model for the others.

Realizing the prominent role of the touristic offer, we need to learn and accept that the most influential and most successful players in the process of creating business and the social environment is the knowledge and the lifelong learning process. Without a personal example (the necessary changes first of all must be applied on us) and without our capacities to impact the society, the touristic activity would not be strong as well. Knowledge management has the role to define the touristic business on the postulates of initiative of the entrepreneurial society, creativity, innovation, expertise and competition, of course. Placed in the foundations of tourism, these universal values can help to make this sector to provide more benefits, than expected. But above all, we need to do the following things:

1. To establish such obligation that the companies every year, obligatory, allocate resources for human resource improvement;
2. To establish more stringent touristic standards, first of all in the field of human capital;
3. Touristic experts and workers shall understand that first they need to invest in their own progress, and only later to expect some profits;
4. Touristic workers shall understand that they can learn daily, especially in the sectors where knowledge management is practiced.

Recommendations

One of the most serious researches made for the conditions in tourism gives the following recommendations: (https://www.researchgate.net/publication/288872868_The_tourism_knowledge_system)

1. Re-conceptualization of the system of knowledge in tourism based on critics, synthesis and revision is needed;
2. Tourism should be seen as an extra multidisciplinary field of research. A system which is complex as the tourism shall be researched by circles and fields;
3. The idea of dual selectivity in the tourist production of knowledge is revised into a selectivity in five steps;
4. The elements in the field of knowledge have been criticized and rationalized, and this contributed to development of new sets with higher competencies for explanation and significance;
5. The system enlarges the process of creation of knowledge which was set long time ago, and this enables enlargement of the production of touristic knowledge – on the other hand, the consumption has increased too much;
6. The sixth analysis of the circle shows the production power of the elements of the system, which is insufficient for some types of knowledge and it is a possibility for new techniques of representation to perform better the wealth and complexity of the examined sector;
7. The significance of the collaboration in the process of creation of knowledge in the tourism sector is highly emphasized and increased;
8. For the tourism, the most important is the knowledge created in the academic circles (in theory and in practice). If the knowledge at the universities is prepared in an available format, everyday language and with more data and important information, the results will have a bigger use and applicability.

We are all part of the knowledge-producing machine, elements which are often hidden or taken for granted. If we want to claim greater agency and

participation in the research processes for a better world, we have to obtain sophisticated understanding how this machine works so that we can mobilize all our powers for greater agency and more aware research in the field of tourism.

Knowledge in the system of tourism reveals not only the more important processes of the theoretical progress, practical solution of the problems and real world of the engagement, but also the radical possibilities of the onto-logical policies in tourism research.

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INTELLECTUAL CAPITAL IN VOJVODINA TOURISM

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Abstract

Tourism potentials of Vojvodina, the northern province of Serbia, are underutilised and present an economic development challenge. The prerequisites for the realisation of these potentials are investment in tourism industry and adequate and well-planned promotion, which should be addressed by the intellectual capital in tourism industry. Tourism professionals with entrepreneurial spirit may help raise the tourism system on a higher level, by finding sources of funding and planning how to allocate funds.

Key Words: *intellectual capital, tourism, Vojvodina, knowledge, improvement, potential*

JEL classification: 034, Z32

Introduction

Though faced with numerous challenges in the previous period, the Republic of Serbia invested efforts in tourism development. However, these efforts were rather haphazard and tourism was not based on clearly defined strategic directions, though the country has numerous potentials such as favourable geographic position, cultural-historical heritage, diverse flora and fauna, rivers, lakes, mountains, spas, farms and preserved natural areas.

Global changes in economic and political spheres in the last years of the twentieth century and beginning of the twenty-first century made a significant impact on tourism and its transformation. Tourism incorporates all segments of a socio-economic system and puts to use all

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segments of the secondary product of other industries in creating a high quality tourism product. Regional tourism development of each country is an integral part of global tourism regions.

Tourism is becoming increasingly important for countries' social and economic development and Serbia is no exception. The adoption of the *Tourism Development Strategy* of the Republic of Serbia 2016 –2025 and passing of the Tourism Law created the preconditions for a more serious approach to tourism development in the Republic of Serbia. Tourism is becoming a development chance of the Republic of Serbia and one of its regions, the Autonomous Province of Vojvodina, which will be discussed in this paper.

The essence, characteristics and importance of services in tourism

The passing of the Tourism Law (RS Official Gazette, Nos 36/09; 88/10; 99/11; 93/12 and 84/5) and Law on Government (RS Official Gazette, Nos 55/05; 71/05; 101/07; 65/08; 16/11; 68/12; US, 72/12; 7/14 CC and 44/14) provided a more sound basis for tourism development. The adoption of the *Tourism Development Strategy* of the Republic of Serbia 2016 – 2025 (Government of the Republic of Serbia) laid the groundwork for a planned approach to tourism development in the Republic of Serbia. In the period so far, budgetary constraints and more pressing development priorities prevented Government from implementing a more adequate tourism policy that would make a significant competitiveness breakthrough. However, in a situation where the Republic of Serbia "increases its negotiating strength in relation to both closer and farther global markets, it is realistic to expect more favourable conditions for a significant development in the country's tourism" (Development Strategy 2016 – 2025, p. 1). The adoption of the Strategy marked the beginning of a systematic approach to tourism, as underlined by the Strategy objective Tourism (Development Strategy 2016 – 2025, p. 1):

1. "Sustainable economic, ecological and social development of tourism in the Republic of Serbia;
2. Strengthening the competitiveness of tourism economy;
3. Increasing direct and total share of tourism in gross domestic product of the Republic of Serbia and increasing direct and total number of employees in tourism industry; and
4. Improving the Republic of Serbia's overall image in the region, Europe-wide and on a global scale."

Tourism is an important segment of tertiary activity, i.e. service economy. High product variability and inseparability of production and consumption are the problems faced by this industry. Standardisation of service quality is made much more difficult by the intensive involvement of human factor in many tourism activities. The problems become even more challenging due to the inseparability of producers and consumers from the tourism product. Tourism product involves both space and human factor.

Tourism product is a set of diverse products and services owned by numerous and diverse parties. A multitude of factors impacts business result in tourism, such as the global economic crisis, attacks by terrorist organizations, war threats in turbulent areas, economic development, political system etc.

“Tourism is a very complex, multi-sectoral industry where no single organisation provides or controls the full service product. Obviously, a successful delivery of tourism product depends on close business relationships, interdependency and interaction between numerous stakeholders, which enable a tourist organisation to ensure a memorable experience for its buyers.” ... “Dependency of success of many tourism organisations, such as tour operators, transporters and organisations providing accommodation on public goods such as beaches and areas of natural beauty is so large, that each segment of the tourism system is dependent on others in order to ensure system functionality” (Semić & Senić, 2016, p. 38-39).

Distinctive aspects of tourism are related to supply and demand, though some are shared with other service sectors. This makes quality assurance much more challenging. Some tourism services have numerous qualities, such as spontaneity. Intangible aspects of a service account for its quality of spontaneity. Quality assurance is difficult because tourists are hosted and served differently, and the effect is never the same, i.e. each individual guest has a different experience, which cannot be exactly measured.

A tourist organisation cannot be successful if its employees are unsatisfied. You cannot order kindness and hospitality, but it will come spontaneously if employees find pleasure in their work and if it makes them happy. All guests have daily contacts with employees: with the operator (when they wake up in the morning), laundry and ironing staff,

room cleaning staff, room service staff, with waiters during meals, with the receptionist when they leave or take the key at the reception or consult about the reservation of theatre seats etc. Already early in the day, the guest interacts with a bulk of people. One hundred employees in a hotel will interact with around 1,000 guests. It is of course impossible to fully control service quality in all these interactions. The employees are expected to assume their share of responsibility, to adhere to the dress code and to display competence and consistency, high degree of responsibility and quality in their contacts with guests, with sufficient hospitality.

Tourism is related to memories, because it actually enriches people's lives. Travels and vacations remain in people's memory and those are actually some of the happiest and most cherished memories. Tourism makes dreams come true, offers immersion into fantasies and escape from reality. People with good earnings and enough free time on their hands are able to use many of tourism advantages. A successful tourism product is created based on historical monuments, rich cultural heritage, favourable climate, cities, villages, mountains, forests, rivers, beaches etc. All this represents tourist heritage.

The availability of acceptable capacities is extremely important. Intensive tourism development increases pressure on tourist destinations. While tourism product remains in large part the same, some destinations may change. New facilities and new hotels are established, new jobs created, new workforce engaged, which may transform a destination after a while (e.g. mountain Zlatibor). In time, competition arises over space when it comes to building hotels and other facilities, bus stations, shops, sport terrains etc. "In many countries tourism is called '*industry without chimneys*', whereby its contribution to a clean environment is underlined" (Senić & Senić, 2016, p. 40).

Seasonality is very much present in tourism and hospitality industry. Majority of tourists use their vacations between June and September and that is when the capacities are 90 to 100% utilized. In the remaining part of the year utilization rate is 20 to 30%. The same applies to the utilisation rate for means of transport– at certain hours, utilization is 100%, while the rest of time they may be underused.

Majority of countries suffered from seasonal volatility of tourism demand, which is reflected in business discontinuity. Managers should

therefore try to alleviate this discontinuity. For example, rather low prices in winter period persuaded many elderly tourists from Northern Europe to spend at least one short part of their vacation in the Mediterranean, as a brief escape from fierce winter and cold weather.

Service sector, i.e. hospitality and tourism industry are characterized by high fixed costs and relatively low variable costs at a fixed level of capacities. Fixed costs remain to be paid regardless of the hotel occupancy rate, i.e. regardless of whether 10 or 100 beds are actually used. Also, fixed costs are the same at 30% or 95% aircraft utilization.

Interdependency of tourism products is becoming increasingly prominent. When buying a vacation package, a great majority of tourists expect a combination of several products, i.e. travel and accommodation, food, excursions etc. Tourism is a purchase entailing high engagement and high risk. For consumers, a tourist trip is a product of extreme importance. Tourists often choose destinations they consider safe. It may be said that tourism product is highly affected by both negative and positive tourist perceptions and extremely vulnerable to external influences out of its control. Successful operation of tourist organizations to a large extent depends on clean and orderly operation "behind the curtains" and employee kindness. "The invisible part of the system of services accounts for technical quality while the visible part accounts for functional quality of the service offered" (Senić & Senić, 2016, p. 43).

Intellectual capital as a fundamental factor in tourism development

A knowledge economy is increasingly endorsed as a development direction in contemporary economies, where the economic interests are more and more clustered around knowledge and human factor as the knowledge creator. It is more and more recognised that the fundamental prerequisite for the development of a country's economy is knowledge and development of the human factor. Human capital, human potentials and human factor are all synonyms encountered in the literature.

Alfred Sauvy was one of the pioneer researchers in quantifying human factor. He developed a method for calculating the value of human factor. The method basically adds up, i.e. accumulates the costs of man's development and education until his working age. Alfred Marshall pointed out that the most valuable of all capital is that invested in human

beings and underlined the importance of industrial training, work organisation and business management in production (Marshall, 1956).

The Nobel prize laureate Theodore Schultz, a representative of Chicago school, based the measurement of human capital on the accumulation of investment into integral segments of quality, i.e. their improvement (through forms of education, professional development and health care), adding also the lost wages of those who pursued education and many other losses, for example as a result of death (Schultz, 1985). Human factor is the value invested in employees, from education to health care, aimed at creating knowledge and working skills. As can be seen today, the most educated population is found in the richest countries and the least educated in the poorest ones.

"*Natural wealth and resources* used to be considered the key factors of company competitiveness. Today the focus is placed on intangible resources, i.e. intellectual knowledge-based capital as the key factor of competitiveness. Actually, key factors in the new economy are: knowledge, ideas, creations, creativity, insightfulness, i.e. intangible resources. An imperative of the twenty-first century is to increase the productivity of knowledge, not of physical labour. Knowledge built into products is the result of intellectual capital invested by the management and employees "(Dmitrović et al. 2013, p. 49).

In contemporary conditions, instead of traditional indicators of business success (productivity, cost-effectiveness and profitability), new indicators are used, such as flexibility and adaptability. Economic strength is not reflected in the disposal of wealth, but in the ability to change, i.e. flexibility and adaptability. Apart from these new indicators, it is deemed that survival in the global market requires that organisations are able to produce, manage and continually increase their intellectual capital, which gives them competitive advantage.

Globalisation and the third technological revolution marked a transition from a primarily material resource-based economy toward knowledge economy (Powell & Snellman, 2004, p. 199-220). Organisational management includes two interconnected cycles:³ business management cycle and human resource management cycle. The business management

3 Such management process is compatible with the well-known model of PDCA – cycle from the series of standards ISO 9001:2000.

cycle has several phases: planning, organization and management phase (control of activities), while the human resource management cycle has phases of leadership, motivation and communication.

The human resource management concept is based on valuation of employees' personal performance in terms of their competence to implement the policy, the value system and best practices. The focus is placed on advising employees, equal chances environment, valuation, upgrading of performance, training and development of employee competences.⁴ In order to successfully perform all his tasks, the manager needs to possess communication skills and be familiar with methods and techniques for improving employee performance and motivation, as well as for monitoring the effectiveness of undertaken measures. While applicable to managers of all organisations, this particularly holds true for tourist organisations.

"Systematic efforts to set the rules guiding human behaviour and values to be aspired to, in order to imbue meaning into individual and social moral experience is what ethics is about. Ethics is a basic rule on good behaviour. It is one of the foundations of the modern society and therefrom it derives a broader social importance" (Žarkić Joksimović et al., 2009, p. 208).

Intellectual capital is an extremely important business category. Though it cannot be adequately presented within financial statements, it nevertheless contributes to the creation of value added. In theory, it is suggested that this capital be presented in a separate statement, but in practice such examples are rarely found, and only since 1990s. Therefore, it is necessary to get the picture of the intellectual capital of tourist organisations, because the hidden strength actually lies in human knowledge and skills. Given the variety of funds, financial resources could be raised, provided that the adequate objectives are prioritized and political situation and personal interests are pushed to the background, i.e. on condition that ethical principles are adhered to. At the risk of sounding a bit socialist-oriented, we must emphasise that it is necessary to put common interest before personal ones. A situation in which decision-makers in tourism apply ethical and common-sense approach and in

⁴Employee competence includes development of skills and abilities, development of knowledge and professional approach (focusing on ethical behaviour, i.e. adherence to the code of behaviour).

which plans reflect general wellbeing may also be a source of personal satisfaction.

"In order to motivate employees to improve their competences over time, some companies use personal development planning. A personal development plan can help an employee achieve his/her objectives. By applying such plans the organisation may establish whether the employee's objectives comply with those of the company. The organisation can benefit from such compliance" (Latinović et al., 2013, p. 126).

Therefore, all organisations that wish to survive and grow, including those in the tourist industry, need to change the principles of their operation in order to become competitive in contemporary market conditions. Competitive advantage based on human capital is strategically important for an organisation, because it creates added value. Mere availability of intellectual capital in itself does not create new value and competitive advantage, unless the synergy is created between its integral segments: human capital, structural (organisational) and relational (client) capital. The most important role in achieving competitive advantage is played by the human capital, the driver and creator of intellectual capital.

"Human capital is at the same time the most mobile element of intellectual capital, and it is important to keep it at the company as long as possible. The risks to competitive advantage associated with human capital mobility can be mitigated if the company integrates human capital with other elements of intellectual capital (organisational and relational capital), because in that case the leaving of one or two individuals does not entail losing competitive advantage. High quality human capital knows how to set the right objectives at the right time and is capable of *understanding the signals* coming from external environment. Human capital is the only capital capable of accepting and applying new knowledge in everyday practice and transforming it into new concepts through a creative process: innovation, imitation, adaptation and materialisation" (Karaman Aksentijević, 2012, p. 99-100).

An exceptional value of human capital lies in tacit knowledge in the minds of individuals (knowledge workers). Each organisation should transform this tacit knowledge into explicit (materialised, codified) knowledge, owned by the organisation which is thus transformed into structural capital which the organisation may exploit, protect, lease or

potentially sell. Structural capital is infrastructural support to human capital. Closely related to human capital is customer (or relational capital). The ultimate objective of every contemporary organisation, including tourist organisation, is to achieve synergy between all three components of intellectual capital, which results from knowledge use and enables the achievement of sustainable competitive advantage by creating new added value, as shown in the figure below.

Figure 1: *Synergy between structural segments of intellectual capital in tourism*



Source: *Stewart, T. A (1997).*

In literature, intellectual capital is divided into three basic segments and it usually complements the generally accepted balance sheet in financial reporting. The first part is human capital, which in tourism consists of professional experience of tourism managers who can contribute to the development, their formal education and skills, talents, work experience. Their task is to share knowledge, solve problems in crisis situations and provide firm leadership. Human capital is exclusively related to employees.

The second element is structural (organisational) capital owned by tourist agencies and organisations. This group of elements may include formal processes and procedures, information systems and databases, market name and even brand, if the organisation is widely known, as well as its reputation, recognitions and rewards, in other words – everything the organisation owns.

The third structural element is relational (customer) capital. Tourist organisations and especially tourist agencies are there for customers, i.e. it is customers who they do their business with and generate profit from. That is why this part of intellectual capital is very important. The focus of tourist organisations is on sale and distribution channels. Quality and number of customers by all means determine the volume and success of operations.

Unlike traditional resources, knowledge has no limitations, which makes it a unique resource. Rather than being spent like economic resources, the value of knowledge for user increases with time. As already mentioned, by putting knowledge to use in an organisation a newly added value is increased, and continuous growth in profit is ensured. The key activity for acquisition, development and sustainability of intellectual capital in an organisation and thus for ensuring sustainable competitive advantage is adequate knowledge management and that is why maximum investment in knowledge, education and development of employees is necessary.

"Serbia's significant competitive advantages lie in the primary health care infrastructure and to some extent, in the quality of primary education, one segment of communications infrastructure, owing to the number of phone lines and computers and the quality of mathematic and scientific education" (Savić, 2010). However, these elements alone cannot ensure a significant productivity increase, because other indices are rather unfavourable, such as rule of law, brain drain, political interference in decision making, poor anti-monopoly policy, poor relations between employer and employees, unwillingness to rely on professional management. It is also discouraging that organisations are unwilling to earmark funds for training of employees (Albijanić, 2011).

According to Savić (2011), recommendations for improvement of Serbia's competitiveness are related to:

- Improvement of infrastructure, institutions and education,
- Creating preconditions for development of a market economy and free competition, and
- Development of management.

Vojvodina and characteristics of its tourism

The Autonomous Province of Vojvodina spreads in the south-east part of Pannonian Plain, i.e. the lowest part of the *Pannonian* Basin. It has a

population of almost two million and covers the area of 21,506 km². Its geographic position is very favourable, linking Central Europe with the Middle East.

Vojvodina lies on plains, with two mountains – Fruška Gora and Vršачke mountains. Apart from these two mountains, the plain is intersected by rivers, lakes, swamps and sandy terrains. The only deserts in Europe are actually found in Vojvodina – Subotica and Deliblato sands. Vojvodina also abounds in thermal, mineral and thermal-mineral springs. It is interesting that in the former Socialist Federative Republic of Yugoslavia, until 1970s, it was deemed that Vojvodina had no tourist potentials, maybe because it was unfavourably compared to the Adriatic Sea and formidable mountains of the former Yugoslavia. Although this view has long been proven incorrect, Vojvodina's tourism capacities still remain underutilized.

Generally, Vojvodina offers tourism related to two mountains, spa tourism, congress tourism, farms (with restaurants and accommodation capacities), motorcycle tours, rural tourism, urban tourism etc. An excellent food may also be a motive, because various cultures and interesting cuisines meet in this region. There are 27 tourist agencies and 44 tourist organisations operating in Vojvodina.

The capital of Vojvodina, Novi Sad is well known for its Petrovaradin fortress; Subotica, which until late 1950s used to be the second largest Serbia's municipality (next in size after Belgrade), has been included in the list of Europe's Vienna Secession cities; and Zrenjanin, green Sombor and Sremska Mitrovica (Sirmium) are also convenient for urban tourism.

Mountain tourism is definitely not developed in Vojvodina, because there are only two smaller mountains and the climate is not adequate for a ski resort. In 1960, Fruška gora was awarded the status of a national park, thus becoming the first national park in Serbia. Fruška gora is an island mountain; its highest peak is Crveni čot at 539 meters above sea elevation. Vršачke mountains spread on the south-east of Banat, and their highest peak at 641 m above the sea level is at the same time the highest spot in Vojvodina. Third highest is Titelski breg at 152 meters above the sea level.

The main rivers flowing through Vojvodina are Dunav, Sava and Tisa⁵, followed by medium ones - Bošut, Begej, Tamiš. Smaller rivers include Karaš, Zlatica, Nera, Krivaja, Čik, Mostonga and Plazović. Vojvodina lakes are Palić, Ludaško lake, Ledinačko lake, Belo lake, Zobnatičko lake and other lakes, as well as Imperial Pond and Obedska pond. Vojvodina has around 64,000 hectares of fishing waters and is therefore attractive to fishermen. Hunters may choose among numerous hunting areas near Subotica, Sombor, Bačka Palanka, Bač, Novi Bečej, Perlez, in forests alongside the Danube and Sava rivers and on Fruška gora, Vršački breg and in Deliblato sands.

Vojvodina is also widely known for wine growing and fruit growing in general. As for its wine card, the most popular wines are those from Fruška gora, South Banat and Subotica wine regions. Vojvodina has a good geographic position, as it links Central Europe with the Middle East. Some of its specificities are old crafts, folk costumes, hackney carriages, preserved windmills, draw-well sweeps for cattle watering and irrigation.

Spa tourism is generally underdeveloped, a mixture of rudimentary and modern elements. This type of tourism is developed in Kanjiža spa, Junaković spa near Apatin, Palić spa, Vrdnik spa. An unexplored thermal water resource became recently available with the opening of Pačir spa, while Rusanda and Slankamen belong to insufficiently developed spas.

Kanjiža spa is located near river Tisa in Northern Vojvodina and was officially established in 1913. It abounds in thermal-mineral springs and healing treatments also include curative mud. It has a history of treatment of rheumatic diseases, bone injuries, post-operational orthopaedic treatment etc. Apart from health treatment, it offers a variety of events, sports activities, festivals and may also be interesting to hunters.

Banja Junaković near Apatin is considered one of the remarkable potentials of Vojvodina. This spa has water springs with exquisite healing properties. Apart from offering traditional sport activities, this spa may also be interesting to fishermen, owing to the vicinity of the Danube.

Another spa centre is Vrdnik on Fruška gora, with the spa under the same name. Vrdnik is an air spa, rich in ozone, which can boast a great number of sunshine hours during the year. Thermal waters in this spa cure

⁵ A "blooming" river.

rheumatism, bone deformities, gynaecological diseases, respiratory diseases etc. Apart from spa healing properties, tourist attractions include also the Vrdnik Tower dating from the Roman period, which is considered an archaeological site, and also the Monastery of Ravanica.

Palić spa is located in the northernmost part of Vojvodina. Though curative mud from Palić lake is no longer available, the spa is known for its air quality and a zoo which in the 1980s ranked among the most beautiful European zoos. It has great potentials for development of congress tourism. The place also has remarkable architectural masterpieces built in the nineteenth and beginning of twentieth century, in Secession style. In the nineteenth century, Palić spa was among the leading European spas.

Stari Slankamen is located at the slopes of Fruška gora, alongside the Danube. It is well known for the freshness of its air and mineral bathing springs. It alleviates neurological diseases and posttraumatic conditions.

Rusanda spa is located near Zrenjanin, at the banks of Rusanda lake. It is known for curative mud, which ranks among those of highest quality. Curative water and thermal-mineral mud cure rheumatism, sciatica, lumbago, gynaecological diseases and dermatological diseases.

Banja Pačir is the youngest spa in Vojvodina. The well for spa water was completed in 2010 and it is important to note that it has been built based on the local contributions and municipal financing. Curative water springs at some 1,400 meters below ground and reach the temperature of 73 degrees Celsius, while the temperature of the artificial lake is around 30 degrees. It is recommended for treating dermatological and respiratory diseases.

There are 28 monasteries in Vojvodina, 16 of which are on Fruška gora: Bođani, Saint Arhidakon Stefan, Vojlovica, Središte, Monastery of Saint Melanija the Roman, Kovilj, Krušedol, Hopovo, Jazak, Beočin, Šišatovac, Velika Remeta, Petkovic, Staro Hopovo, Ravanica – Vrdnik, Mala Remeta, Grgeteg, old Krušedol monastery, Kuveždin, Privina glava, Bešenovo, Divša, Berkasovo, Holy Trinity Monastery, Mesić, Bavanište, Kać and Rakovac. The monastery Fenek near Jakovo is also sometimes considered a Fruška gora monastery, though it belongs to the central Serbia region.

Rural tourism is also being developed and there are offers in the areas of Bačka Topola, Bačka Palanka, Inđija, Irig, Kikinda, Kovačica, Kovin, Mali Idoš, Novi Sad, Senta, Sombor, Stara Pazova and Subotica.

Motorcycle tours usually start in Vovodina plains, go alongside rivers in the direction of inner Serbia, including the sightseeing of lakes, mountains and caves.

Analysis of Vojvodina tourism and importance of intellectual capital

Tourism supply and demand are more and more affected by global demographic changes. Population growth has led to the expansion of specific groups of customers with specific characteristics and purchasing power. Rapid scientific development is reflected also in vertiginous changes in methods, structure and quality of tourism product worldwide. Contemporary tourist wishes also change rapidly, having also a regional impact. Very fast technical and technological development brings about quick changes in the tourist offer. Prompt changes in the development of information technologies open room for non-competitive behaviour in gathering and presentation of information, which may suffocate less developed destinations.

A more significant investment in development of human factor in tourism industry creates new systems for human resource management which will be translated, via modern information technologies, into unique requirements of future tourism trends. Therefore, in the future, tourist organizations will not only manage overall resources and development, but the management focus will shift to trends.

It is very important to precisely establish tourism potentials of each destination, taking into account the physical characteristics of the original natural environment in each destination, economic and social impacts of tourism on the specific area and its environmental stability. "In order to achieve certain cost-benefits in tourism development, the industry has to resolve its conflicts via alternative development strategies, ensure coexistence through optimization of costs and benefits and symbiosis so that attractive elements in the natural environment are used as drivers of tourism development. This also calls for decentralized concentration of tourist capacities, in order to achieve full synergy between the future tourism development and natural environment" (Milenković, 2007, p. 16). Coupled with the educated human factor, these measures will enable faster growth and development of the country's tourism. This will lead to

an increase in tourist numbers, create new added value in tourism organizations and also boost the new added value, i.e. the wealth of the Serbian economy. Since the subject of this paper is Vojvodina, SWOT matrix of Vojvodina tourism is shown in the table.

Figure 2: *SWOT analysis of Vojvodina tourism*

Strength – Internal - Helpful	Weaknesses– Internal - Harmful
Spa tourism Educated and kind staff Solid proficiency in foreign languages (English and German) Languages of national minorities A variety of cultures in a single area – region's diversity and attractiveness Tradition Thermal springs, curative mud, natural medical resources Production of healthy and organic food Investment into marketing Underused potentials	Economic situation Budgetary constraints Low purchasing power of the population Unsatisfactory infrastructure Outdated medical equipment Inadequate planning Undeveloped marketing Lack of interest among employees and insufficient efforts toward change
Opportunities – External - Helpful	Threats– External - Harmful
Low service prices Unexplored terrain Increased interest in spa and health tourism Congress tourism, education Sport tourism Eco-tourism	Development of tourism in the region Spas in Hungary, Slovenia Political situation

Source: *authors*.

Nowadays, tourism is seen as an economic sector exhibiting the fastest growth on a global scale. Therefore, it is necessary to focus on improvements on the local level, since the global picture provides a model of success. Perceiving SWOT analysis Vojvodina has touristic potential, and the next step is expected of the intellectual capital – to highlight the advantages and attract potential customers.

Conclusion

In the twenty-first century, people, i.e. intellectual capital, may create comparative advantage, because knowledge is what drives processes forward. The pace of information age is such that imitation promptly catches up with innovations, so success clearly requires know-how, i.e. tourism professionals must devise the right solutions, which definitely exist, given the potential. Knowledge is what takes to arrive at the final product – the offer of a tourist service and finally, profit making.

The twenty-first century has been marked by robust institutional, legislative and other systemic reforms. The Tourism Development Strategy of the Republic of Serbia identified needs for improvement by all tourism indicators. The emphasis should be placed on faster development of tourism of the Autonomous Province of Vojvodina, which abounds in natural and cultural resources. Thermal water resources should be exploited through development of new spa and wellness centres and refurbishment of the existing ones. In the future, tourism organisations will not only manage resources and development, but also place strong management focus on trends. In the initial stage the key factor affecting tourism development was transport. In the future, tourism development will be crucially determined by technical and technological development, development of information systems, investment, adequate management by modern human potentials and personal qualities of tourists.

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IMPROVING THE EMPLOYEE PERFORMANCE AS A FUNCTION OF THE QUALITY OF THE TOURISM PRODUCT OF MONTENEGRO

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Abstract

The process of globalization of the tourism industry is the essential mark of tourism development in the past 20 years. The process of globalization has caused fierce competition of the tourist destinations with pronounced process of substitution of one destination to another, as well as the necessity standardization and product branding.

Professional and creative staff are the decisive factor in the creation of high-quality and competitive tourist products (services) of Montenegro. A quality product can be created by well-prepared, competent and motivated staff, which require permanent training and development, and whose professional performances can be improved for current, and also future courses.

Our research concerns the role of the human factor in improving the quality of tourism products in Montenegro and testing of basic hypotheses: The quality personnel is required to increase the competitiveness of the tourism product (service). Adequate scientific research methods will be applied in this paper: inductive deductive, comparative content analysis and so on.

Key words: *Tourism, Personnel, Product, Quality, Competition.*

JEL classification: *J24*

Introduction

Successful participation in the tourism market depends largely on the adequate involvement in contemporary trends of the tourism industry.

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Market conditions are dictated by demand, however, it can be more effective to the extent that certain tourist destination creates and influences the tourist demand, through the specific tourist offerings.

Montenegro primarily focuses its economic development on tourism since it has a variety of tourist attractions. Human resources are the basic factor of the development of economic and social activities and it is understandable that it is necessary to carefully manage the employees in tourist industry. This requirement is in line with the basic goal in tourism, to make Montenegro a high quality and elite tourist destination in the foreseeable future.

The processes of globalization of economic trends and labour internationalization influence the professional development and innovation of knowledge with those who are employed in Montenegrin tourist sector. The fact is that tourism as the priority development direction has to have a direct reflection in the improvement of the quality of tourist product and raising tourism's competitive ability to a higher level.

The improvement of employees' expert competencies is conditioned with the fact that tourism has a direct impact on the increase of employment, which is shown by the analysis in the continuation of the paper, a positive impact on GDP and national income. The positive effects also feature multiplicative impacts of tourist activities on other activities (agriculture, traffic, culture etc).

The specificity of tourist industry and tourist product is a direct contact between manufacturers and consumers, which imposes the need for constant knowledge assessments and ability assessments of hired employees, which can be obtained only through a quality selection and constant development and training.

The development of employees and improvement of their knowledge is not possible without adequate motives, primarily in the material sense and some other senses also, like the possibilities for promotion, permanent education, long term character of jobs and creating conditions to keep highly skilled, creative and prestigious employees through the raising of degree of temporal and expert usage of knowledge.

Tourist companies, local self-management units and the creators of tourist policy and strategy have to solve the issue of re-engineering of human

resource management and knowledge in general, which includes a radical turnaround with a dominant place of employees, securing a high quality selection and further development for successful operation and improvement of efficiency parameters and productivity.

Tourism as the priority direction of Montenegro's development

Having in mind cultural, historic and other factors, tourism in Montenegro represents an activity of top importance for the country's economic development. On the other hand, tourism as industry has multiplicative effects on economic development, which is why we cannot talk about its isolated contribution to GDP or employment. The present or future development will take place in terms of increased competition and labour internationalization, which will demand a quality of tourist products and offers. In market games characterized by strong competition, those will be successful who enrich their offer with new contents and quality. In this context religious tourism should be regarded as a specific kind of tourism within its integral development.

In order to make the tourist offer of Montenegro competitive it is necessary to solve the problems which tourist companies encounter and to create conditions for a more intensive participation of small and medium sized companies in this branch of economy. An efficient tourist company secures a better valorization of the existing potentials. The companies which operate in tourism represent the basis and a key segment for the implementation and engineering in this area by turning tourism from labour-intensive into a knowledge-intensive industry. The truth is, however, that tourism, as it is the case with other branches in Montenegro, features the legacy from the past which is primarily reflected through an inadequate capital structure, inadequate employee structure, obsolete equipment, inadequate organizational structure, conservative management, insufficient respect for users' needs etc (Mihailović & Lajović, 1998).

There is a lot of room for a successful development of tourism in Montenegro and it is necessary to carry out further improvement and increase responsibility in both measures and activities and in authorized institutions. The responsibility of Ministry of Tourism should be increased in the part which relates to the policy of employment, investment into education, trade development and especially environmental protection. In addition to the strategy of tourism

development defined in the Master Plan till the end of 2020, it is necessary to define active policy of tourism development harmonized with the new spatial plan, in accordance with the principle of cooperative planning and synchronization of the activities with the interested stakeholders on the level of local authority and economy.

Tourism, being a branch of economy with multiplicative effects can be developed with the introduction of incentives in order to create the conditions for the development of quality tourist offer in the part of accommodation and other contents and gradual switching from mass to elite tourism. One of the areas in carrying out multiplicative effects of tourism is increased employment which is reflected by the available data which shows that tourism is a generator of a high number of jobs in Montenegro and in other tourist destinations as well.

When we talk about the importance of tourism as an industry, we cannot neglect its role in creating budget revenues, which significantly solves the issue of budget deficit.

In order to valorize the tourist resources better, which include “natural and social goods which can be used (valorized) in tourism and the phenomena and events which temporary visitors visit during their travels due to a high level of their attractiveness” (Calek et al., 2011), it necessary to hire adequate human resources with the priority participation of expert, highly expert and creative human resources. We talk here about a long-term process and capabilities of a company to determine, create and precisely state the goals of human resources in line with the business and developmental policy. The planning of human resource potentials is one of the most important tasks of successful management of each company. As an especially important instrument, companies are faced with many issues and risks, especially in changing and strict terms of business operation. Tourist companies base their business operations necessarily on continual and systematic planning of human resources as the key determinant of development and planning. We have previously mentioned the evident resisting to changes as well as the business based on the old schemes, especially with the companies which base their operation on classical principles, which is especially evident when we talk about the relation towards human resources. We often see the changes in the name of human resource departments, while the scope of the activities remained unchanged and it is practically reduced to the jobs from the domain of traditional human resource management. Modern human

resource management implies a wide spectrum of activities of this important function which exceeds the scope of traditional personnel department which deals with determining the needs for human resources, planning, choice and selection, education and development and issues related to the motivation health and security of employees.

With the analysis of operations in the area of tourism one can see insufficient market and marketing orientation, meaning that a certain marketing strategy has to be designed aimed at the development of tourism and valorization of tourist resources. These are the processes of development and shaping which has several phases, starting from analysis of surrounding, competition and consumers. In the next phase SWOT analysis should be made (strength, weakness, opportunity, threat on the market) in order to bridge a strategic gap between the current and desired market position. It is the basis for defining the mission, setting up goals and labour strategy. It is necessary to pay close attention to the marketing strategy of tourist potential valorization.

Knowledge as a development factor of tourism in Montenegro

Knowledge or human capital represents a basic resource for the development of companies, where human resources represent a central position and a key factor of a company's business success. Other elements of intellectual capital should not be neglected also, which is not shown and recognized in financial reports. A significant part of non-material assets are patent technologies which include a unique indicator of corporative values. The organizations with strong patent portfolios will always topple competition due to their exclusive rights to use patented products, positions on the market, affordable prices etc. Companies' business operations cannot be imagined without appropriate human resources, their knowledge, experience and abilities. However, to achieve better business results it is necessary to organize and manage well human resources in a company. "Human resources management relates to the practices and policies which are necessary to carry out managerial tasks related to personal issues, especially with employment, training, evaluation and rewarding the employees in a company and securing secure, ethically more acceptable and fair environment for them" (Dessler, 2007).

There can be no doubt that the key to a successful development and operation of a tourist company, and hence the national tourist

organization, human resources and their efficient management. Having in mind the specificity of tourism (seasonal character, seasonal employment, labour intensity) and a wide range of human resource management as a company's business function, we would like to point out the following: the preparation (education) of employees, development (innovation) of knowledge and motivation.

The activation of "reserves" which exist in human resources in Montenegro and paving possible developmental directions can be experienced if we improve the basic processes which determine human resource management as company's business function. This way the competitive ability of our companies would be increased and that it can only be done through the increase of knowledge and abilities and the decrease of managerial gap. That is the reason for the related to the preparation and enabling of experts and managers. It is a necessary transformation which includes human resource transformation and the attitude change when we talk about the role of human resources. It is a change of the way of thinking in the key elements of organization, in order to overcome the crisis in business operations and development, which is only possible through high quality staff members and their knowledge. The barriers for the reaching of such goals are primarily the way of thinking and resisting changes. Montenegrins prefer employment in the public sector with a much lower salary compared to the private sector. Research has shown that almost two thirds of people capable of working (64%) would rather accept hiring in the public sector for the salary of 450 EUR a month than in the private sector for 750 EUR a month (UNDP, 2013). In the theory and practice of developed countries, salaries and other material benefits are the basic motivation factor but in our country and the region, if one takes into consideration a high unemployment rate and crisis, safe and long-lasting jobs are the main motivation factor of those who are capable of working.

Since the age structure is an index of quality of human factor, we also point out to the tendency of population aging, with obvious regional differences. It is about decreasing share of the young population, increasing share of middle aged population, and especially the old population over 60 years of age i.e. 65 years (Božović & Đurašković, 2014).

When we talk about the preparation of human resources, it should be taken into consideration that this area can be observed in two ways: as the

activity of companies aimed at the preparation and securing human resources and the activity of the country and educational institutions. There can be no doubt that these activities need to complement each other and overlap mutually. An efficient development of human resources has to start with a far higher individual effort and the attention should be paid to experience, since the knowledge acquired in regular education is only one element of knowledge and abilities. Therefore the development strategy should include these measures and criteria for the evaluation of permanent education for all the employees, especially for expert employees and management members. Knowledge quickly becomes obsolete but it is nevertheless not subject to the law of “diminishing returns”. Despite the fact that we nominally have a very favourable qualification structure of the overall population and employed people, further investments are necessary to increase the level of educated employees and to decrease the share of those without qualifications or education.

The area of human resource education, as the priority activity, is burdened with a number of problems, first of all insufficient funding from the state budget, which is also the case with science. In addition, this system produces mass effects, non-selectivity, impractical curricula, description and remembering facts. In the phases of choosing and promotion various deformities are present, like, for example, choosing without enough knowledge and experience for responsible jobs and positions. This fact stimulates the outflow of creative human resources which means irreparable losing of precious investments in education. There are also effects which could have been experienced if these people had been hired (Božović & Đurašković, 2013).

All the mentioned facts additionally deform a distribution system which cripples hard working, especially in science and other areas of social superstructure. A stimulating system of awarding experts would shatter the vicious circle: low efficiency – lack of motivation poor promotion – and professional development. Thus, in the area of human resources a new philosophy would be born with entrepreneurship-oriented development which would be the basis for the human resource policy and guarantee for their preparation for complex and uncertain business processes.

We advocate a high quality and open education system, both regular and additional, a system of education aimed at the future and expected

changes. The employees who are educated now will practically be functional by the middle of this century. This imposes the elimination of the existing weaknesses in the education system, especially lack of selectiveness, mass effect and extensiveness. The improvement of the education system or the preparation on the other hand means the bridging the gap between the offer and demand on the labour market.

The education system should be opened for the challenge imposed by time and innovation of knowledge, modern jobs and tasks demand a higher expert competency which can only be possessed by educated employees, which in long-term perspective secures the stability of business systems contrary to short-term successes which are only an illusion.

In terms of market and competition and a higher labour internationalization, it is very important to secure a high level of knowledge of companies' management members, especially in the area of management organization. The forms of knowledge innovation need to be advanced, their content should be improved and conditions and motivation for additional education should be created. If the forms of additional education are organized to represent something which has already been seen, with the changes of titles not followed by the changes of contents, they will not be accepted and useful. Employees will be stimulated for additional education in terms of securing professional development and promotion with the effects on salaries and other benefits. The education system designed in this way makes the basis for the promotion of employees. Any other criteria should not be allowed in the promotion except for the valid estimation of success of work and professional development. The promotion which does not stem from these criteria can have negative selection as the consequence and a narrowed down "human resource reproduction" at all the levels. The truth is that such a promotion system is difficult to conduct in terms of poor motivation a promotion and professional development suppressed for a long time, poor work, bureaucracy and monopolistic behaviour.

Successful development of companies is based on successful human resource development. In other words, mutual feedbacks should be developed: efficient business operations – employees' motivation – professional development. If that is not the case, without motivated employees you cannot have professional development and companies' progress.

Development and training of employees

The key principle of motivation shows that the employee performance is based on the ability and motivation of the person. This principle is often presented by the formulation (Čerović, 2011):

$$Pefrormance = f(ability \& motivation)$$

A high-quality choice and selection of employees makes up the basis for the development of human resources. One of the main criteria in the employment procedure should be the readiness for additional education and expertise. Also, the improvement of employees' performances related to the keeping of specialized employees and those with college education in the company. The improvement of knowledge and abilities, as a prerequisite of products' quality and competitiveness of tourist industry, demands the development and training at all the managerial levels and for all the employees. We deliberately wish to point out the development of employees and the difference compared to the training which is also necessary for certain categories of employees. Employees should be trained for future jobs in order to answer the demands of growing competition. "The training relates to the enabling of employees to do their current jobs, while the development of employees relates to the enabling of employees to work at future positions, for doing other jobs and even nonexistent jobs" (Bogićević-Milikić, 2014).

The investment into the development and training of employees contributes to bridging the gap between labour structure (labour demands) and human resource structure (knowledge and abilities of employees), because the latter lags behind the former. The adequate distribution of employees contributes to the increase of productivity and efficiency, which creates prerequisites for a better motivation of employees. A successful performance of companies on the tourist market creates conditions for the motivation and development of employees. On the other hand, through the force of mutual feedback, motivated employees produce a high quality products and services which are competitive on the market. Contrary to this, inefficient business operations create lack of motivation which in turn generates all other negative consequences for a company as a whole and its employees, primarily the fluctuation of high quality human resources which are of the highest importance for the company.

Finally, the lack of human resource development and permanent education causes supremacy of skills over knowledge, inadequate usage of human resource capital, lower levels of parameters of temporal and expert usage of hired human resources. The system of training and development is necessary because it significantly decreases structural misbalances of supply and demand on the labour market in Montenegro, which is evident in the area of tourist industry.

The misbalance of supply and demand is best reflected by the fact that in 2014 the supply was 24.6% higher than the demand. The highest number of available jobs can be found in trade, administrative and ancillary jobs and catering. We here most often talk about specialized education profiles of medium education level (Ministry of Labour and Social Welfare, 2015).

One of the consequences of structural unemployment and lack of harmonization between education system and labour market is seasonal workforce which is formed through importing foreign unemployment. In the analysis of Employment Agency on supply and demand on the labour market in 2014 the following is stated: “A high volume of foreign employment in Montenegro is specific and exceptional in comparison with the level of foreign employment in other countries... There are multiple reasons for this occurrence, primarily the fact that Montenegro has a deficit in the supply of some jobs from the area of construction work and catering when those jobs are the most intensive in those industries and also the fact that in the regional countries unemployment is present (the total of around 1 million in: Serbia, Bosnia and Herzegovina, Macedonia, Kosovo and Albania) and that provides an option for satisfying employers’ needs in the volume, structure and dynamics with mostly cheaper workforce” (Employment Agency of Montenegro, 2015).

The hiring of foreigners is more intensive compared to the hiring of local workforce in the following areas: constructing (five times), catering (50.3%) and trade (34.2%). This points out that the surplus of the demand compared to the supply, especially in the category of 1st degree of vocational education, the employers is generated from foreign sources by the employers, which would not be that alarming if the unemployment in Montenegro was not expressed with a double digit number. However, it should be emphasized that in this part it is necessary to make a more detailed analysis of the conditions since there is an assumption that his inconsistency between the local supply and local demand is not only the

consequence of structural labour characteristics and that it is possible that this is the case of a certain degree of frictional even voluntary unemployment.

Tourist industry creates and realizes services with the most important and direct influence of human resources, the service quality is directly related to the quality, knowledge and abilities of the employees, their skills from catering education, general culture or technological knowledge in service providing process. Tourism is labour intensive industry and through the development and training of human resources it is transformed in knowledge oriented industry. In addition to special and college-educated employees, the role of general population is no less important for the development of tourism, especially at the level of tourist destination. In this industry all the attributes are evident (both positive and negative) like kindness, traditional hospitality and similar.

Previously expressed requirements for the development of competencies of employees in the area of tourist industry are of importance here so that knowledge and abilities of human resources could be the decisive factors of success, quality and competitiveness of Montenegrin tourist product.

In the context of estimation of human resource development in tourism and the necessity of raising the quality of products, we should stress the fact that both absolute and relative participation of tourism in the overall employment scheme, while the educational structure of employees in this area significantly lags behind the parameters on the level of overall employment in Montenegro. The participation of employees with vocational education in tourist industry (IV, V, VI, VII degree) is 47%, while the participation of the employees with the 3rd degree of vocational education (around 40%) is alarming. The participation of specialized human resources in the overall employment of Montenegro is over 60%. Also, what is worrying is a very low participation of highly specialized staff in tourist industry – below 2%. The non-coverage of specialized positions is the highest for college-educated employees and it is followed by those with two-year post secondary degree, which means that the coverage with specialized jobs is inversely proportional to the degree of education, which again proves that the additional effort is needed in the area of knowledge innovation and improvement of employees' performances in this area.

The developmental directions of tourism in Montenegro and the increase of competitiveness of its tourist product

As it has already been said, the competitiveness of the tourist product of Montenegro is based on the quality which is directly conditioned by the human factor – knowledge and abilities of the employees. When the goals of the development of tourism in Montenegro are determined, one should start from realistic assumptions. In the human factor domain, much more serious approach is necessary in all developmental phases: from the determining of realistic needs, adequate choice and selection, scheduling according to the principle “right person on the right place”, motivation of employees and the improvement of their knowledge and abilities. The fact is also that the inadequate level of degree of expertise (specialized employees), including some jobs in tourist industry which is above the expertise level at the level of overall employment, justifies the stressing of this requirement. Also, the fact related to a significant share of tourism and catering in the overall employment structure as well as the dynamics of the growth of employment in tourism and catering justifies the efforts for much more careful relation towards the employees, of both managerial teams companies’ human resource management. Human resource management of a tourist company has to be one of the most important functions, directly connected with the top management and adequately equipped with experts of various profiles.

In order to assess the importance of tourism industry and its direct influence on the employment, the following overview the dynamics of trends will be provided.

Table 1: *Employment in accommodation and food service sectors*

MONTENEGRO	Total employment	Accommodation and food service activities	% of total employment
2010	161742	10989	6.79%
2011	163082	12429	7.62%
2012	166531	13209	7.93%
2013	171474	14333	8.36%
2014	173595	14182	8.17%
2015	175617	14393	8.20%
2016	177908	14684	8.25%

Source: *Monstat, 2016.*

In addition to the increase of the rate of employment in tourism and catering it is necessary to decrease the lagging of qualification structure in this area compared to the qualification structure in Montenegro, especially when we talk about experts, the employees with 7th degree of education. This can be attained with the innovation and development of existing employees and the hiring of newly employed. The next overview shows the qualification structure of employees in Montenegro in tourism and catering.

Table 2: *Employed population by school attainment, Montenegro 2016 (in thousands)*

Montenegro (2016)	Total	%
Total	224.2	100.0
Less than primary education	2.3	1.0
Primary education	18.0	8.0
Vocational education after primary school	31.2	13.9
Secondary general education	11.9	5.3
Secondary vocational education	89.9	40.1
Tertiary education	70.9	31.6
of which		
First stage of tertiary education	9.4	4.2
Second stage of tertiary education, bachelors', masters or doctors' degree	61.5	27.4

Source: *Monstat, 2016.*

In addition to the requirement for the improvement of the qualification structure of the employees in tourist industry, it is necessary for all the employees to master special knowledge in foreign languages, information technologies, corporative culture and ethics, creativity, flexibility etc. In addition to constant requirements for the improvement of the quality of tourist offer in terms of stronger completion on the tourist market and a rather short season when we talk about classic tourist offer (“see-sun”), Montenegro is increasing its competitiveness with the development of integral tourism. Such an orientation benefits from natural attraction of Montenegro, ambience values and geographic position, which is an advantage compared to other tourist destinations. This is more important if we consider new trends in tourism market. „Growing evidence suggests that the dominant Western environmental paradigm is being challenged

by a green paradigm...The evolution of ecotourism could indicate such a transformation, with the most recent stage suggesting a synthesis of the two paradigms in concert with the concept of ‘sustainable development’“ (Weaver, 2008).

This sets up new requirements for human resources in tourism, in order to meet the needs of guests and tourists in different segments. Here we primarily think about the better offer in mountain tourism, with the constant and further education of tourist and mountain guides. In addition to mountain and attractive tourism, Montenegro has a tradition and potentials for the development of health and religious tourism. Since the success of tourism depends on the series of factors: material, human, organizational, financial and others, the following overview will present developmental opportunities as well as threats and limiting facts for the dynamic development of this industry.

Table 3: *SWOT analysis behind the development of tourism in Montenegro*

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Natural resources and climate resources - Kotor Old Town – a cultural and historical unit under the protection of UNESCO - Human resources - Tradition, experience, hospitality - Spiritual, cultural and historical heritage - Famous monasteries with ancient tradition - Organic food production - Organization of hiking tours - Forest fruit and herbs 	<ul style="list-style-type: none"> - Poor population and age structure - Lack of information about many tourist values and attractions - Lack of promotional activities - Lack of accommodation capacities - Poor tourist signalization - Unorganized non-educated employees in tourism
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Harmonization of the priorities of the state with the priorities of the local offer - Regional associations (clusters) - Connecting of tourist destinations - Availability of healthy food 	<ul style="list-style-type: none"> - Unsynchronized activities of state and local authorities - Activities of competitors in the development of tourist offer - Lack of decentralized decision making system

Conclusion

The decisive determinant of our paper stems from tourism as the priority developmental direction of Montenegro, which will carry out this role through the improvement the quality of the tourist product and a higher level of competitiveness of tourism as an industry. On the other hand, competitiveness is experienced through the improvement of the quality of tourist product – the services. The meeting of this strategic goal directly depends on the hiring of expert and highly expert employees.

The insisting on the key role of human resources in tourism stems from the specificity of this industry, the direct contact of the manufacturers and consumers and the constant estimation of quality, knowledge and abilities of the hired employees. In addition to experts the management teams also have an important role with the knowledge in the areas of management and human resource management.

We would like to emphasize the importance of the fact that knowledge is the only development factor which is not subject to “the law of diminishing returns”, which indicates the need for a thought-out, careful and constant innovation of knowledge and improvement of competencies of skilled and highly skilled human resources.

The potentials of tourist industry, nature, human resources and built facilities point to the necessity of the integral development of all the types of tourism (summer, winter, mountain, coastal, religious). This is done because of the simple fact that the types of tourism are mutually complemented and that they meet the requirements of different tourists' motives expressed through the tourist demand and numerous common contents, which form offers of tourist destinations. Having in mind strong competition on tourist market a good organization of tourist economy is necessary and of tourist companies which are the carriers of tourist activities in cooperation with state institutions, tourist organizations and local self-management units. In addition to constant care for the development of expert human resources, improvement of their creativity, knowledge and ability, corporate culture and business ethics of all the employees should be developed, taking into account caring for professional development, motivation, health and safety of guests and those employed in tourism.

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THE IMPACT OF HUMAN CAPITAL ON TOURISM DEVELOPMENT

Vesna Milovanović¹

Abstract

The quality of a tourism destination's offer is determined to a large extent by the quality of its human capital. Human capital represents a measure of the economic value of employees' set of knowledge, habits, competences, motivation, enthusiasm and other personality attributes. Increasing the competitiveness of a tourism destination requires an effective human capital management. The goal of this paper is to analyze the linkages between human capital management and tourism development. A special emphasis is put on staff education, involvement and empowerment in tourism related organizations. The enlargement of human capital contributes to innovative potential, work effectiveness and efficiency, leading to reduced costs and increased customer value at the same time. As a result, the particular destination becomes attractive for tourists, but also for investors and employees. The main conclusion of this study suggests that human capital management leads to sustainable tourism development.

Key Words: *human capital, quality, TQM, tourism, destination development*

JEL classification: *J24, M54, Q01, Z30*

Introduction

The tourism industry has become one of the fastest growing industries on the world scale. This phenomenon is the consequence of economic and technological progress, which made travel faster and less costly. Nowadays, the increasing number of tourists has a possibility to visit distant places, as well as to travel more often than decades ago. This is because of business trips that became more frequent due to globalization,

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but also because of the opportunity to organize several breaks during the year, both longer and shorter ones. The second reason stems from miscellaneous tourism offer created in tourism destinations.

Recognizing that there is a huge number of tourists who are willing to spend their money traveling around, municipalities of tourism destinations altogether with belonging tourism organizations, tourism agencies, hotels and other relevant bodies, have decided to compete for a portion of this total tourism spending. This is extremely important source of funding given the economic recession worldwide and the strong competition in the real sector that created several global companies and left small space for SMEs. Almost every company is exposed to international competition, even if it operates solely within the boundaries of its domestic market (Milovanović, 2009).

Wealth is concentrating in few hands, while poverty over the globe increases. Tourism therefore creates the opportunity for every destination to be unique and earn money on it. This is because tourists search for some special experience, which is unrepeatable somewhere else. This kind of service cannot be produced in huge series, using cheap materials and labor at one place and distributing worldwide. On the contrary, a tourist must personally come in a particular tourism destination. The quality of services will determine the level of tourist satisfaction and his willingness to revisit a destination and spread a positive word-of-mouth. The survival of every tourist destination is predicated on the provision of effective human capital management for the tourism organizations and enterprises. As a crucial component of business sustainability, the quality of services is created by people who design, manage and deliver these services. That is, the quality of service delivery in a destination is a reflection of the quality of its human capital (Esu, 2012).

Quality cannot be added at the end of a process, but it has to be built into the service from the very beginning to the end, through various stages and steps (Spaić et al., 2011). The knowledge, skills, motivation and health of people working to produce a service represent human capital, which contributes directly to the service quality. It is therefore crucial to manage this human capital in order to enlarge it so as to create the value for tourists through increased perceived quality. Sustainable tourism development requires the cooperation of public and private bodies and coordination of activities at the micro and macro level. Many countries have well formulated strategies for tourism development, whose integral

part is the development of human capital, but many of them were never implemented or were poorly implemented. Usually, there is the lack of professionalism in the public and private sector management of tourism. Effective and efficient human capital management is necessary to achieve the expected socio-economic benefits.

The importance of quality in the service sector

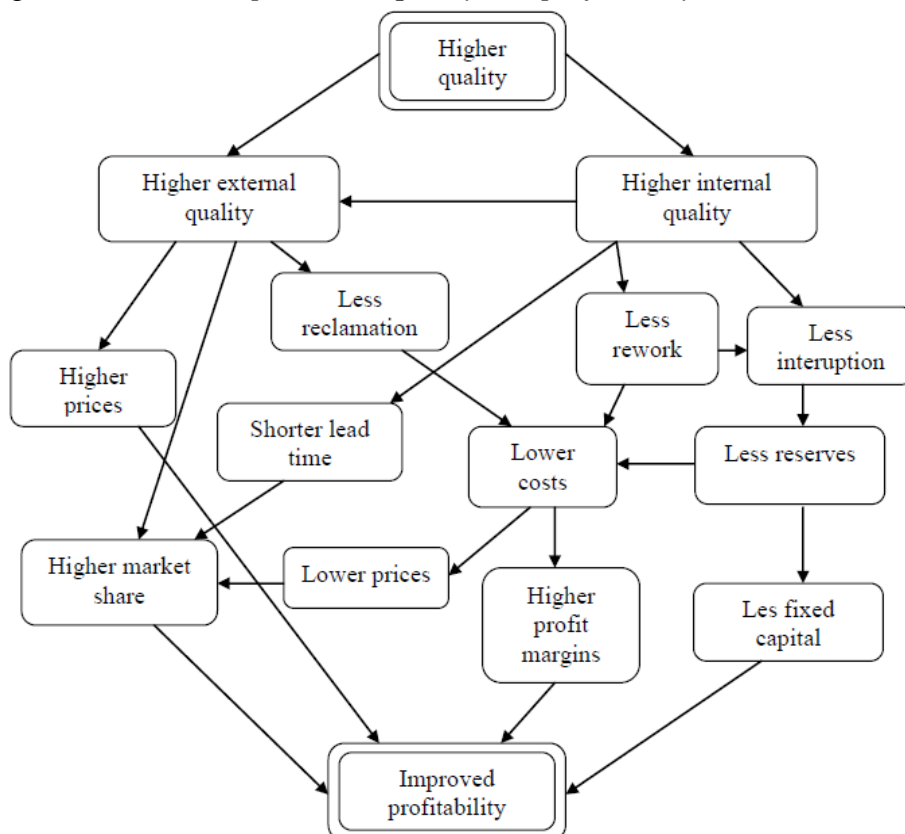
Quality has always been recognized as a strategic resource that provides competitive advantages. It is the task of management and the commitment of all employees. The concept of quality management means achieving the appropriate level of quality, its maintenance, measurement, control and improvement, all in order to achieve a higher degree of harmonization between expectations and actual customer experience. Due to the quality of tourism services, the following social economic impacts will be achieved (Esu, 2012):

- Opportunity for the poor to supply goods and services to enterprises
- Employment opportunities in tourism enterprises
- Increased income through employment, but also by direct sales of goods and services to the tourists
- Offers of resources for education and health
- Psychological benefits and opportunities
- Investments in infrastructure
- Tax on tourism income or profits with proceeds
- Involve women participation
- Give a voice to marginalized groups
- Enhance esteem, respect and self development

Quality management, as a result of a large number of processes, is based on the process procedural regulations of workflow operations. The objective is to anticipate and eliminate errors at their source, in order to minimize the costs caused by the inadequate quality. Processes are activities by which companies direct and release the potential of their employees in order to achieve results, so it can be said that people and processes are agents who provide outcome (Camisón, 1996). Improving the quality of the process involves the use of proper equipment or the composition of the workforce, in order to increase efficiency and reduce the process duration, which leads to the cost reduction. In this respect, a company may look for the opportunities for process improvement in the environment (new technologies, knowledge, etc.) or inside the company (the combination of adequate resources). A quality assurance program

refers to the improvement of the quality and to reduction of the cost arising from non-compliance with the requirements. If attention is paid to the prevention, rather than to end-control customer satisfaction increases, which cause the increase in sales volume, better use of available resources, costs reduction, and thus to increase profits as a driving force of business. Empirical research shows that the company, whose products are of the highest relative quality, have about three times the profitability of companies with lower quality. A high positive correlation between profitability and quality can be explained by the fact that customers are willing to pay a higher price for products of higher quality, although quality does not imply higher costs (Janošević et al., 1999). The Figure 1 below shows the relationship between quality and profitability.

Figure 1: *Relationship between quality and profitability*



Source: Bergman, B., Klefsjö, B. (1994), *Quality from Customer Needs to Customer Satisfaction*, Studentlitteratur, Lund, p. 38.

From the Figure 1 we may observe that there are two aspects of quality, internal and external. In the context of services, internal quality refers to the delivery of service according to the specifications or requirements. The higher the internal quality is, the less rework will be done, less time will be consumed, customers will not be disappointed, and no additional costs will be made. On the other hand, external quality is the perceived quality by the customers, who evaluate not only the punctuality and correctness of the service, but also other elements, such as the level of comfort, politeness, attention, empathy, creativity and innovation of services, etc. By improving the external quality a company makes customers more satisfied and willing to buy the service again. Also, satisfied customers are ready to pay more for the superior quality and they spread a positive word-of-mouth. When the company improves both internal and external quality, it has the opportunity to simultaneously benefit from lower costs on the one hand, and higher market share and premium prices on the other side. Evidently, profit margin grows. However, quality improvement is not an easy task, especially in the service sector. Emphasis must be put on the workforce, who create and deliver the service. Workforce is the carrier of the human capital, which is so crucial for quality improvement.

International Standard ISO 9000 identifies the following principles of quality management that enable the fulfillment of quality objectives:

1. Respect for the customer - the development of specialized care programs for the client and loyalty programs,
2. Cultivate leadership - professional training of competent and creative leadership team that will continuously encourage the ability of employees,
3. The ability of employees - the implementation of training programs for employees including fostering positive attitudes of employees toward knowledge and learning,
4. Process Management - a tendency towards standardization of operations from the initial to the final stage,
5. System approach to management - refers to identifying, understanding and managing a system of interrelated processes,
6. Continuous improvement - linked to the business strategy focused on growth and development,
7. Factual manner of decision making - basing business decisions on facts - documentation and reliable information,
8. Mutually beneficial partner relationships - nurturing good relationships with suppliers and intermediaries.

Quality revolution occurred after the Second World War in Japan, where there was a need for the restoration of the devastated economy, so the new philosophy of quality was born - the Total Quality Management (TQM). TQM involves the constant pursuit of all employees in the company to reduce the number and size variations, raise the product and service quality by improving the quality of processes and services to internal customers. This philosophy also emphasizes the nurturing of relationships with customers and suppliers with the monitoring of competition and the best practices in the world. When companies accept such a comprehensive approach to quality and correctly implement it, the results in terms of innovation, quality, reduced costs, satisfied customers and increase profits, it cannot fail. Due to its impact on market and financial performance, TQM concept has expanded in many countries worldwide.

TQM applies not only to reaching a certain level of quality performance, but also on the continuous improvement of all processes, activities and operations of the company, because the desirable competitive advantage is actually a "moving target" (Đuričin et al., 2010). Improving quality requires an exhaustive collection of information, analysis and feedback system, and system procedures for planning, implementation and evaluation. In order to achieve this, it is necessary to standardize the process, the use of different tools for improvement, provision of performance indicators, as well as to gather information through benchmarking and self-assessment (Escrig-Tena, 2004). Philosophy of TQM broadens prior notions of quality in that it includes consideration of continuous business processes improvement, customer orientation, employee and supplier management, altogether with environment preservation and community orientation (Milovanović, 2014a).

TQM requires reforms in key organizational characteristics, especially the styles of leadership and culture, as well as the complete restructuring of social ties both within the company and between the company and its stakeholders. TQM promotes training, employee involvement, teamwork and open communication channels in order to obtain information and knowledge that is made available to employees (Dean, 1994). This is exactly how human capital is being generated. When it comes to the implementation of TQM in the service sector, Jessome (1988) lists the following problems:

- Service industries, due to their nature, have less control over the factors affecting quality;
- Given that the services cannot be stored for later use, as well as the participation of the customer in the process of providing services, there is a much higher level of external risk than in other industries;
- Service intangibility is an obstacle to the setting of standards, acting on them, and the measurement;
- Good service depends on the customers' expectations, which may be unknown or unsaid, and may vary from customer to customer, but also through time;
- Service quality is difficult to measure due to its subjective nature.

The literature identifies common practices that lead to successful TQM implementation, such as leadership, quality planning, managing employees, focus on customers, process management, vendors, information and analysis, care for the community and the environment. Training, information and communication technology (ICT), as well as commitment to the environment are particularly important for the hotel industry (Brotherton, 2004). Employees need training to identify and solve problems, improve methods of work and take responsibility for the quality. Training adds strategic value to the hotel companies, since the quality of service depends on the effectiveness of employees in terms of satisfying the needs of service users. Hotels that have a higher level of application of the TQM concept provide a wider range of training for its employees (Tsaur & Lin, 2004).

The tourism industry is marked as a “high-tech” industry. It is a unique hybrid of latest technological solutions and traditional direct contact with tourists (Milićević & Milovanović, 2014). As the tourism industry very quickly adopts the newest ICT solutions to provide best quality of service to its customers, tourism employees must be trained to handle everyday operations using such solutions. ICT can improve the quality of service, making it faster, comparable, more comfortable and reachable, but it can also lower the costs of operations and transactions, both of tourists and tourism companies.

Human capital development in the tourism industry

Intellectual capital is recognized as a major corporate asset in the knowledge economy, enabling organizations to achieve superior performance over the long term (Kim et al., 2009). Intellectual capital is

comprised of the human, structural and relational capital, which are directly linked to an organization's core competences. Human capital is a stock of competences, knowledge and personality attributes embodied in the ability to perform labour (Aurthur & Sheffrin, 2003). This refers to the attributes gained by a worker through education and experiences, in order to produce economic value. One's outputs depend partly on the rate of return on the human capital one own; an additional investment yields additional output.

Human capital refers to the costs the individuals or organizations incur on activities and processes that lead to the acquisition of competences, abilities, talents, possession of positive attitude and skills (Inyang & Esu, 2008). The costs of human capital development include expenditure on education training and medical care (Esu, 2012). The quantity, quality and the cost of human resources are crucial for achieving competitiveness in tourism activities (Milićević & Milovanović, 2014). Competitive advantage can be achieved through education, development and training of future managerial personnel in the tourism companies.

Human capital is the most critical resource that must be properly managed, in order to survive in a highly competitive market and ensure a sustainable development. This is true for the real, as well as for the service sector, where sophisticated customers always demand a higher level of service. In order to reach this "moving target" which represents a service quality, organizations must develop their human capital through identifying, measuring and improving. In big organizations, such as hotels, this is a function of the human resource management (HRM). HRM has the task to attract and retain the best people, develop their skills, motivate and create a supportive culture and structure, so that employees exercised corporate objectives (Galbraith, 1973).

HRM is responsible for ensuring employee motivation to improve quality continuously by selecting the right candidates, training and rewarding. An important role is played by the design of the workplace and leadership. In order to achieve a positive market and financial effects from quality improvement, it is necessary to provide the system supporting the management of human resources. Within the system of compensation, it is necessary to include an award based on quality improvement, as well as awards for the results of the team in order to stimulate group work that allows employees to disseminate knowledge by learning from each other. Employees must be educated to acquire knowledge and skills necessary to

improve the quality, which requires the organization of training by the management of human resources. Finally, workplaces should be designed to facilitate the work of the group, while the managers are required to provide assistance and information to subordinates and encourage them to give proposals, make decisions and take responsibility for those decisions.

The future results and the future employee motivation is determined by the extent to which their expectations are met in terms of the amount of remuneration for achieved results (Gist, 1987). If employees are expected to continuously improve the quality of services, it is necessary to determine in advance the prize for quality improvement. The rewards can be financial or non-financial in nature, and based on individual or team accomplishments. Traditional compensation systems were based on the individual's position in the organizational structure, the deep analysis, classification and the like. However, these practices do not constitute a solid platform for the continual quality improvement and innovation as they are not based on team achievements and as the most powerful motivating force, such systems do not encourage teamwork which is so important for information and ideas sharing, as well as knowledge enlargement.

The leaders must encourage employees to improve the quality, providing them with the necessary assistance, information and freedom. Managers should support the perpetrators and encourage them to make decisions that affect their work and take responsibility for the decisions taken. Jobs and activities should also be designed to facilitate the process of quality improvement. This means that the design of the workplace should enable teamwork and encourages employees to achieve better results (Sashkin & Kiser, 1993). Teamwork helps employees to learn from each other and achieve better performance than they are able to achieve individually.

Continuous training of employees, or the so called life-long learning, is vital to maintain the competencies required in order to continuously improve the quality of the processes and the customer satisfaction. It is not just about training for acquiring technical skills, but also knowledge in the field of quality, as well as interpersonal communication, problem solving, etc. (Juran, 1989). Training impacts positively on the bottom line, change in attitude, increase enthusiasm, lower absenteeism and staff turnover (Watson & Drummond, 2002). Education keeps human resources development in connection with future planned growth of the tourism

industry (McDonald & Hopkin, 2003). In the modern service activity key development force is trained staff at all levels of the organizational structure (Milićević & Milovanović, 2014). Educational institutions play an important role in development of human capital. Nevertheless, there is no enough institutions of this type specialized for producing competent staff for tourism industry. In-class education is important as much as practical training of students in order to close the gap between theory and practice.

There are two models for educating managerial staff in tourism, the so-called “open” and “closed” model. The former refers to the equal existence of the formal and informal forms of education. Formal forms of education are provided at the higher education institutions, where future tourism personnel gain the theoretical background, systems thinking and learn from the past experience of others. Through informal education, which is offered by tourism companies, para-state bodies and professional associations, employees can achieve knowledge innovation, learning about contemporary challenges and opportunities, new tools, techniques and methods in order to update their competences for delivering high quality services. The later model includes only the formal education. This model is being abandoned by the increasing number of countries, as it does not provide the necessary support for serving highly demanding and competitive market. In the countries labeled as “tourism superpowers”, higher education systems include projects of cooperation between educational institutions and the industry (Kusulvan, 2003). These projects strive to combine theory and practice, complementing the quality “ex-cathedra” of education and influencing the career management of adolescents.

Organizations belonging to the tourism industry should not be looking for employees to provide basic services to customers, but to engage skilled employees who would manage the service encounters. The proper management of service encounters and atmosphere will lead to service quality above customers’ expectations, thus producing satisfied customers, repeat visitors and ultimately loyal customers. Since the tourism industry operates in the global market, tourists are attracted to destinations where their tourist needs are met in the most satisfying way. The Figure 2 illustrates the steps of human capital management in function of tourism development.

Figure 2: *Human capital management in function of tourism development*

Formulate human capital objectives
Identify tourism discipline attributes
Develop human capital strategies
Design learning tourism curriculum
Measure outcome of human capital management
Measure tourism impact

Source: *Esu, B.B. (2012). Linking Human Capital Management with Tourism Development and Management for Economic Survival: The Nigeria Experience. International Journal of Business and Social Science, Vol. 3, No. 11, 276-287.*

The Figure 2 sends a message that human capital management in one destination requires a strong commitment and cooperation between tourism companies, authorities and educational institutions. Companies are seen as determinants of social prosperity. They are the cells that belong to the micro level, and each company contributes to achievement of macro goals. It means that differences in the quality of life among countries may be explained by differences in quality of their companies and institutions (Mandarić & Milovanović, 2016). Tourism companies may contribute significantly to the national GDP and total employment, if managed properly to produce distinctive and high quality services which will attract and retain domestic and foreign visitors. However, such an objective requires strong commitment to human capital development.

Human capital objectives are the specific, measurable goals an organization sets in order to achieve its short term human resource needs. The employee focused human capital objectives include: to reduce the level of ignorance, increase productivity, create employment, reduce youth restiveness, reduce poverty and globalize best practice. Tourism discipline attributes refer to attitudes, knowledge and skills that a tourism and hospitality worker must possess in order to match the industry requirements. This is a large group of attributes, but the most important ones are: academic grade, adaptability at work, computer skills, creativity, critical thinking, customer service skills, decision making, event management skills, industry knowledge, leadership ability, networking, negotiation skills, marketing and sales skills, communication and organizational skills, problem solving skills, relationship management

skills, research skills, team working skills, work ethics etc. (Wang et al., 2009). Strategies are the chosen way to achieve the human capital objectives, whereas the most popular tools for human capital acquisition are education and training. Curriculum is defined as “a whole programme of educational experience that is packaged as a degree programme. Its constituent parts are a number of modules or courses, which in turn may be specified as a series of syllabi or course content” (Tribe & Airey, 2005, p. 48).

The effect of human capital management can be measured as perceived or actual changes on the employee and organization. A review of hospitality trade journal reveals what seems to be a strong commitment to training because of its attendant effect (Esu, 2012):

- Quality customer service, consistency in job performance, employee satisfaction, commitment to organization,
- Improved self esteem, reduced turn-over, better product and service consistency, higher guest satisfaction
- Reduced business cost and the use of technology
- Greater ability to meet the needs of a target market
- More qualified employees
- Increased awareness, improved attitude, more team work
- Greater job satisfaction and greater organizational commitment

Human capital in the Serbian tourism industry

The tourism personnel competences must be well developed at each stage and form of their education, including the formal secondary and higher education, as well as life-long learning. Some authors consider that successful academic programs in the field of tourism produce graduates with high-quality knowledge and skills applicable to the modern needs of the industry (Goeldner & Ritchie, 2006; Kok 2000; Harris & Zhao, 2004). The quality of formal education can be increased in many ways, including development of competences of the teaching staff, equipment modernization, but also including practical student training in tourism institutions, where they are becoming familiar with the real business environment. This is also important for the tourism companies who can select the best candidates and offer them a job after graduation, what is beneficial for students, too, especially because their knowledge will not distort while searching for job. Given that most societies face the huge problem of unemployment, it is obvious how design of educational process may help to overcome or mitigate this problem.

Hotel companies care about the quality of services because of its impact on performance, both internal (increase productivity, reduced costs and waste), as well as on external (increased sales, new guests, greater level of guest satisfaction and improved corporate image). They invest increasingly in staff education, conduct their own quality policy and define quality objectives, showing sustained commitment to quality, with pre-defined rules for its achievement, maintenance and improvement. By respecting categorization criteria a hotel provides a minimum guaranteed quality of service, while its quality management system contributes to the creation of the highest quality.

Hotels that have a higher level of implementation of total quality management achieve higher gross operating profit per room per day, competitive performance and satisfaction of stakeholders (Kaynak, 2003). An empirical study was conducted to investigate the role of workforce in service quality improvement (Milovanović, 2014b). This research included 34 hotels in the Republic of Serbia categorized as 3*, 4* and 5*. Hotel managers were asked to rate critical success factors connected to employees for achieving a higher service quality on the 5 points Likert scale. These are: involvement of employees in the process of quality improvement, teamwork, training and rewarding employees for quality improvement. The Table 1 summarizes the results of the research.

Table 1: *Values of workforce factors affecting service quality*

Category	Involvement	Teamwork	Training	Rewards
***	4.24	4.47	3.62	3.45
****	4.19	4.5	3.81	3.54
*****	4.53	5	4.13	3.55

Source: *Milovanović, V. (2014). Total quality management as a profitability factor in the hotel industry. Industrija, Vol. 42, No. 3, 115-127.*

A possible reason for the lower rates for the factors Training and Rewards could be the fact that these factors require financial investments, as opposed to other factors. However, employee motivation depends mostly on these two factors, so that their low rates may adversely affect the quality improvement initiatives. In particular, the savings that hotel intends to make at the expense of investment in training and rewarding employees, may be less than the losses suffered due to ineffective quality

management. From the Table 1 it can be observed that the 5* hotels have the highest value on all the factors, what should not be surprising, since these category hotels strive to business excellence and the highest service quality. Regarding the formal education of future staff for the tourism industry in Serbia, it appears that not enough emphasis is put on the tourism, as there is only one state faculty and one high school specialized in tourism, while the other faculties where students can learn about tourism, only marginally touch this field and specialize in economics or natural sciences. Where tourism is being of the secondary priority to the educational institution, there obviously cannot be developed high-qualified personnel for the needs of the modern tourism industry. Educational institutions have to permanently invest in their own capabilities, including staff competences, curriculum design, teaching material and equipment, relationship with the industry and other educational institutions locally and abroad, etc. This requires strong commitment and resource allocation to achieve the excellence in educating competent tourism staff. However, tourism industry in Serbia is still not enough reputable, so it attracts low-skill labor, insufficient investment and attention of authorities, educational institutions, entrepreneurs and students.

Table 2: *Differences in perception of students who had practical experience in tourism and those who did not have*

Aspects	t-value	p
The importance of practical training as an integral part of the educational programme	1,315	0,191
The role of tourism companies in organization and realization of students practical training	3,764	0,000**
Competencies to be developed during the practical training	2,963	0,004**
Factors affecting the selection of the tourism company where the practical training will be conducted	1,031	0,304

Source: *Sekulić, D., Milovanović, V., Milićević, S. (2015). The Role of Practical Training in Educating Future Cadre in Hotel Industry and Tourism. Journal of Education, Vol. LXIV, No. 2, 371-384.*

An empirical research was conducted to investigate the role of students' practical training in educational process of tourism profile students (Sekulić et al., 2015). A sample size was 134 students, who were divided

into two groups, with and without practical experience. The research results show that there is a statistically significant difference between these two groups regarding their perception about the role of the tourism industry in their education as well as the competences they need to develop through practical training. The results of the research are shown in the Table 2.

Considering long-term tourism growth rate Serbia occupies 60th place in the world. According to the WTTC (World Travel and Tourism Council), tourism will grow 5.2% yearly in the period 2015-2025. It is expected that in 2025 direct contribution of tourism to the GDP in Serbia will comprise 2.5% of the total GDP (WTTC, Travel and Tourism Economic Impact, 2015, Serbia). It is also expected that in 2025 there will be 100,000 employees in the tourism industry, what is 7.5% of the total workforce in Serbia. Taking into consideration natural environment, geographic position, climate and rich history, it can be concluded that Serbia has a potential for development of various forms of tourism (Sekulić et al. 2016). Yet, abundance with mentioned resources means little without human capital which is capable of transforming resources into tourism products. As said before, tourists search for a unique experience, where the group of complementary services is well designed, promoted and delivered. Nowadays it is a tough task and requires skilled personnel. This implies that Serbia must pay more attention to the development of human capital for the tourism industry at the macro, as well as at the micro level, in order to grasp the coming opportunity of tourism growth at the global scale. This would help reducing many economic problems including unemployment, migration, birthrate, poverty, unequal economic development, and many others.

Conclusion

The growth of tourism in recent decades worldwide has created an important potential for overcoming many economic and social problems that most of nations face nowadays. It makes it possible for poor regions which are abundant with distinctive natural, cultural, historical and other resources to develop and survive in contemporary environment characterized by severe competition, demanding customers and other stakeholders. However, tourism development is not possible without investment in human capital, which is a carrier of innovation and quality. Human capital consists of people's knowledge, skills, health, motivation and energy that can be employed to design and deliver high quality

service. Quality must be built into the service at each stage of its creation, and it depends on the quality of every task performed and every interaction. Given that tourism services are provided directly to the customers, there is no place for correction and the work must be done well the first time and every time. Such view of quality and strive for the never-ending improvement through engagement of everyone in the organization represents the philosophy of total quality management (TQM), which has brought many economic benefits to organizations worldwide, including lower costs, bigger market share, loyal customers and higher profit margins. Quality is thus a result of human capital management. This process starts with the formal education of individuals and continues with the life-long learning. Tourism industry demands strong commitment of educational institutions to development of high skilled labour, where special attention must be placed on students' practical training in tourism companies during their formal education. Tourism companies must also be committed to development of human capital through trainings, modernization of technology, reward systems and design of organizational structure. Those tourism destinations that recognize the importance of human capital and work on its development will grasp the most of upcoming tourism potential.

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DIRECT AND INDIRECT IMPACTS OF TOURISM ON ISTRIAN ECONOMY

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Abstract

This paper explores the direct and indirect effects of tourism on the economy of Istria, the region with the strongest tourism industry in Croatia. The research in this paper is based on tourism expenditures, which constitute the basis of all economic effects of tourism, which are multiplied in many branches and activities, contributing to the growth of the economy, especially if the activities in its structure are not dependent on imports and if the structure of the economy is more representative of those factors that directly or indirectly meet the demand of tourist. The goal and purpose of this paper is to explore the effects of tourists' consumption at the level of the Istrian economy and then analyze the structure of economic activity and their dependence on imports in order to confirm the hypothesis that tourism consumption has multiplying effects and that with a favorable structure of the economic activity and their lower dependence on imports can lead to favorable results from tourism.

Key words: *tourism consumption, tourism expenditures, economy of Istria, economic effect, multiplier effect,*

JEL classification: *E 21, Z32*

Introduction

Tourism is an extremely complex economic system composed of a series of fragments of structurally diverse branches and activities of the national and regional economy. From an economic point of view, tourism represents a highly sophisticated integral system within the national economy whose scope and structure goes beyond the economic categories

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of activities, branches, and sectors. Tourism is comprised of interconnected, heterogeneous, dependent and complementary fragments of the various economic branches and activities that together form a logical, functional and balanced system. It is a set of complementary products and services of various industries and activities. The economic effects of tourism are the result of a series of market interactions (Frehchtling, 1999) and their interdependence on a direct and indirect basis.

Tourism expenditure represents the basis of all economic effects of tourism, achieved by its development. Therefore, the goal and purpose of this paper is to evaluate tourism expenditure and analyze its effects on the branches and activities of the economy of Istria. This research suggests that tourism consumption multiplies the effects of numerous branches and activities, contributing to the growth of Istria's economy, where these effects are explored. Ultimately, the hypothesis is assumed that the favorable structure of economic activity and their lower dependence on imports can also have better effects on tourism.

The aforementioned hypothesis is based on a theoretical basis explaining how tourism is made up of numerous branches and activities where products and services directly or indirectly meet the needs of tourists are produced. The expenditure of tourists for consumed products and services achieves consumption that is the basis of economic effects, manifested through branches and activities in the regional or national economy, in the emitting, transitory, receptive regions and countries.

Problems in this paper are approached from the viewpoint that tourism is a complex product that is realized within a number of branches and activities and in which it causes economic effects. The basis of all economic effects of tourism is tourism expenditure. The economic effects of tourism are the changes that arise in the structure of the economy of emitting, transitory and receptive tourist areas and countries.

From an economic point of view, tourism is viewed as a complex of numerous branches and activities in which it causes economic effects. The effects of tourism are based on tourist consumption (Kesar, 2006) which causes changes in the volume and structure of the economy. The tourism industry and tourism sector (Šutalo et al., 2011) define the tourism industry's activities and activities in which tourists spend and cause direct and indirect contribution to the economy. As tourism is an

extremely complex economic system composed of a series of fragments of structurally diverse economic sectors of the national economy, its cohesion within the economy results in numerous economic effects. Economic effects are the result of a series of market interactions and interdependencies on a direct and indirect basis.

Tourism spending is the basis of all economic effects of tourism (Kim et al., 2006, Frechtling, 1999, Kesar, 2008) because without its realization it is not possible to achieve any economic effect stemming from the development of tourism.

Tourism spending refers to different products and services in the preparation and realization of tourist travel and stay in a certain tourist receptive area. It relates exclusively to temporary visitors belonging to a group of non-resident consumers (tourists and hikers).

Tourism spending is realized in three stages:

- in the place of permanent residence in the emitting tourist country (before and after the trip),
- on the way in a transit country (by destination and on return),
- in a tourist destination in a receptive tourist country (or more if it is a season)

In fact, tourism spending is the total consumption of goods and services that a tourist buys or consumes to satisfy primarily his tourist needs, regardless of whether the act of consumption has taken place in the place of a permanent stay of a tourist, during a travel or a tourist destination. From a functional point of view, it represents a discretionary part of personal, final (non-productive) spending intended to meet the needs of individuals related to tourist travel.

It is necessary to differentiate domestic and foreign tourist consumption due to the differences in the economic effects that arise from them, but also because of differences in the analytical (methodological) approach: Domestic tourist consumption is used to redistribute earned income within a national space that migrates from one spatial-administrative unit (for example, a county or a city) to another, which does not significantly affect the GDP of the country.

Foreign tourism spending is used to spill income from tourist emitters into tourist receptive country, based on which significant economic effects are

achieved, especially in terms of GDP growth of the country. The economic effects of tourism are changes that arise in the structure of the economy (Lee, Chang, 2008, Oh 2005) of tourist-emitting, transitory and tourist-receptive areas as a result of tourism trends and tourist consumption and ultimately tourism development. Tourism spending is the basis of all economic effects of tourism (Ashley, 2006, Brida et al., 2008, De Agostini et al. 2005, Fayissa et al., 2009, Singh et al., 2006, Zhang et al. 2008, Kesar, 2008). Tourism through tourism consumption generates general economic growth and development at all levels of the economy. The economic effects of tourism cannot be inspected in isolation because they are inextricably linked with the other effects of tourism development: social, cultural, and ecological (spatial) and other impacts.

The economic effects of tourism are:

- income growth of tourist offer subjects (legal and natural persons) on the basis of realized tourist consumption,
- gross domestic product growth,
- the growth of public revenues from funds collected on the basis of collected taxes and sojourn tax,
- revenue growth from the export of goods and services through tourism (recorded in the current account balance account),
- the growth of direct and indirect employment and restructuring of the labor market (especially regional),
- growth of entrepreneurial activity (small and medium entrepreneurship),
- capital investment (private and public),
- activating non-resourceful resources (transforming into tourism-attractive resources),
- empowering regional development and interregional cooperation,
- encouraging general economic growth and development,
- growth in living standards of the local population, etc.

The economic effects of tourism are measured by physical indicators such as the volume of visitors and overnight stays, and the financial volume of realized tourist spending etc. They are, as a rule, a result of scientifically based estimates rather than precise calculations, which are largely related to approximate. Depending on the purpose of research, measuring the economic effects of tourism can be a highly complex methodological process. Simpler effects are continuously monitored and recorded in

statistical reports, while more complex measures are taken quarterly, annually or occasionally in the framework of special investigations.

Research methodology

The research in this paper is based on primary and secondary sources, and approaches and methods based on the attitudes of domestic and foreign authors. The paper sets out the basic goal of assessing the effects of tourism in Istria, determining its contribution to the economy. The economic effects of tourism in the economy have so far been most frequently explored using input-output analysis in combination with satellite tourism balance (Dwyer et al., 2005, Zhang et al., 2008, Singh et al., 2006, De Agostini et al., 2005, Brida et al., 2008, Kesar, 2008). Since these methods and approaches are attributed to static and incomplete illumination of the effect of tourism consumption in the economy, others are used, among which the general equilibrium method with a dynamic approach, which is computationally complex and demanding in terms of providing the necessary data.

The input-output analysis conducted for the Croatian economy in 2005 (Šutalo, et al., 2011) was used in this paper to determine the impact of tourist consumption of tourism in Istrian economy. By adjusting and linking the earnings data by activities, the basis for the estimation of contributions was made using Leontief's inverse ($I-A^{-1}$), whose coefficients were adjusted for Istrian economy and taken from work (Šutalo et al., 2011).

For the purposes of this study, data on visitors and nights spent and financial indicators on the movements of income in certain activities were used. The data for this survey are taken from four sources: a) from the records of revenues (GFI-POD 2015, HGK ŽK Pula processing), b) number of tourists and overnight stays from the publication (Press release, Central Bureau of Statistics of the Republic of Croatia, 2015), and c) Leontief's inverse was taken from the input-output analysis for Croatia in 2005, which was developed and published (Šutalo et al., 2011).

Objectives of research and hypothesis

The basic aims of the research are to detect the effects of tourism in the economy of Istria. The specific objectives are to determine the structure of the economy of Istria by activities, and the dependence of these

activities on imports. In this connection, a hypothesis is argued that tourism spending multiplies the effects of almost all branches and activities contributing to its growth, which, with a favorable structure of economic activity and their lower dependence on imports, the effects of tourism may be even better.

The proof of the hypothesis set was based on the example of Istria, based on the common approach and methods known to domestic and foreign scientists.

Restrictions on the Precise Calculation of Economic Effects of Tourism

Tourism has an important role and an impact on the economy. However, its importance and impact cannot be accurately assessed for several reasons. Difficulties arise in measuring tourism, as a set of activities determined by demand, and to a large extent reflects that tourism in national accounts is not expressed as a separate sector (Šutalo et al., 2011). Similarly, tourism cannot be reduced to one economic activity, but it must be viewed as a set of different activities. The additional difficulty in measuring the effects of tourism as stated (Hara, 2008) derives from the characteristics of tourism products that are in part inexhaustible and it is not easy to measure them either by physical or financial indicators.

Furthermore, difficulties are evident in the process of creating and maintaining a tourism statistics system, in particular, several critical aspects that need to be taken into account and directly affect the inconsistency of the indicators, namely: the coverage of tourism in the national economy, with no inclusion or non-inclusion of individual effects Activity and ultimately the problem is the treatment of gray economy, as the difference between aversion and legal activity.

Research results

The research in this paper is carried out in the Istrian County. As the economic effects of tourism in the Istrian economy are explored, the tourism development is included in the framework of the research and the achieved results are visitors, nights and tourist consumption. Then an estimate of the direct and indirect economic effects of tourism in the economy of Istria was carried out.

Tourism of Istria

Tourism statistics in Istria date back to the end of the 19th century (Blažević, 1987), however, considering the total tourist achievements, primarily the number of tourists and accommodation units, it is possible to allocate six development periods (Blažević, 1987; Ružić & Demonja, 2015):

1. The beginnings of tourism in Istria (until the beginning of World War I)
2. Tourism in Istria during and between the two world wars (1914-1945)
3. Reconstruction of the economy and intensive growth of tourist capacities (1946 - 1980)
4. Promotion of tourist offer with amenities (1980-1990)
5. Improvement and increase of the quality of the tourist offer (1990 - 2000)
6. Focus on selective forms of tourism (2000 to present).

The initial development of tourism before the First World War, recorded on the Brijuni Islands and in the towns of Poreč, Rovinj and elsewhere, is quite disturbing in the period between the two world wars (Blažević, 1987).

Table 1: *Accommodation capacities and tourist traffic in 1912*

Number of tourist destinations	Number of tourist facilities	Number of tourist beds	Total number of tourists Opatija share in tourist arrivals	Opatija share in tourist arrivals	
Istira	19	343	12.822	114.162	54.696 (48%)

Source: *Blazevic, 1987*

Overcoming the development of tourism is the result of lack of capacity from the past, lack of tradition and cadre (Blažević, 1987). The reasons behind the lack of tourism development in Istria were present immediately after World War II, so until the beginning of the 1950s, post-war reconstruction took place. By the late 60s of the 20th century, tourism

gained a more significant economic and social role in Istria, and then became the dominant economic and social reality of Istria (Table 2).

Table 2.: *Movement of visitors and overnight stays in Istria and Croatia (1953-1968)*

Year	Istria		Croatia		% share of Istria in Croatia	
	Visitors	Overnight visitors	Visitors	Overnight visitors	Visitors	Overnight visitors
1953	29.629	122.720	862.443	3.552.482	3,4	3,4
1960	147.127	1.176.510	1.772.442	9.546.809	8,3	12,3
1968	529.082	4.504.017	3.812.384	22.290.650	13,9	20,2
Index 1968/1953.	1785	3670	442	627	-	-

Source: *Racan, 1969*

In this period there is an intense growth in tourism, which is reflected in the increase in the number of visitors as well as in the increase of tourism in Istria compared to Croatia.

Table 3: *Tourism Development Indicators of Istria from 1966 to 1980*

Year	Total accommodation capacities	Places in campsites	Total (in 000)	
			Visitors	Overnight visitors
1966	38.600	19.428	397	3.497
1970	111.400	46.120	744	6.556
1980	198.300	102.332	1.708	16.237

Source: *Institute for statistics – Rijeka, 1986*

In the period from 1960 to 1980, there is an intensive development of tourist accommodation, food and entertainment facilities (Table 3). This period is characterized by the intensive construction of facilities and facilities with the main objective of ensuring the conditions for receiving as many tourists as possible. The basic characteristic of this period is the construction of large accommodation facilities with a capacity of 400 to 1500 beds of elementary technical and technological equipment. After the extremely rapid growth of tourist capacities and the number of tourists, in the period from 1980 to 1990 there was a slowdown in the intensity of new facilities and capacity building (Table 4).

Table 4: *Tourism Development Indicators of Istria from 1980 to 1990*

Year	Total accommodation capacities	Places in campsites	Places in marines	Total	
				Visitors (in 000)	Overnight visitors (in 000)
1980	198.300	102.332	-	1.708	16.237
1990	245.815	126.420	4.030	2.094	17.467

Source: *Institute for statistics – Rijeka, 1986; Ivosevic (1995)*

In this period, tourism was focused on improving the supply of new amenities to meet the ever increasing demands and needs of tourists (Ružić & Demonja 2015) and devotes more and more attention to the tourists, their needs for entertainment, sports and recreation, as well as the equipment of the hotel with additional amenities. Also, the first marinas for nautical tourism have been built in this period, and the camps are conducting parcels and building additional entertainment, sports and recreational facilities for tourists.

From 1990 to the beginning of 2000, all efforts are primarily aimed at raising the quality of accommodation and food service delivery. The introduction of IT in business processes also begins. These guidelines continue to this day. It is improving its business and management by introducing into the business of modern information systems for monitoring and managing processes in accommodation units and destinations. At the beginning of 2000, the direction of tourism development in Istria, along with existing quality-building efforts, moved in the direction of orientation to selective forms of tourist offer. This is to some extent envisaged by the Master Plan of Istria Tourism (Istarska County, 2003) which places the emphasis on culture and natural attractions, gastronomy, etc. besides the classic "sun and sea" offer.

Changes occur in various forms of accommodation offerings. From the beginning of the 1990s to the present day, hotels are being refurbished by connecting two rooms to one with complete equipment (air-conditioning, television, video, etc.), swimming pools, wellness facilities and the like to meet every wish and needs of tourists. In camps, apart from parcels, new forms of accommodation (mobile homes) are introduced, swimming pools and other facilities are preferred to tourists. In the second half of the 1990s, tourism started to develop in rural areas as well. Small accommodation facilities are becoming increasingly popular and are

noticed in the structure of accommodation capacities. In this development period, we are beginning to think about sustainable development, and in the development of tourism in Istria we start to apply and monitor the indicators of sustainability.

The development of tourism until 1990 was focused exclusively on the sea, at 19 cities and municipalities that have access to the sea (Table 5). Today, tourism in Istria is being developed in municipalities and towns in its rural areas, where it has good results.

Table 5: *Development indicators in Istria tourism from 1990 to 2015*

Year	Total accommodation capacities	Places in campsites	Places in marinas	Rural tourism: No of beds	Maritime tourism		Rural tourism		Total	
					Visitors (in 000)	Overnight visitors (in 000)	Visitors (in 000)	Overnight visitors (in 000)	Visitors (in 000)	Overnight visitors (in 000)
1990	245.815	126.420	4.030	-	2.094	17.467	-	-	2.094	17.467
2000	217.924	106.067	11.000	2.920	2.080	14.284	-	-	2.080	14.284
2010	230.122	113.525	16.606	27.510	2.514	17.363	223	1.678	2.737	19.041
2015	266.491	124.930	16.610	27.600	3.266	21.259	304	2.409	3.570	23.668

Source: *Institute for statistics – Rijeka, 1986; Akilic (2012); Chamber of tourism – Istria (2010, 2015); Statistical almanac of Republic of Croatia (2016)*

The main goal of tourism policy until the 1990s was the realization of a large number of arrivals and nights. Today, it insists on the highest consumption per tourist per day, and the offer includes many features that were previously unknown. The tourist offer during the 1960s to the 1980s was very modest and was spent on accommodation, eating and entertainment services. Nowadays, the offer is significantly expanded, varied, and constantly takes care of increasing its quality and strives to satisfy every wishes and needs of tourists. Since the late 1980s, tourism demand has been exclusively focused on the "sun and sea" offer, while today this orientation is diminished, but tourists are becoming increasingly demanding.

Today, in Istria, great importance is attached to the sustainable development of tourism. Actors in the tourism development of Istria become aware that this is the right alternative for the future of tourism, which are the key factors:

- Multidisciplinary approach (economic, ecological and sociocultural analysis),
- Constant consultations with stakeholders, private and public companies, households renters of rooms, tourism organizations, nature protection associations, cultural heritage, and population and tourists,
- Openness to development (organizing public hearings, engaging media, communicating strategic development stakeholders and the local community), and
- Development that becomes a long-term and flexible project, open to complement depending on changes in the environment.

Thus, Istria has become one of the most developed tourist destinations in Croatia. Istria's tourism in Croatia occupies a significant place, as confirmed by the data in Table 6.

Table 6: *Tourism of Istria and Croatia according to indicators in 2015*

Indicator type	Istria	Croatia	% of Croatia
Capacity (bed and place in the camp)	266.491	1.029.312	25,9
Arrivals (visitors)	3.570.668	14.343.323	24,9
Overnight stays	23.668.568	71.605.315	33,1
Average stay in days	6.6	5,0	-

Source: *Chamber of tourism (2010, 2015); Statistical almanac of Republic of Croatia (2016)*

In 2015, in Istria, tourists have a total accommodation capacity of 266,491 accommodation units (beds and places in camps). With the total capacity of Istria, 25.9% is in the total capacity of Croatia. More than 3.5 million visitors arrived in Istria in 2015, representing 24.9% of Croatia's total arrivals, and over 23.6 million overnight stays or 33.1% of the realized in Croatia. The average stay of tourists in Istria is 6.6 days and is higher than the Croatian average, which is 5.0 days.

The research in this paper is based on tourism spending in Istria estimated by authors at EUR 1.4 billion or HRK 10.9 billion. The estimate is based on daily tourist spending of EUR 66.36 (TOMAS, 2015).

Income of the Istrian economy by activities

Tourism and its effects are recognized in all parts of the GDP. Most of the expense of tourists belongs to personal consumption. Investments represent spending money by companies for doing business for the purpose of tourism. The import includes the money that the tourist spent on the transport of foreign companies, while in the reverse situation, the spent money is accounted for under export, i.e. when selling services of transport and other tourist services by the domestic company to foreign tourists. These expenditures are flowing throughout the economy, so tourism affects almost all sectors of business and economy.

Tourism receipts are used to pay production factors and thus increase income, allowing the state to charge more taxes. The state from the tax money supports (by subsidizing or lending) tourism or some other activity, thereby increasing government spending, and if the capital gained from a state or private company then increases the investment.

Starting from this, there are a number of factors that influence tourism and directly or indirectly determine the contribution that tourism has to GDP (Koncul, 2009): availability of resources, state of the art knowledge, social and political stability, behavior and habits and investments. The availability of resources is important for every activity, because it depends on production but the need for tourism for resources is specific because it gives the possibility of monetizing public natural resources and their availability is one of the key factors of market success, although for the success of tourism it is important to have a competent work strength in the service sector and the readiness of the state to support its development.

Table 7 shows the income of Istria's economy for 2015. Revenues are as evident from the table aggregated in 10 activities, with "market services" according to National Classification of Activities NN 52/03, cover areas (J) Financial Operations and (K) Real Estate, Renting and Business Services. While "non-market services" include areas (L) Public Administration and Defense, Compulsory Social Security, (M) Education, (N) Health Care and Social Welfare, (O) Other Social, Social and Personal Service Activities Without Culture, Sport and Recreation And (P) household activities.

Table 7: *Revenues realized by activities in the economy of Istria (2015)*

Activities	Revenue by activities	%
Agriculture forestry and fishing	260.147.106	0,9
Mining and Industry	7.359.873.941	25,0
Electricity and water supply	1.329.502.005	4,5
Construction	1.957.576.003	6,7
Trade (Wholesale and Retail)	5.704.740.621	19,4
Hotels and restaurants	5.061.007.519	17,2
Transportation (land, water, air)	615.633.411	2,2
Market Services	5.301.159.082	18,0
Culture of sport and recreation	334.576.846	1,1
Non-market services	1.474.808.577	5,0
Total	29.399.025.111	100,0

Source: *GFI-POD 2015, HGK ZK Pula*

In the economy of Istria, over 29.3 billion kunas of revenue was realized in 2015. In the structure of the income of the Istrian economy, the largest share has industrial and mining revenues of 25%, trade with 19.4%, third place is the market service revenues of 18%, and in fourth place the income from catering is 17.2% Participation in the Istrian economy. Following are revenues from construction, non-market services, transportation and more.

Direct and indirect generated value added from tourism in the economy of Istria

Table 8 below shows the overall effects of tourism in the economy of Istria. These impacts are expressed in revenue and value added generated by tourist consumption.

Table 8: *Estimation of direct and indirect generated value added from tourism in Istrian economy in 2015 (in millions of HRK)*

Activities	Revenue by activity	% of total revenue generated by tourist consumption	Income generated by tourist consumption	% of value added in revenue per business	Total added value	Added value generated by tourist consumption	The value added value generated by tourist consumption
Agriculture forestry and fishing	260	0,155	40	0,525	136	21	0,5

Mining and Industry	7.359	0,124	917	0,328	2.414	300	7,5
Energy and water supply	1.329	0,179	238	0,283	376	67	1,7
Construction	1.957	0,053	104	0,347	679	36	0,9
Trade (Wholesale and Retail)	5.704	0,122	696	0,528	3.012	367	9,2
Hotels and restaurants	5.061	0,946	4.788	0,561	2.839	2.686	67,4
Transportation (land, water, air)	615	0,220	135	0,405	294	55	1,4
Market Services	5.301	0,108	573	0,635	3.366	364	9,1
Culture of sport and recreation	334	0,267	89	0,456	152	41	1,0
Non-market services	1.474	0,051	75	0,640	943	48	1,3
Total	29.399		7.635		14.211	3.985	100,0

Source: *the calculation is based on the percentage of matrix multipliers and vector of Croatian tourist consumption for 2005 (Institute for tourism, 2008)*

From the table it is noticeable that the economy of Istria realized over HRK 29.3 billion in revenues in 2015. In this revenue, revenues generated by tourism consumption amount to over HRK 7.6 billion or 25.9% of the total, and over 3.9 billion value added, accounting for 28.0% of total added value of over 14.2 billion,.

For the purpose of comparison and verification of the correctness of the process and the results of the research, the results of the research at the level of the Croatian economy and 13 European Union countries are listed (Table 9).

Table 9: *Comparison of the effects of tourism in Istria and Croatia and 13 EU countries*

Countries	Year	Gross value added	Share of tourism in the economy
Istria	2015	28,0	25,9
Croatia	2011	10,5	10,4
Croatia	2007	9,7	9,6

Austria	2007	5,4	5,4
Cyprus	2007	8,7	-
Czech Republic	2007	2,6	2,9
Denmark	2006	2,5	1,9
France	2005	3,7	4,0
Germany	2000	3,2	5,0
Hungary	2005	5,3	1,4
Ireland	2000	2,9	6,6
Portugal	2004	4,6	-
Slovenia	2003	3,9	4,9
Spain	2005	6,3	-
Sweden	2006	2,9	2,9
Great Britain	2000	3,8	-

Source: *Report on the implementation of TSA in 27 EU Member States. Tourism Satellite Accounts in the European Union. Methodologies and Working Paper*

The data in Table 9 show that the economic impact of tourism in the Istrian economy is high. By comparing them with national economies, they far surpass the Croatian and other economies of the 13 EU countries with which they are compared.

It is inescapable for tourism to contribute to GDP, but there are certain problems that arise when trying to calculate specifically. As stated (Koncul, 2009), tourism is "particularly difficult to estimate because of unclear definitions of services, which are an integral part of it. Some of the positive and negative items that are the reason for the difficulty in the calculation are (Koncul, 2009):

1. Non-subscriber services - those services that do not have an economic transaction related to a specific payment but are implemented in other ways such as reciprocal or barter payments. An example of this may be mutual donation between foreign tourists and hosts
2. Unrecognized services - are those services for which payment has been made but never formally calculated. This is mainly the case when tax evasion is to be avoided and is called a black or sometimes gray economy.
3. Abstraction Costs - Costs that fall under one activity and are calculated in the second. For example, if a tourist buys a real estate and uses it as a vacation home, he does not pay the accommodation

- costs as an owner, but can be said to pay an abstract rent to himself which is equal to the market price he paid for the property.
4. Distribution of public and private income - the difference between revenue generated by the private sector in one activity and the public sector costs in other activities may cause problems with double taxation.
 5. Imbalances in the balance of payments - the problems of calculating investments in tourism and tourism revenues expressed in the fluctuating currency
 6. Social Costs and Benefits - There are positive and negative externalities of tourism's impact on a particular environment. For example, the benefits that tourism can bring to a destination can cause major losses to some other activity in the same destination, and there are problems related to the calculation of real incomes or the loss of tourism in the destination or country
 7. Public goods - the value of public goods (especially public goods) is growing with tourism, but this value cannot be specifically stated because free use to all of them and the only way of calculating the value of these goods could be based on imaginative prices that tourists would volunteer to pay.

When trying to measure the quantitative contribution of tourism to GDP, then certain methods are used to provide sufficient amounts of correct data, but a number of problems occur in this process. The problem with all methods is that the number of touristic service users is high and need not only tourists to use these services, a large percentage of gray economy in tourism, the prices of goods and services often vary and the data obtained may be inaccurate. Four methods were used to measure tourism expenditures and receipts, namely direct expenditure, direct observation of arrivals, tourist surveys and household surveys. Under direct observation of expenditure, it is thought to monitor tourists during their consumption, but this is not possible, and this is the only alternative offered by finding a group of tourists who will follow and record their own expenses. Furthermore, direct observation of receipts implies collecting data on receipts from sales to tourism, such data can be obtained mainly from state institutions or through reported revenue / tax. "Analyses have shown that the value of sales of travel or transportation is fairly accurate, while the values, Relating to entertainment, rest, accommodation and the like, less accurate (Koncul, 2009)." This may be due to the sale of services to tourists and naturists or for non-payment of taxes or labor on "black ". Contrary to direct observation is a survey that,

when conducted with tourists, speaks about the value of tourism and in certain situations (ejection of bias) is very reliable. They are mainly conducted at the entrance and exit of tourists from the destination or country they visit. Households can also be surveyed in which tourism expenditure is estimated at their starting point and are distinguished from total expenditures. It is highly probable that the correct and reliable data will be collected using this method. Each of these methods has its advantages and disadvantages, (Koncul, 2009), therefore, it is necessary to carefully approach the tourism research and use more than one research method to increase the ability to make the right conclusions. Table 10 shows the effect of deliveries by activities in the economy of Istria.

Table 10: *Overview of the indirect and total effects of delivering unit output of each activity to final consumption in the total economy of Istria in 2015*

Activity	Contribution in %	Indirect contribution in %	Rank by multiplier size
Agriculture forestry and fishing	2,04	1,04	7
Mining and Industry	2,61	1,61	2
Electricity and water supply	2,83	1,83	1
Construction	2,59	1,59	3
Trade (Wholesale and Retail)	2,07	1,07	6
Hotels and restaurants	2,00	1,00	8
Transportation (land, water, air)	2,33	1,33	4
Market Services	1,72	0,72	9
Culture, sports and recreation	2,19	1,19	5
Non-market services	1,58	0,58	10

Source: *Authors' calculations*

From the displayed ranking it is evident that the greatest impact of deliveries is in the energy, industry and mining industries, construction and the others. On the other hand, the lowest multiplier has service activities among which is caterer (hotels and restaurants). Table 11 shows the import by industry to investigate the dependence of the Istrian economy on imports, and in this respect the achievement of the effect of tourism.

Table 11: *Realized imports by activities in Istria (in thousands of HRK)*

Activity	Import by activity	%
Agriculture forestry and fishing	16.807	0,4
Mining and Industry	2.022.615	47,3
Electricity and water supply	457.442	10,7
Construction	136.695	3,2
Trade (Wholesale and Retail)	1.131.569	26,5
Hotels and restaurants	204.532	4,8
Transportation (land, water, air)	14.044	0,3
Market Services	180.232	4,2
Culture, sports and recreation	9.603	0,2
Non-market services	101.493	2,4
Total	4.275.033	100,0

Source: *Statistics of Istria region (2015); Basic financial performance of entrepreneurs by business areas in 2015*

From the displayed imports by activity in the Istrian economy it can be seen that in 2015 goods and services were imported in the amount of over HRK 4.2 billion. The most import-export activities in the Istrian economy are mining and the industry with imports of over HRK 2 billion, which makes up 47.3% of the total, followed by trade with over 1.1 billion HRK, accounting for 26.5% of the total, energy and water supply From HRK 457 million, which makes up 10.7% of the total. These are activities that are significant suppliers in order to meet tourism needs directly, such as a shop where tourists buy products for their needs or indirect satisfaction of tourist needs such as energy and water supply, which includes provision of accommodation and food preparation services to tourists in Hotels and restaurants.

Table 12: *Estimation of direct and indirect value added from tourism in Istrian economy in 2015 with excluded import (in millions of HRK)*

Activities	Revenues by activity without import	% of total revenue generated by tourist consumption	Revenue generated by tourist consumption	% of value added in revenues by activity	Total added value	Added value generated by tourist consumption	Structure of value added generated by tourist consumption
Agriculture forestry and fishing	244	0,155	38	0,525	128	20	0,5
Mining and Industry	5.337	0,124	662	0,328	1750	187	5.1

Electricity and water supply	872	0,179	156	0,283	247	44	1,2
Construction	1.821	0,053	96	0,347	632	33	0,9
Trade (Wholesale and Retail)	4.573	0,122	558	0,528	2.414	295	8,1
Hotels and restaurants	4.857	0,946	4.595	0,561	2.725	2.578	70,7
Transportation (land, water, air)	601	0,220	132	0,405	243	53	1,4
Market Services	5.121	0,108	553	0,635	3.252	351	9,6
Culture, sports and recreation	325	0,267	87	0,456	148	40	1,1
Non-market services	1.373	0,051	70	0,640	70	45	1,4
Total	25.124		6.947		11.609	3.646	100,0

Source: *the calculation is based on the percentage of matrix multipliers and vector of Croatian tourist consumption for 2005 (Institute for tourism, 2008)*

Table 12 shows the simulation of the estimation of direct and indirect generated value added from tourism in the Istrian economy in the position of excluded import dependence. In this position, the revenue generated by tourist consumption amounts to HRK 6.9 billion, compared to 7.6 lower by HRK 0.6 billion or 10%, and the value added of HRK 3.6 billion versus 3.9 is lower for 0.3 billion HRK or 8%.

Conclusion

Tourism, which from an economic point of view makes it complex of numerous branches and activities through tourism consumption, causes direct and indirect effects on the economy. In this paper, the total, direct and indirect, contribution of tourism to the economy of Istria is estimated.

In the first step of this research, the development of tourism in Istria was analyzed in order to determine the achieved volume of visitors, nights and tourist consumption. The development of Istrian tourism has been analyzed since its inception by 2015. More than 3.5 million visitors arrived in Istria in 2015, representing 24.9% of Croatia's total arrivals, and over 23.6 million overnight stays or 33.1% of the realized in Croatia. The average stay of tourists in Istria is 6.6 days and is higher than the Croatian average, which is 5.0 days. Tourism spending in Istria was estimated at EUR 1.4 billion or HRK 10.9 billion.

Estimation of total tourism contribution is based on the value of total production realized in the Istrian economy. In the economy of Istria, over HRK 29.3 billion was realized in 2015. In this revenue, revenues generated by tourism consumption amount to over HRK 7.6 billion or 25.9% of the total and over 3.9 billion value added, accounting for 28.0% of total added value of over 14.2 billion.

The research carried out has shown that the Istrian economy is structured from a range of activities that directly or indirectly support the tourist offer (catering, trade, agriculture, industry etc.). From this point of view, the Istrian economy is advantageous because in its structure, the activities of catering, trade, which directly support the tourist offer and consumption are represented in a large percentage. Thanks to the favorable structure of the Istrian economy aimed at the realization of a quality tourist product, it allows for greater tourist consumption and at the expense of the better effects of tourism as a whole.

Comparing the realized effects of tourism in the Istrian economy with national economies, it is found that they are large, and that those with 10 or more percentage points outgrow the Croatian and even the economies of 13 EU countries.

The research carried out in this paper has proved the claim that tourism with tourist consumption generates effects in all branches and activities of the economy, and the effects are higher because the activities are directed towards the direct support of the realization of quality tourist offer.

Finally, it should be emphasized that tourism in countries with a relatively low level of import impacts has higher positive effects than in relatively large countries because the success of placing domestic products on foreign tourists enables a higher multiplier and thus greater influence on the national economy. Although it is about the large number of foreign tourists arriving and the high share of foreign tourist spending, this money can easily go back overseas and the efficiency of spending will fall. In that case, it is necessary to work intensively on raising the competitiveness of domestic products in order to keep the money in the national economy as much as possible.

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THE IMPACT OF TOURISM ON THE EMPLOYMENT IN SERBIA

Marija Marčetić¹; Slađana Mušikić²

Abstract

Tourism is a very important component of national economy. One of the main functions of tourism is that it directly and indirectly affects the growth of gross domestic product. Along with the strengthening of this economic aspect, tourism encourages the employment and it also affects job creation, which is reflected in the improvement of general living standards. Tourism is one of the industries that offer the best opportunities for economic growth and employment creation. However, the role and influence of tourism on employment, and thereby the development, varies greatly on the scope, character and level of development as well as on the relative importance of the tourism industry in a specific country or destination. The aim of this paper is to point out to the tourist sector impact on the total employment and on the employment in the sector of accommodation and food service activities in Serbia. For this purpose, statistical methods will be used to determine the strength and the direction of this relationship.

Key words: *tourism, employment, Serbia*

JEL: *J21, Z32*

Introduction

Tourism represents a huge potential of the national economy and plays a major role in reaching macroeconomic goals of growth, development, employment, sustainable development and social wealth. Generating role of tourism in the economic development, as well as the multiple effects created by this sector of economy, will contribute to a higher rate of

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employment; therefore, this sector is necessary to be included in the priority developing directions.

In the planning and implementation of investments in tourism, the extent to which factors such as technology and physical capital are related, should be explored, especially the extent they relate to human capital and which combination gives the best results for economic development of the country (Mušikić, 2015a). A significant number of empirical studies sought to establish a dual connection between the development of tourism and economic development. So, there are differences among countries in terms of whether tourism stimulates economic growth or economic development spurred the development of tourism (Marčetić, 2016a). Lee & Chang (2008) studied the relationship of economic growth and tourism development in the case of two groups of countries - OECD member and non-member of the same organization. The survey showed one-way causal relationship from tourism development to economic growth in OECD countries, a two-way in countries that are not OECD members. The effects of tourism on the economy have been the subject of academic research of numerous authors: Fletcher (1989); Johnson & Moore (1993); Fleming & Toeper (1990); Archerand & Fletcher (1996); Heng & Low (1990), mostly with a focus on GDP growth through the development of tourism.

A relevant conclusion of this work is that tourism generates income from consumption of goods and services by tourists as well as from taxes of businesses in the tourism industry; it provides employment in services related to tourism, and creates jobs in the tertiary sector; tourism also generates growth of primary and secondary sectors of the industry as a result of multiple effects of tourism consumption. Since tourism sector is a labor absorbing one, it is relatively more effective in creating jobs than other sectors. Tourists' consumption provides direct, indirect and induced employment opportunities in the receptive tourism countries.

The impact of tourism on the employment

Tourism is a labor intensive sector. Due to the services' features and the need of a direct contact with the customers while providing the services, it is impossible, as in some other sectors, to implement a significant amount of automatization. This primarily goes for those sectors which create its complex (heterogenic) structure. At the same time, higher employment rate appears in other sectors and activities in which the tourist market, so

called 'secondary' market, has the purpose of disposal of its own products and services. Broadly taking into consideration, the development of tourism in a certain area offers a significant possibility for direct employment in touristic sectors, as well as in other sectors which are indirectly involved in tourism, such as industry, civil engineering, agriculture etc. Likewise, some occupations in tourism, especially in the hotelier and restaurant orientations, are convenient for employing female labor. Therefore, in those sectors, in some developed touristy countries, the female work force goes up to 70% of the total number of the employed people. A huge number of positions in tourism is suitable for adolescents under 25 years of age, which is about a half of all the jobs in the touristic sector. This feature of employment highlights the importance of a constant professional training for young people in order to make them able to get long term jobs. Tourism also enables employment of people with different expertise level. It ought to be emphasized that the seasonal feature in the tourism entrepreneurship develops the need for hiring additional, so called 'seasonal' manpower which gets included in the reproduction process only during an active season, for instance – in the summer period.

Considering indirect macro-economic effects of touristic development, there is a fact that finances spent in a specific country cause consequential activities in the sectors which are indirectly connected with the tourism in that country. Thus, industry, civil engineering, agriculture and other sectors expand the market for disposing their products via tourism. For example, the economic importance that Serbia can have by development of tourism is huge. If only 10% of the population who live in rural areas engaged in rural tourism, it would bring from one to two billion dinars revenues (Mušikić, 2010b). In this way, tourism within a national territory expands the market and provides an opportunity for the whole national economy to dispose products inside this very attractive sector as well. This shows an indirect contribution of tourism to opening new job positions. But, this indirect contribution is smaller than the direct one in some countries. The indirect benefits of tourism are larger in countries where the touristic chain of supplies is directed towards production of local goods and services.

According to the World Travel & Tourism Council, Travel & Tourism generated 35,000 jobs directly in 2014 (2.6% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes,

for example, the activities of the restaurant and leisure industries directly supported by tourists. By 2025, Travel & Tourism will account for 42,000 jobs directly, which will make an increase of 1.7% over the next ten years.

Table 1: *Contribution of Travel & Tourism to employment '000*

	2009	2010	2011	2012	2013	2014	2015	2015
Direct contribution of Travel & Tourism to employment	-17.4	-1.7	1.6	3.7	2.9	1.6	1	1.7
Total contribution of Travel & Tourism to employment	-7.6	-4.7	4.4	3	2.5	2	0.7	1.3

Source: *With the reference WTTC Travel & Tourism Economic Impact 2015*

Employment in the touristic sector in Serbia

Chart 2 shows the total number of employees in Serbia as well as the number of employees in the sector of accommodation and food service activities, their average annual growth rates and the share of tourism employees in the total employment in Serbia for the period 2002-2015.

Table 2: *Employment in the Republic of Serbia (2008-2015)*

	All sectors		Accommodation and food service activities		
	All sectors Employees '000	All sectors growth rate in %	Employees	Growth rate in %	Share in total employment in %
2015	1989	7.14	65368	230.29	3.29
2014	1698	-0.99	19791	-0.77	1.17
2013	1715	-0.69	19945	-1.78	1.16
2012	1727	-1.09	20306	-0.42	1.18
2011	1746	-2.78	20392	-2.26	1.17
2010	1796	-4.92	20863	-7.36	1.16
2009	1889	-5.5	22520	-4.75	1.19
2008	1999		23644		1.18

Source: *With the reference to State Statistical Office of the Republic of Serbia (2008-2015)*

The growth rates of total employment and of employment in the sector of accommodation and food service activities in Serbia are presented. It can be noted from the chart that the growth rate of the total employment in Serbia in the period from 2002 to 2015 is the lowest in period 2009-2011 and the higher growth rate from 7.14 % is noted in 2015. Analyzing the sector of accommodation and food service activities, we are noticing that the trend is the same.

In 2016, Serbia was visited by 2754 531 tourist. Domestic tourists booked 4794.741 nights out of 7533.739, 14% less compared to the year before, which is 63,6% of the total bookings; the foreign tourists booked 2738.998 nights, which is 36,4% of the total bookings.

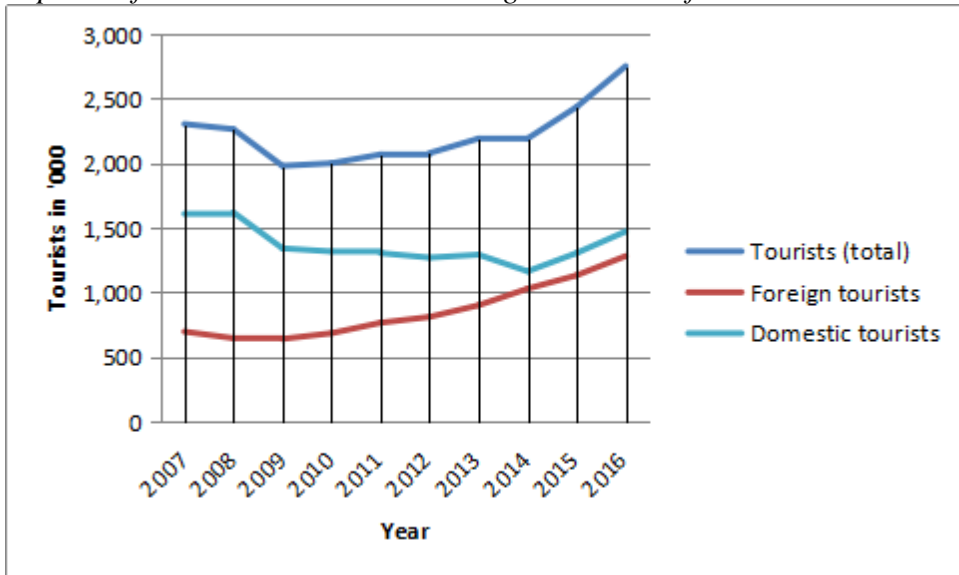
Table 3: *Tourists' arrivals and nights, 2007–2016*

	Tourists (total)	Foreign tourists	Domestic tourists	Tourist nights spent '000	Foreign tourists nights spent '000	Domestic tourists nights spent '000
2007.	2,305	696	1,609	7,329	1,478	5,851
2008.	2,265	645	1,620	7,334	1,399	5,935
2009.	1,981	639	1,341	6,580	1,455	5,126
2010.	2,001	684	1,317	6,413	1,453	4,960
2011.	2,069	765	1,304	6,645	1,643	5,002
2012.	2,080	810	1,270	6,485	1,796	4,688
2013.	2,192	900	1,292	6,567	2,099	4,468
2014.	2,192	1,029	1,164	6,086	2,353	3,733
2015.	2,437	1,132	1,305	6,652	2,490	4,162
2016.	2,754	1,281	1,472	7,534	2,739	4,795

Source: *With the reference NBS (2017)*

It is noticeable in the recent years that domestic tourist income has been dropping due to the life standards getting lower. On the other side, there has been a rise of the number of foreign tourists, contributing to a significant increase of the foreign exchange inflow, based on tourism.

Figure 1: Graphical presentation of the number of tourists in the Republic of Serbia 2002-2016 according to the data of Table 3



In Chart 2 the number of domestic tourists, the number of foreign tourists and the total number of tourists in Serbia from 2002 to 2016 are presented. The number of foreign tourists and the total number of tourists in Serbia continuously grow for the analyzed period 2002-2016, while the number of domestic tourists is almost invariant with periods of stagnation. Lower consuming power of the subjects directly influences the drop of the domestic touristic turnover. With a growing standard, the trend of importing touristic services will change the direction due to the limited touristic offer in Serbia (Marčetić, 2016b).

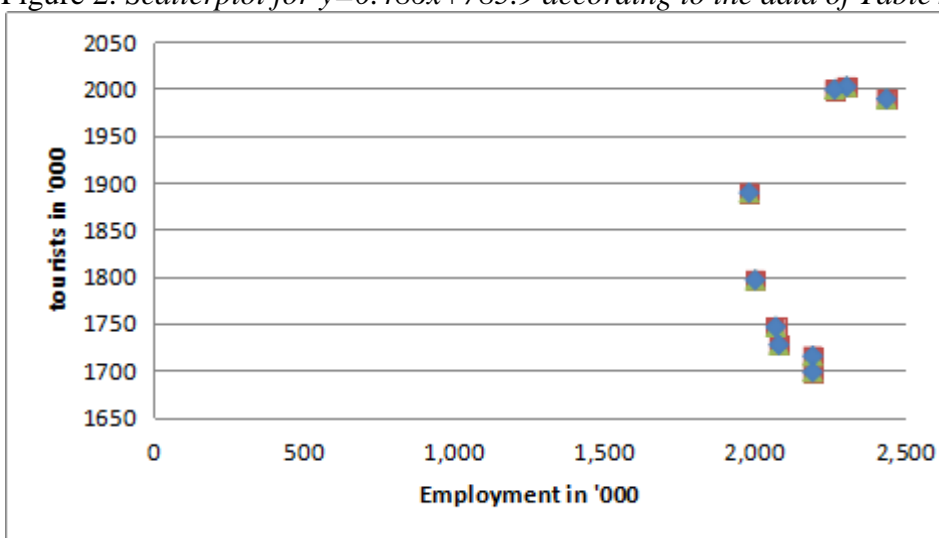
Statistical evaluation of the touristic impact on employment

To determine the impact of tourism on the total employment in Serbia, i.e. the strength and the direction of the relationship between the tourist arrivals and the total number of employees in Serbia, the method of linear regression, the correlation coefficient and the coefficient of determination will be used. The tourist arrivals in this case represent the independent variable and the total number of employees is the dependent variable.

Step 1 in this analysis is to construct the scatter diagram for the given data set to see any correlation between the two sets of data (the tourist arrivals and the total number of employees in Serbia). The scatter diagram is used

to graphically represent and compare these two sets of data. The independent variable (the tourist arrivals) is plotted on the X axis. The dependent variable (the total number of employees) is plotted on the Y axis. Looking at the scatter diagram, we can see whether there is any connection (correlation) between the two sets of data. A scatter plot is a useful summary of a set of bivariate data, usually drawn before working out a linear correlation coefficient or fitting a regression line. It gives a good visual picture of the relationship between the two variables, and aids the interpretation of the correlation coefficient or regression model (Mekić, 2006 et al.).

Figure 2: Scatterplot for $y=0.486x+785.9$ according to the data of Table 4



Based on the scatter plot diagram, it can be seen that there is a positive correlation bond between two values, tourist arrivals and total number of employees in Serbia, and that with the increase of tourist arrivals, the number of employees increases accordingly. As for the correlation bond strength, it can't be said it is strong, as the spots are not grouped around the straight line interposed among the spots in the scatter plot diagram.

Step 2: Set out a table and calculate all required values $\sum x$, $\sum y$, $\sum x^2$, $\sum xy$ and $\sum y^2$ as it is done in the Table 4.

Table 4: Calculation of $\sum x$, $\sum y$, $\sum x^2$, $\sum xy$, $\sum y^2$ and regression values for $y=0.486x+785.9$

Year	Tourists in '000	Employees in '000	Regression values		
	X	y	Xy	x ²	y ²
2007	2305	2002	4614610	5313025	4008004
2008	2265	1999	4527735	5130225	3996001
2009	1981	1889	3741258.95	3922578.303	3568321
2010	2001	1796	3593618.196	4003604.812	3225616
2011	2069	1746	3612493.206	4280806.518	3048516
2012	2080	1727	3591536.553	4324898.37	2982529
2013	2192	1715	3760026.025	4806771.229	2941225
2014	2192	1698	3722471.064	4806038.984	2883204
2015	2437	1989	4847570.91	5939895.096	3956121
\sum	19522	16561	36011319.9	42527843	30609537

Step 3: Calculate the correlation coefficient using this equation:

$$r = \frac{N \sum xy - \sum x \sum y}{\sqrt{\{\sum x^2 - (\sum x)^2\} \times \{N \sum y^2 - (\sum y)^2\}}} \quad (1)$$

By calculating this formula, with substituting the values from Table 4, we obtain the value for the determination coefficient. The correlation coefficient in this case is: $r = 0,564058$.

The value of r is such that $-1 \leq r \leq 1$. The strength of the correlation according to Evans (1996) is presented in Table 5. The value of correlation coefficient of -1.0 represents a perfect downhill (negative) linear relationship, 0 means no linear relationship and $+1.0$ means a perfect uphill (positive) linear relationship.

Table 5: Interpretation of the value of correlation coefficient

Value of r	Interpretation
-1.0	A perfect downhill (negative) linear relationship
(-0.80) - (-1.0)	A very strong downhill (negative) linear relationship
(-0.60) - (-0.79)	A strong downhill (negative) linear relationship
(-0.40) - (-0.59)	A moderate downhill (negative) linear relationship
(-0.20) - (-0.39)	A weak downhill (negative) linear relationship

(0.00) - (-0.19)	A very weak downhill (negative) linear relationship
0	No linear relationship
(0.00) - (0.19)	A very weak uphill (positive) linear relationship
(0.20) – (0.39)	A weak uphill (positive) linear relationship
(0.40) – (0.59)	A moderate uphill (positive) linear relationship
(0.60) - (0.79)	A strong uphill (positive) linear relationship
(0.80) – (1.0)	A very strong uphill (positive) linear relationship
+1.0	A perfect uphill (positive) linear relationship

The correlation coefficient in this example is in range from 0.40 - 0.59 ($r = 0.564058$) which means that there is a moderate uphill (positive) linear relationship between the tourist arrivals and the total employment in the Serbia for the analyzed period 2008-2015.

The coefficient of determination R^2 is the square of the correlation coefficient r . (2)

The coefficient of determination is a measure of how much variability in one variable (how much variability in the dependent variable y) can be “explained by” variation in the other (by variation in the independent variable x). The coefficient of determination represents the percent of the data closest to the line of best fit i.e. coefficient of determination is a measure of how well the regression line represents the data.

Table 6: *Interpretation of the value of coefficient of determination*

<i>Value of R^2</i>	<i>Interpretation</i>
0	No correlation
0.00 – 0.25	A weak correlation
0.25 – 0.64	A moderate correlation
0.64 – 1	A strong correlation
1	A perfect correlation

The coefficient of determination is $0 \leq r \leq 1$ (Table 6) and it may be defined either as a ratio or a percentage. A value of R^2 near 0 indicates no linear relationship between X and Y , while the value near 1 indicates a perfect linear fit, i.e. all of the data point and the line will be a perfect fit.

The coefficient in the example is: $R^2 = (0.564058)^2$

$$R^2 = 0.31816 \approx 0.318$$

The value R^2 of 0.318 indicates a moderate correlation between the tourist arrivals and the total employment in Serbia, which means that 31.8% of the variability in the total employment in Serbia is the result of the variation in the tourist arrivals.

Step 4: Now we want to use regression analysis to find the line of best fit to the data. The regression equation for Y on X is: $y=a + bx$ (5) where:

a = the intercept point of the regression line and the y axis;

b = the slope of the regression line;

N = number of values or elements; x = first score; y = second score.

We use the following equations to find a and b:

$$(3) \quad b = \frac{\{(N\sum xy) - (\sum x)(\sum y)\}}{\{(N\sum x^2) - (\sum x)^2\}} \quad (3)$$

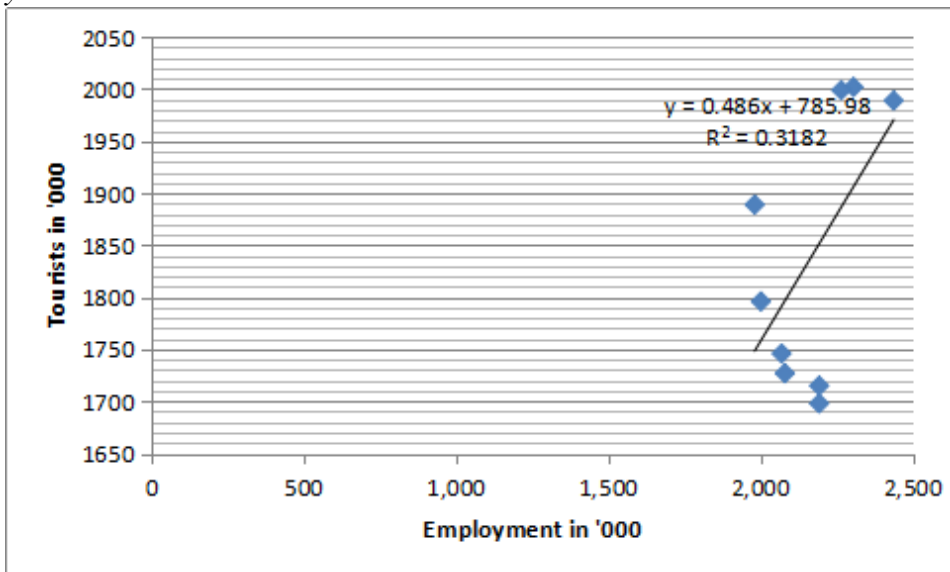
$$(4) \quad a = \frac{\{(\sum xy)\} - b(\sum x)}{N} \quad (4)$$

By calculating this formula with substitution of values, we obtain:

$$a = 785.977;$$

$$b = 0.485975174.$$

Figure 3. Regression line and the coefficient of determination for $y=0.486x+785.9$



Step 5: Substitute a and b in the regression equation formula $y=a+bx$ (5).

$$y=0.486x+785.9$$

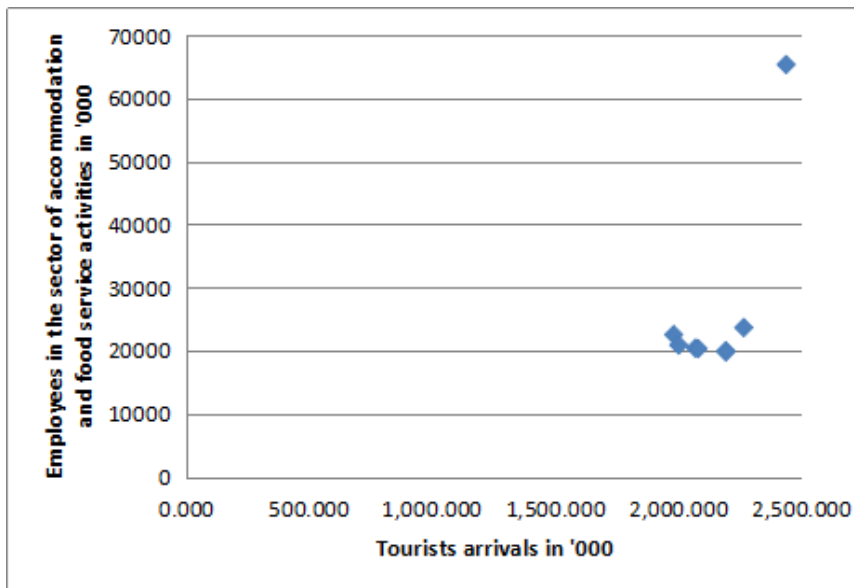
So, the equation of the regression line in the example is: $y=0.486x+785.9$
The graph of the regression line is: $y=0.486x+785.9$ x (Chart 3).

We can conclude that there is a moderate positive correlation between the tourist arrivals and the total employment in Serbia. When the scatter plot indicates that there is a strong linear relationship between these two variables (confirmed by high correlation coefficient and high coefficient of determination), we can fit a straight line to this data which may be used to predict a value of the dependent variable (the total number of employees in Serbia), with giving the value of the independent variable (the tourist arrivals in Serbia).

The impact of tourism on employment in the sector of accommodation and food service activities

When analyzing the impact of tourism on the employment in the sector of accommodation and food service activities in Serbia, using the same methodology, the calculations are as follows:

Figure 4: *Scatter plot for the $y = 78.63x - 14262$ according to the data of Table 7.*



$$r = \frac{n \sum xy - \sum x \sum y}{\sqrt{\{\sum x^2 - (\sum x)^2\} \{n \sum y^2 - (\sum y)^2\}}} \quad (1)$$

Set out a table and calculate all required values $\sum x$, $\sum y$, $\sum x^2$, $\sum xy$ and $\sum y^2$ as it is done in the Table 7.

Table 7: Calculation of $\sum x$, $\sum y$, $\sum x^2$, $\sum xy$, $\sum y^2$ and regression values for $y = 78.63x - 14262$

	All sectors		Accommodation and food service activities		
	All sectors Employees '000	All sectors growth rate in %	Employees	Growth rate in %	Share in total employment in %
2015	1989	7.14	65368	230.29	3.29
2014	1698	-0.99	19791	-0.77	1.17
2013	1715	-0.69	19945	-1.78	1.16
2012	1727	-1.09	20306	-0.42	1.18
2011	1746	-2.78	20392	-2.26	1.17
2010	1796	-4.92	20863	-7.36	1.16
2009	1889	-5.5	22520	-4.75	1.19
2008	1999		23644		1.18

$$r = 0.760242 \approx 0.76$$

The correlation coefficient is: $r = 0.76$

$$R^2 = (760242)^2 \quad (2)$$

$$R^2 = 0.577969 \approx 0.578$$

The coefficient of determination is: $R^2 = 0.578$

$$b = \frac{\{(N \sum xy) - (\sum x)(\sum y)\}}{\{(N \sum x^2) - (\sum x)^2\}} \quad (3)$$

$$b = 78.6352$$

$$a = \frac{\{(\sum xy)\} - b(\sum x)}{N} \quad (4)$$

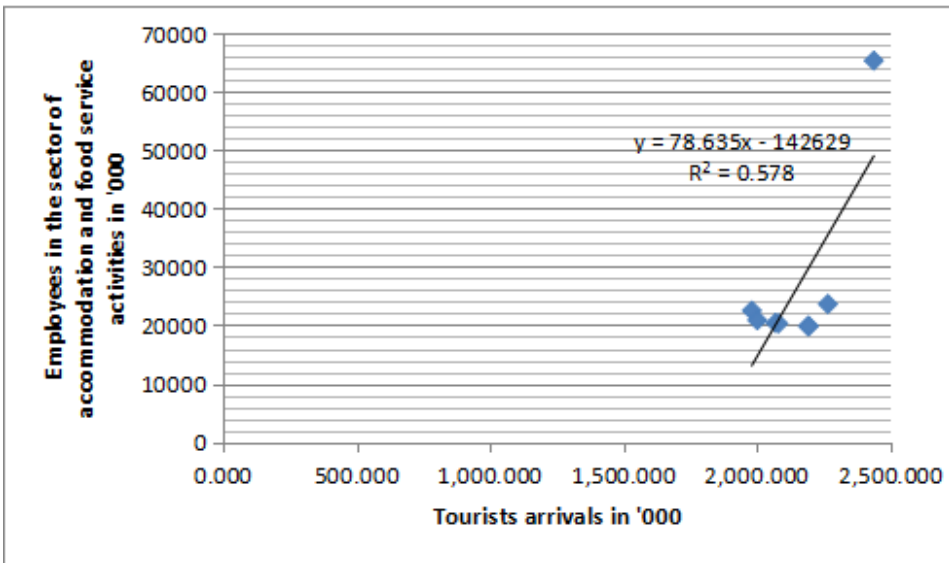
$$a = -142629$$

$$y = a+bx \quad (5)$$

$$y = - 142629 + 78.6352x$$

$$y= 78.63x - 14262$$

Figure 5: Regression line and the coefficient of determination for $y = 78.63x-14262$



According to the calculations: the correlation coefficient is: $r = 0,93$. The coefficient of determination is: $R^2 = 0.578$ or 57.8%. The intercept point of the regression line and the y axis is: $a = -142629$. The slope of the regression line is: $b = 78.63$.

$$y = -142629 + 78.6352x$$

$$y = 78.63x - 142629$$

The results of this calculation clearly show that the increase of the tourist arrivals in Serbia makes moderate contribution in increasing the total employment and in increasing the employment in the sector of accommodation and food service activities in Serbia.

Conclusion

To determine the impact of tourism on the total employment in Serbia, i.e. the strength and the direction of the relationship between the tourist arrivals and the total number of employees in Serbia, the method of linear regression, the correlation coefficient and the coefficient of determination will be used. The results of this project show that the increase of tourist visits in Serbia results in increased total employment as well as in increased employment in the sector of accommodation and food service activities. The correlation coefficients of 0.564 and 0.76 and the coefficients of determination of 0.318 and 0.578 show moderate and positive linear relationships between the tourist arrivals on one side and the total employment in Serbia, together with the employment in the sector of accommodation and food service activities on the other side.

Considering the fact that the tourism sector is a labor absorbing sector, it is relatively more effective in creating jobs than other sectors. It can be concluded that the tourism sector in Serbia does not have an adequate position in the national economy. The potentials of this sector for the employment growth in Serbia have not been fully used. Therefore, it is necessary to take measures and actions for further development of tourism industry such as: improve the awareness of Serbia as a tourism destination, improve the organizational structures in tourism, improve the investment climate for Serbian entrepreneurs regarding the development of additional accommodation facilities, improve the quantity and quality of available data in tourism, improve the framework conditions for tourism development, improve tourism know-how and service quality and improve the tourism awareness of the local people.

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THE INTERDEPENDENCE OF ECONOMIC AND TOURISM DEVELOPMENT

Vidoje Stefanović¹; Nenad Ivanišević²

Abstract

On its development path, tourism has experienced a vast number of essential internal and external transformations: it has acquired different types of appearance and phenomena, served different means, broadened the volume in space and quantitative aspect, changed characteristics and structure, became enriched by new motives, acquired new functions, had various influences and served different aims and targets, and never lost its economic characteristics while going through all of these. The basic characteristic of tourism as an economic and business activity is shown in the fact that on the one hand there exist tourists as consumers of tourist services who have money at their disposal to pay for such services and, on the other hand, there is tourism economy which has to fulfill various touristic needs. Tourism is a neat and precise activity, very delicate and subtle, which acquires many types of knowledge, patience and good will not only from the participants but also from other participants in a tourist offer. There are no unique forms of activities here because it is the question of the “face to face” business and each person is different. All these things could be achieved by constant continuous investment into knowledge, especially into the area of economic knowledge.

Keywords: *tourism, development, activity, economy*

JEL classification: Z32

Introduction

Managing the tourism development, as well as any other phenomena, means conscious influence and performance directed toward behavior of

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phenomena, with the determined target. In order to achieve it "know how" is very important and also adequate skills and knowledge organized and directed toward phenomena and/or process which is being managed. Tourism is the complex phenomena and its development functions are numerous and complicated. Management of such phenomena on national, regional, local and enterprise level asks for broad interdisciplinary knowledge and sophisticated practice. Sophistication in practice means optimal usage of touristic resources with the aim of development of competitive production and providing touristic services. It covers wide range of different products and services determined by market in tourism.

Tourism is widely spoken of, and it is the well known phenomenon of modern society. Is there anybody in the developed countries who does not know something about that social need and status necessity and symbol as well as civilization movement? Very scarce are the individuals who can not or do not know how to talk widely about various situations or events during travel with the aim and ultimate target of tourism. When writing about tourism more than anywhere else holds true the saying: one can write what has already been written but the reader must be convinced that he reads it for the first time. Tourism is created from a great number of factors which are not "touristic" in its basis but tourism can not be formed without such "auxiliary" things, it can not be developed as well as maintained. Knowing the problems of tourism means acquiring a vast number of facts, suppositions and possible situations because here most of all holds true the proverb "consumer is always right". Tourism is the precise activity, very delicate and subtle which acquires many types of knowledge, patience and good will not only from the participants but from other partakers of touristic offer. Here do not exist unique forms of activities because it is the question of "face to face" business and the traditional proverb "hundred" people, hundred moods could picture this activity in different interesting, delicate and various ways. All these things could be achieved by constant continuous investment into knowledge, especially into the branch of economic knowledge.

Economic development as a framework for tourism development

As the general definition it is used the notion of economic development as socio-economic change, while under the notion of economic growth it is understood the change in the level of material production in the scope of the existing social system. It means that economic growth covers changes in material production during short period of time, usually of one year. At

the same time economic growth could mean not only the greater production but more expenses or more effects which means that it expresses one real growth rate of material production in relation to the unit of expense. Usually, in the literature of economics and the economic practice under the economic growth it is understood the yearly growth of material production expressed by the value of the growth rate of social product or national gross income in one country (Kljusev, 1979).

Economic growth is the social process by which one country gradually goes further from the state of its state of economic underdevelopment acquiring successively higher economic development.³ Since the essential characteristic of economic underdevelopment is the general material-economic poverty of population of one country, than the growing production of material goods and services in general, is the most important but not the only illustration and characteristic of the economic development (Marsenić, 1992).

Economic development should be understood as the process in which real social gross product constantly increases in the longer period of time. If the development rate is greater than the population growth rate, in that case increases the per capita income. This development process necessarily founded on and operates with the number of known but also unknown conditions and factors which make long term influence combining the changes and well known determined variables. Parts (details) of that process of economic development often happen under different cognitive or elemental conditions in space and time but, however, they have some basic common and mutual characteristics among them. In that sense, general result of the development process is the growth of social product itself or national gross income in economy as well as overall long-term socio-economic change.

Classification of modern theories of development could be done on the basis of different criteria.” One of the classifications is based on the division on to general and special theory of development. General theories of development are those which deal with universal regularities

3 Concept of economic development in the context of the countries with the low degree and low rate of economic development caused the appearance of the great number of terms starting from the old ones and insulting such as ”old fashioned”, (backward), undeveloped, poor, up to much modern and optimistic such as ”insufficiently developed” (underdeveloped), less developed, non-industrialized, developing countries, Emerging countries and Third World Countries).

of development process independently from the level of development of some determined economy. Special development theories approve specific characteristics of the determined economy, development phase and level of development gained" (Veličković, 1995, 9).

Modern theory of economics is increasingly directed toward the factors of economic growth. By doing so, "civil society theory of economic growth" sets one of its basic tasks to search all factors of economic growth which provide balanced dynamic growth. By that the civil society theory increasingly searches the connection of structural changes and the economic growth. Marxist theory points out the allocation of wealth in the conditions of great differentiation in the international distribution of labour as the very important task of urging development by means of development of trade." (Komazec, 1996, 6).

From the point of view of the economic development, all the countries develop. Some of them develop faster, some slower, so they could be grouped into the "highly developed, medium developed and less developed" (Samuelson, 1973, 765). Economic development, beside growth, incorporates also the changes in the structure of the economic system and its output, while economic growth usually marks the growth and of economic wealth (in mass or per capita) for one year (Veličković, 1995).

Mutual effects of development factors

Starting from realization of some planned target, it must be, first of all, kept in mind the whole group of development factors without which the aim can not be achieved. But, by doing so, most often, three moments of importance are insufficiently appreciated and accepted.

There never exist only positively influencing factors which make impact on the economic and overall social development. A group or assembly of factors, unavoidable during realization of some given target, is always created of those which, by different intensity, influence and act positively in the direction of the projected target; they are neutral according to their action or impact on the aim, but there are also the unavoidable addition and supplement to positive factors which are present and which make influence negatively but with different intensity. Planning and designing would be bad if the differentiation onto positive and negative factors of influence would not be taken into consideration, id/est if the optimal

preparation for maximizing of positive and minimizing of negative factors had not been done.

A great number of different factors is not a priori positive or negative but they are grouped according to their usage and according to the territory they are used on. But, for example, one has to investigate the historical inheritance and existence of tradition for some types and methods of activities. They could represent advantage as much as the burden and load, depending on the type of planned targets. All these factors are not permanently positively or negatively influencing even from the aspect of the given planned target. Here, also, is given a chance to make transformation by adequate activities, by moving from the negative zone into the positive one or to make the movement from positive into negative zone much harder. Causes of turning eventual positive factors into negative ones and eventual turning of negative factors into positive are numerous. The most important causes come from the international relations, from the system of management and especially from the system of information as well as from the area of some determined branch of knowledge availability.

Observing mutual interdependence of the factors of development it could be stated that there are three possibilities:

- Factors which influence **all** other factors (knowledge, information)
- Factors which influence **majority** of their factors (political system, technological development, system of management, population and others) and
- Factors which influence **only the determined number** of the other factors (natural resources and wealth, climate geographic position of the country).

In that mutual relation some of the development factors are, by rule, always in the mutual conflict (for example, economic and ecologic), some could be in collision but need not be in the conflict (they are very numerous), as well as those which are never in the conflict because they have their activities far enough one from the others (their place or time of activity, or both, do not fit in).

Optimal usage of development factors

As one of the very important conditions for good usage of the development factor appears the regular correct relation or optimal,

although it is harder attainable, between the strategy and tactics, having in mind the overall economic development. Production of factors (if we speak about material factors of development) or, better to say, their creation and growth or increase, is more the matter of strategy. Their rational usage is more the matter of criticism. So, it is not the matter of one or the other but both the matter of tactics and strategy, although in different combinations what depends on the type of factor. Creation of knowledge, for example, is more the part of strategy while the regular usage of the existing knowledge is more the matter of tactics. Or, the usage of mineral resources as non reproductive factors is far more the part of long term development strategy. Reproductive factors are both the part of strategy and tactics. Increase of the intensity of usage of the factors of development asks, also, for constant notifying of the degree of their limitation with the aim of exchanging the more limited factors by less limited ones. But limitation is very dynamic and has to be corrected very often. Scientific and technical progress is, beside other things, the result of the decrease of limitation of some individual factors (in this field biotechnology and genetic engineering have a lot of things to offer). Three basic ways of decreasing of limitations are mostly important.

Especially great influence on the intensity of usage of some development factors has the degree of their mobility, while we have in mind only the physical mobile factors. As it has been well known from the practice, differences between physical and social mobility could be very great and it, first of all, depends on the following general conditions:

- Types of ownership over the factors
- Degree of integrity of the given country economy
- Formation of prices of those factors which are distributed on the market, or better to say, have the shape of goods or merchandise.
- Movement of investments into the development of some factors and their external competitiveness and
- Freedom of inflow and outflow of some individual factors at the international level.
- At last, for the increase of intensity as well as economic efficiency in usage of the development factors a great importance lies on the corresponding political institutions-their development, contemporarity, connection of their network, way of their activity, since any delay of their activities in society is seen through the changes in economic and the whole social field and all these things cause very huge consequences.

Factors of overall development have to be differently looked upon because of the fact whether we have in mind the short-term (up to five years), medium-term (up to ten years) or long-term economic and overall social development.

When we speak of the factors which are of long term orientation in the right sense, then, usually, we have in mind the following two groups of factors:

- First, population (fertility, mortality, nutrition, new settlements construction, employment, educational qualifications, types, intensity and directions of migrations, position of female gender, perspectives of the young and the similar) and
- Second, natural resources.

But the most recent achievements in the usage of the results of new technological revolution (it is meaning here, before all, the biotechnology) have greatly changed, as in the way of exploitation as in the way of application, of natural resources, with much safer prospects for much stronger changes, with enormous effects upon total overall growth of material production. So, in that sense, the first stated group abruptly comes out as the most long term one, with relatively the least possibility to change anything in the future times in the sense of easier formulation and realization of development policy. On the contrary, the problem of nutrition, average accommodation and population employment becomes harder and harder at the world level. But, from the insight of one country, even a developed one as, for example, the United States of America, are, population observed in its wholeness (as the creator and as the consumer) represent the most complex and far more long termed development factor because of which it could not be examined, prognosis, planned in any other aspect of long term except in the aspect of a very long period ahead. Biological laws are here, first of all, very present and existing.⁴

Special problem, when we speak of this first and the main group of factors of long term development is how to preserve the top class experts and how to minimize the brain drain. Without the top class experts other

4 For broader explanation of this phenomenon-population as the most long termed factor one can see the thorough study "Long-Term Factors in American Economic Growth", which editors are Stanley L. Engerman and Robert E. Gallman, issued by National Bureau of Economic Research, Studies In Income and N. Jealth, Volume 51, The University of Chicago Press, Chicago, 1986

factors of development could not be used maximally, because they could be identified thoroughly and used optimally only by the exceptional experts. It must be specially emphasized that the experience of very developed countries confirms the following: there does not exist non-qualified working place a priori but there only exist the non-qualified employee or worker; qualified worker could transform the non-qualified working place into the qualified one very soon, since there is no human activity which could not be done on a higher level from the existing one. A few aspects are quoted very briefly in the light of some new approaches to the factors of economic development only as general theoretical and methodological frame for observation of these factors without which their direct evaluation would be much harder. Of course, one could say much more about these topics from theoretical as well as practical point of view.

Modern theory of development of tourism

Modern theories of development of tourism are those theories which developed in the time of the most intensive development trends after the termination of the Second World War. However, this statement is not thoroughly true. Namely, in the period immediately after the Second World War tourism was not of extremely interest neither for the theoreticians of economy nor for the practical usage in economy because of the fact that the World had to deal with reconstruction of all which was ruined and destroyed in various ways by the war. Theory of development of tourism returned much seriously, on to the world scene somewhat later, in fact after 1950's and specially after 1960's when the world economically became so stabilized that the touristic flow and turnover of goods began to increase. This specially holds true for Europe as a continent which, on one side, extremely was devastated in the Second World War, but, on the other hand, it was the continent with the most dynamic development of tourism in the whole world. In that period of time Kurt Krapf wrote his essay "Von der Empirie zur Theorie des Fremdenverkehrs"⁵, Troisi published his work "Theoria economica del turismo e delta rendita turistica"⁶ and Paul Bernecker finished his work "Die Stellung des Fremdenverkehrs im Leistungssystem der Wirtschaft".⁷

5 Kurt Krapf in "Jahrbuch für Fremdenverkehr, Deutsches Wirtschaftswissen schaliliches Institute für Fremdenverkehr, Munchen, 1952-1953

6Troisi published his work in Bari in 1955

7Bernecker's work was published in Vienna in 1956

In such a way fundamental literature is circled and this fundamental literature about tourism creates the basis or the foundation of modern theory of the development of tourism. All works after this period represented only the elaboration of these thesis although there were much more original approaches toward the development of tourism, which specially relates to the individual examples of such development. Theory of economics still does not consider tourism to be the phenomenon which had to be studied seriously.

In the period from 1950 to 1960 theoreticians of tourism deal with evolution to the great extent and deal with the phases of development of tourism, too. Works which appeared in that period start from the well known standpoints of Rostow in the phases of development of economy. Depending on criteria theoreticians of tourism mentioned three and even up to six phases of development through which tourism went up to these days. Most of the developed countries of the world just then began their path toward the society of high mass consumption and for each economy branch it is the period of expansion and finding as well as reaching and attaining of the new markets. In that context tourism is experienced as the possibility of conquering of new markets and this specially speaks in favour of the touristic standpoints about the possible role of tourism of the undeveloped countries.

Several authors submitted this theory of tourism to overall general revision and the most famous authors is Douglas Pearce (1987 and 1989). He warned about the illogical notions of previous theoretical thoughts which had not taken into account the specific development and the degree of development of less developed or even undeveloped countries of the world. He opposed to the very honoured Miossec model of development, warning that tourism does not develop in "the empty space" and that the other development options should be approved in the in the areas where development of tourism is planned.

In the majority of works of that time still dominates the economic approach toward touristic development or, better to say, the notion and standpoint which speak in favor economic consequences of touristic development. But it is also the period of appearance of works of other authors outside the sphere of economics and those are the works of sociologists which bring "new winds" into already established standpoints with the consequences of touristic development. On the other hand, prosperity and development of the science of economy as a whole made

their impact on the development of scientific theoretical thoughts about tourism. Analysis of general balance emphasizes mutual dependence of different markets and sectors of economy as well as mutual dependence of prices and production of different goods and services. Systematic study of national gross income, started at the beginning of twentieth century as the measure of economy structure of the determined area, becomes also the very important measure of the degree of development, and special attention is paid to international management of national gross income and other macroeconomic aggregates. Noticed complexity of mutual dependence of influences of some economic branches and other factors in tourism is now possible to be analyzed and inspected by the use of input-output or inter-sector model. Inter-sector analysis caused also the analysis of economic balance which in tourism resulted in constantly growing number of works which use this general knowledge of economic theory for the analysis of touristic phenomena and its contribution to national economies.

It is the period which is, in the specific way, in the theory of tourism marked by the theory of touristic multiplier. H.G. Clement was the person who tried to use one general macroeconomic knowledge in the theory of development of tourism.” Theory of multiplier tends to make the range of one compound regulation which happens in more compound mechanism of one national economy and also tend to describe the content of that regulation and to make it understandable” (Antunac, 1985).

Critical attitude by which the theory of tourism waited for Clement’s model of the touristic multiplier is the result of numerous comments and objections that Clement had not understood thoroughly and fully, the model of Kahn-Keynes multiplier of income, which in its basic concept relied on Keynes multiplier of investments and employment and then he used it in the wrong way. On the example of small island countries in the Pacific Ocean Clement determined that touristic multiplier equals 3,27 dollars, which in other words means that one dollar spent in tourism causes during the year economic activity of 3,27 dollars. On the basis of those foundations M. Zender (Zender, 1969) made the study of development of tourism at the Eastern Caribians and its results fascinated many small Caribbean island countries which ordered the similar projects.

Negative reaction to these theoretical standpoints came first from the writing of American theoreticians of tourism K. Levitt and I. Gulati, then J. Brvden and M. Faber. The very fact that here we deal with negative

reaction was sufficient enough, according to some opinions, to bring into suspicion the very sense and essence of development of tourism (its multiplied efficiency is in question). Since Zender quoted Samuels' multiplier, the last two authors categorically deny any similarity with the mentioned multiplier and emphasize and point out that it is impossible to add up nominal values of each transaction and then to add them to the national income but they confirm that theoretically it would be right to determine in each transaction the newly created value and to sum up only that value to the national income. One of the very famous economists and theoreticians of tourism Herbert Vanhove (Vanhove, 1973) added to these critical standpoints also his way of thinking and his opinion and said that in the calculation itself a great mistakes were made but he does not deny thoroughly the value and importance of this attempt to use touristic multiplier as partial index of the values of touristic activities.

Much later a great number of theoreticians appeared who tried to use touristic multiplier in the studies of touristic development in some countries contributing more or less to the clarification of the notion of multiplier as all as to the calculation of multiplier. In such a way behaved. A. Sessa; R. Erbes, R. Baretje; P. Defert; B. Archer, and others. The work of M. Peters is original and proposes his own model of touristic multiplier; also F. Mitchell has to be mentioned who, in several works, tries to give answer to the question of the influence of touristic development on to the national economy.

Eastern European part of the world which means the countries which in that time belong to the communist block and found their economic standing points on the basis of teaching of Karl Marx, develop different points of view about contribution of touristic development to general economic development. Better to say, it is here the matter of the tendency to justify by marxistic points of view the standpoints of capitalistic economic theory, which became very obvious in the country of Yugoslavia of that time more than in other countries.

Contrary to the ruling policy of the closed market, theoreticians of tourism of these countries tend, after all, to justify the development of foreign tourism although it was only touristic flow between some countries was in question, or so called Eastern block. From that reason several authors have to be mentioned: J. Kaspar; S. Ostrowski; O. Rogalawski; J. Kruczala; G. Golembki; J. Czeglédi; J. Vajda; I. Fluck; R. Aroch; M. Polacek and others.

Mass production which brought about crowded markets with goods of mass consumption and which inaugurated in practice and later in theory the problem of selling the goods, also caused the appearance of new theoretical knowledge known as the theory of marketing. By appearance of Krippendorff's book "Marketing at Tourisme" in 1971 theory of tourism enters into the period of intensive theoretical dealing with the problems of market which resulted in the appearance of enormous expert literature even greater than any other literature in any other activity with which the theory of tourism dealt with. Principles and standing points of this microeconomic theory by the rule, are relatively quickly transferred on microeconomic field. The same happened in tourism. Marketing returned into the center of discussions the relation of offer and demand in tourism and brought, some time later, much denied innovation: theory of touristic product. Its first supporters were S. Medlik and W. C. Middleton (1973) who had a lot of opportunities to explain their own theoretical points of view, correct some attitudes and "put infection" into various theories of tourism and "infect" many theoreticians of tourism.

This theory specially had effects on special and urbanistic planning in tourism because the mastering of space could find its principles and defend them at the level of theoretical positions which activated the determined space in touristic way, but not only on physical predispositions of such space but on the basis of its objective touristic and market verification and evaluation. Greater integrity of space and content in it made the two authors, M. Baud-Bovy and F. Lawson (1977) transform these theoretical standpoints into concrete planning parameters and propositions for touristic construction which were kept up to these days with the exception of minor modifications and changes for the better. Later on, developing knowledge about ways and models of usage of space in tourism, but taking into account the standing points of marketing, theoreticians of tourism developed the notion of, so called, life cycle of touristic localities or regions and, finally, the notion of touristic destination. It brought about the theory of the carrying capacity and the notion of saturation or overcrowded special entities by the touristic development. Among the theoreticians who dealt with these problems the most famous and well known are: C. Gunn, C.W. Hart, G. Casserly, M.J. Lowless, R.G. Fritz, K.M. Haywood, C.A. Benedetto and others. In that sense and in that context appeared and developed the theory of touristic destination.

Penetration of American-Canadian theoreticians into the world wide theory of tourism which happened in 1980's of the last century meant a certain turn in the priorities of scientific discussion and in methodology of scientific research. Influence of theoretical standing points created on American continent on the points of view in other parts of the world brought about many controversial views and theoretical misunderstanding. American - Canadian authors D. Lundberg; B. Ritchie, R. McIntosh, C. Goeldner; C. Gee, R. Mili, C. Van Doren and others contebuted the most to the discussion about global problems of tourism with the emphasized extreme development and economic accent. The works written by C.A. Gunn, C. Kaiser, T. Var, D. Mac Cannell, P. Bosselman, J. Bryden, D. Pearce and by the others about the special-planning and ecological aspects in the development of tourism were very remarkable. On the other hand, anthropological and sociological research is presented in the works and original points of view of E. Cohen, J. Jafari, V. Smith, E.de Kadt, V. Young, L. Turner, J. Ash, P. Pearce, A. Pizam and others. In the field of marketing among the most famous and best known are, beside already mentioned, A. Morrison, C. Holloway, R. Reilly and many others. These authors are quoted and numbered here because they, consciously or unconsciously, in their works entered the tone of macro development and emphasized some determined connections between the theory of marketing and, the theory of development of tourism.

In 1990's of the last century "additional work" on previous theoretical viewpoints was continued but these years also brought a thoroughly new direction to the theory of development of tourism, and this new direction is the sector of formally informal dichotomy. Supporters of this theory of touristic development are Mic-hand (1991) and Kermath and Thomas (1992) and Wahnscafft (1982) as their predecessor, they all point out that it is not the question of some theoretical variant but about the view which shuts out all previous theoretical thinking. The same could be said for the basic principle and stand point of the same theory which functions in the relation of or-or, which means the theory of formal or informal characteristics. Formal circle in the countries which are developing is characterized by the objects of the touristic offer of the international standards, while in the informal circle there are objects of lower standard and the offer which is usually called "domestic" or "local". Beside these two utterly different circles also there are the other characteristics of the touristic turnover. If we talk about domestic tourism, than "the upper layer" of local population is kept in the formal circle. In such a context

the other factors also exist starting from investments up to the capital coefficient which divide the development of one country onto formal or informal one, so that country either belongs to the formal circle or the informal one. Informal sector in such theories is considered equal to “open special structures” and formal sector is symbolized by touristic “enclaves”. Those are somewhat narrow spaces excellently equipped by all necessary content and closed for the usage of those who are not staying in such center. Formal sector was the one which emphasized numerous social and cultural problems and also the collision of interests of local population brought by such type of development of tourism specially in the less developed environment.

Dual structure of tourism is shown and manifested in the space in corresponding economic and socio-cultural consequences and influences. About that aspect it has been spoken relatively little in the theories of tourism until the moment when the space has not entered, in full its importance, into the theory of tourism and all aspects and considerations of tourism. Organizing of space in touristic areas and places becomes fundamental factor of theoretical inspection. Dress (1997) introduced as late as 1979 the usage of theoretical notions, on the example of Bali, such as: sphere of touristic influence, sphere without touristic influence and both of them well enough fitted in the special concept of inspection and search of touristic development. On the basis of this example the “special model” of touristic development of the developing country is hypothetically prepared, and its principles are later generalized in the unique theory of special development of tourism in the developing countries. In such theoretical discussions theoreticians which defended their points by the analysis of touristic development at the island countries had been extremely loud. Among the most famous theoreticians of that wave and destination there are: D. Pearce; P. Willkinson; J.O.J. Lundgren; S. Britton. On the basis of touristic dispersion examined and seen on the groups of islands, from the main island toward the other islands (including airport) the model of regional touristic distribution in continental countries is formed and created, starting from the main city or coast or shore areas toward rural areas or internal spaces. Distance of emitive markets with great emission specially distance from far away situated Pacific archipelago, made theoreticians mark the distance by one of the main critical and limiting factors in every touristic development. Since then, theoreticians of tourism do a lot of research and inspection of the influence of distance on the development of tourism (M.D. Meyer, E.J.

Miller, R.R. Perdue, L.D. Gutske; Y. Shefti; S.R. Lerman; M. Kottke and others).

The end of twentieth century was marked by numerous research concerning development of tourism. But, the most of them had not brought any special news in theoretical sense but, mainly, it was the period of deepening of the existing knowledge about tourism and its development, about the tendency to quantify the results much better and to quantify touristic turnover, also it was the period of acquiring more relevant data about structure of visitors, their behavior as consumers and as the consumers of space and services during years and centuries in big cities and town agglomerations. Their function of business centers developed some special type of, so called, congress or manifestation tourism; especially interesting are "mega event" – great events of high importance and interest which attract usually great number of visitors and participants. Cities which made the concept of their touristic future on the basis of such events also make infrastructure and construct appropriate buildings, hotels, sport centers and halls as well as multifunctional spaces for sports and amusement of any kind (for various cultural and educational purpose). It is very important to mention that such orientation asks for a large number of accommodation units which, as a consequence, means a lot of investment into restaurant management, hotel accommodation, communal and other types of infrastructure. In modern tourism, especially in the two last decades of the twentieth century, the largest world cities metropolises and centers become the most frequently visited touristic destinations in the world. The large towns and cities in the world definitively entered the special category and type of touristic places.

Conclusion

Tourism, in its development path, experienced a vast number of internal and external essential transformation: acquired different types of appearance and phenomena, served different means, broadened the volume in space and quantitative aspect, changed characteristics and structure, became enriched by new motives, acquired new functions, had various influences and served different aims and targets and while doing all these it never lost its economic characteristics. Because modern tourism massive demonstration became its most important characteristic which has essential importance for the research in the field of many sidedness of tourism especially when the economic effects of tourism are

in question and when its influence on economic and overall development is concerned.

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TOURISM AS A POTENTIAL AGENTS 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
Indexi 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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IMPACT OF TOURISM ON THE PROCESS OF RETAIL INTERNATIONALIZATION*

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Abstract

Internationalization is becoming a widespread phenomenon in trade, especially retail. Thus, internationalization is becoming an innovative strategy in trade development, including retail sector. Leading retail companies are constantly looking for new markets in different countries and continents. In this way, retailers on international markets find an opportunity for further growth and development. On the other hand, retail companies that expand their operations outside the borders of the national market need to know the determinants or factors that will determine the success of internationalization strategy. In the last twenty years, theoretical and practical studies have viewed these factors as a complex of economic, political, sociological, and cultural factors, which, ultimately, determine the choice of the particular market on which companies will operate in the future. In the context of analysis of various factors affecting retail internationalization, tourism and trends in the number of tourists in different countries are gaining in importance, so that theory and practice focus more and more on the so-called shopping tourism. With reference to previous theoretical and practical research, the aim of this paper is to examine the importance of tourism as a factor in retail internationalization. The starting hypothesis is that the number of tourists from different countries affects the process of retail internationalization, or the choice of the market where the retailer will expand its business. This hypothesis will be tested in the case of the leading international retail companies as well as international retail companies operating on the Serbian market, using relevant statistical methods.

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Introduction

One of the characteristics of developed market economies is variability of operating conditions. Such a business environment has crystallized numerous streams and tendencies of trade development, and, hence, retail. More intense competition can be seen both in terms of number and size of retail chains, and in terms of business format modalities that compete with each other. This is so especially due to the opening of national markets and more and more pronounced internationalization of business activities of retail chains. These facts indicate that internationalization is one of the key retail trends in developed market economies. Because of the above-mentioned intense competition and the saturated home markets, retailers choose to expand their business to other countries. However, internationalization of business is neither easy nor a simple task. Before that, the company must respond to a large number of diverse issues. The choice of a country in which to do business is preceded by a detailed analysis of market attractiveness, which includes consideration of political and economic risk, business efficiency, urban population, trade sector development, and others. In recent years, in the context of factors and motives for retail internationalization, trends in the number of tourists have gained in importance, with a special focus on shopping tourism. This is seen in practical examples of retailers' operations, which, following tourist trends in their countries (domicile countries), expand their business to markets of countries that appear as tourist destinations. With reference to practical and theoretical research on retail internationalization factors, this study aims to analyze the importance of tourism as a factor in retail internationalization. In doing so, the study will be divided into three parts. The first part analyzes factors and motives of retail internationalization. Then, the subject of analysis will be shopping tourism. The last part will analyze operations of international retail chains, to test the initial hypothesis on the impact of tourism on internationalization of retail companies.

Factors and motives of retail internationalization

Global business is becoming a reality for a growing number of companies in developed market economies. Domestic markets are entering a mature stage of development, characterized by high degree of saturation and intense competition. These markets see the increasing growth of foreign competition in conditions of slow or even zero growth in demand. In such conditions, manufacturing and trading companies look for a solution for their further growth and development on foreign markets (Ćuzović & Sokolov Mladenović, 2015). Internationalization of retail and trade in general is a direct consequence of globalization and integration of world markets. The development of international economic integration, such as the EU single market, North American market (initiated by Free Trade Agreement between Canada and the United States in 1986), market of Southeast Asian Nations (ASEAN), globalization of the Japanese market, opening of markets of Eastern Europe and developing countries, encourages retail internationalization (Lovreta et al., 2015).

Literature dealing with trade and trade management holds the position that a retailer can start the process of internationalization when it reaches critical size on domestic market, but, because of legal restrictions (protection of competition), can no longer grow there. So, due to a high degree of saturation of the domestic market, large retail chains invest abroad, thus finding new ways to generate profits. However, there are different opinions. Alexander & Doherty (2009) state that “internationalization for many retailers is no longer a logical consequence of the limited growth potential of the domestic market, but a chance to expand their business on the global market, where their range of products and services will be evaluated by a wider range of customers” (p. 4).

Most companies prefer to remain on the domestic market in the event that the size of this market is sufficient. Managers do not have to learn other languages and laws, do business with unstable currencies, face political uncertainties, or redesign their products to meet the needs and expectations of different customers. Operations are easier and safer. However, there are certain factors (motives) that make a growing number of companies internationalize their business. At the same time, there are potential risks, the implementation of which could lead to the collapse of the international market. The following segment will analyze some of the main motives and risks associated with international expansion of retail companies.

Motives of retail internationalization varied in different periods. In this regard, it is sufficient to compare traditional and contemporary literature to see that once key motives for retail internationalization seem rather old-fashioned today. The most comprehensive analysis of international retail activities at the beginning of the second half of the last century came from the American professor Stanley Hollander (Alexander & Doherty, 2009). His analysis predominantly includes macro-economic retail internationalization factors, such as: a) establishing equilibrium of foreign trade balance, b) balanced development of production and trade, and c) influence of political factors on international business expansion. In this regard, the following motives stand out as the key ones for the process of international expansion of retailers (Hutchinson et al., 2007):

- Non-commercial motives, which include various humanitarian, social, or ethical motives. These motives encourage activities of knowledge transfer in the field of logistics to developing countries such as certain African countries.
- Commercial motives, which are based on a desire for profits, although not necessarily so. History knows of an example of American retailers who sought to keep the network in some developing countries to get to manufacturers easier.
- Legal motives are a reaction to legal restrictions on the domestic market. These are anti-monopoly measures aimed at preventing growth and acquisition of a dominant position. Internationalization of American retailers in nineteen-seventies and European retailers in nineteen-nineties was significantly caused by these factors.
- Market potential is the motive to exploit opportunities on the international market, i.e. take a previously unoccupied position. Usually this motive is combined with the saturation of the domestic market.

In contemporary literature, there are two basic concepts used to explain internationalization motives or factors: a) reactive-proactive-concept and b) push-pull concept (Ćuzović & Sokolov Mladenović, 2012a; Ćuzović & Sokolov Mladenović, 2013; Sokolov Mladenović & Ćuzović, 2015).

Marketing-oriented companies should, by definition, be proactively oriented, looking for new growth opportunities, rather than responding to market challenges and risks that business entails (Ćuzović & Sokolov Mladenović, 2012b). In this regard, one group of motives behind business internationalization, i.e. moving business activities to foreign markets, is particularly important, based on strategic company orientation. Reactive-

proactive motives explain how managers themselves act in planning future company activities.

Reactive behavior implies that managers respond to some challenges in the environment. These challenges usually involve some restrictions in operations or in further growth, while sudden chances rarely fall in this group of factors. Company managers typically respond to a lack of further growth opportunities, saturation of the domestic market, unfavorable laws, and the like. In fact, how managers will interpret all these restrictions depends a lot on themselves. In this regard, studies produce an ongoing debate around the concept of market saturation. Market saturation is difficult to accurately determine, because a good part of marketing deals with moving the borders of saturation. Managers, in turn, in accordance with their interests and abilities, more or less subjectively estimate the moment when their company activity should be transferred to a new market.

Proactive behavior involves identifying opportunities in the environment and exploitation of these opportunities before the saturation of the domestic market. These companies often become as global, as is the case with “McDonald’s” (fast food) or “Woolworth” (mixed store). They usually identify a specific need on different markets and use the opportunity to meet this need first in a wider market area (Alexander & Doherty, 2010).

Recent empirical studies point to a growing number of companies that are not “forced” to internationalize, but plan to do so to improve business. In this regard, more and more companies accept marketing concept in business, than it was previously the case. So it is logical that retailers working on launching a new business format, such as hypermarket or a specialized lifestyle (modern) store format, look for opportunities to fulfill this innovation on as many national markets before someone else copies it. The same is true with innovative manufacturing companies that try to offer a new product to the global market without waiting for a number of imitators to “cream off” other markets (Sternquist, 2007).

Different business internationalization motives are encouraged by risks on the domestic market (push factors) or opportunities that exist on foreign markets (pull factors).

Push factors are the boundaries that companies face on the domestic market. These factors motivate companies to move investment in business development beyond the borders of the domestic market. From the standpoint of local businessmen, these factors stand for a difficult decision on business diversification on foreign markets. From the standpoint of the national economy, these factors are the forces that discourage domestic and foreign investors from investing in local businesses. The most significant push factors are (Alexander & Doherty, 2009):

- Saturation of the domestic market,
- Impossibility of further growth on the domestic market,
- High operating costs,
- Fierce competition, and
- Restrictive legislation.

Pull factors are characteristic of other markets that motivate retailers to expand their activity. From the standpoint of macroeconomics, these are factors whose improvement can help a government engage in competition with economic systems and attract investment into the country. Pull factors, in this case, do not act as a motive for internationalization, but only as a motive for the selection of a market area where expansion of business activities will take place. Among the factors that attract companies to a market, there are (Sokolov Mladenović & Ćuzović, 2014):

- Stable economy and politics,
- Market size,
- Underdevelopment of retail activities,
- Favorable interest rates,
- Favorable legislation, and
- High purchasing power of customers.

Different spheres (Treadgold, 1990; Alexander, 1990; Hutchnson et al., 2007) identify numerous push factors in retail business, which are compared with the corresponding pull factors. The most important push and pull factors, observed from the political, economic, social, and cultural point of view, can be seen in Table 1.

Table 1: *Push and pull motives*

	Push motives	Pull motives
Political sphere	<ul style="list-style-type: none"> - Unstable political environment - Restrictive legislation - Anti-business culture - Restriction of consumer credits 	<ul style="list-style-type: none"> - Stable political environment - Liberal legislation - Business-oriented culture - Growth in consumer credits
Economic sphere	<ul style="list-style-type: none"> - Poor economic conditions - Low growth potential - High operating costs - Mature market - Small domestic market 	<ul style="list-style-type: none"> - Good economic conditions - High growth potential - Low operating costs - Emerging market - Possibility of investing in property - Big market - Favorable exchange rate - Low share prices
Social sphere	<ul style="list-style-type: none"> - Negative social environment - Unfavorable demographic trends - Stagnation and decline in population 	<ul style="list-style-type: none"> - Positive social environment - Positive demographic trends - Population growth
Cultural sphere	<ul style="list-style-type: none"> - Unknown cultural milieu - Heterogeneous cultural environment (small and hostile segments) 	<ul style="list-style-type: none"> - Known reference points in cultural milieu - Attractive composition of cultural values - Innovative business culture - Fostering corporate culture - Homogeneous cultural environment
Competitive structure	<ul style="list-style-type: none"> - Hostile competitive environment - High level of concentration - Market saturation - Unfavorable conditions for operational work 	<ul style="list-style-type: none"> - Market niches - Existing capacities - Possibility of expansion through copying - Favorable conditions for operational work

Source: Čuzović, S., Sokolov Mladenović, S. (2015). *Menadžment internacionalizacije trgovine*, Ekonomski fakultet Univerziteta u Nišu.

However, internationalization motives are much more complex than it appears at first sight. Their roots stem from company's internal factors, as well as from aptitude to take over business risk. In this sense, focus is often on motives such as the need to activate capital surplus, to maximize profit through new management ideas, as well as to increase sales efficiency and effectiveness (Lovreta, 2015). A retail company may decide to internationalize its operations if it notices that customers go abroad in search of its products. Providing international sources of supply and development of trademark based on procurement from global sources can be a significant driver of internationalization. By purchasing from producers in developing countries, retailers are able to spend lower amounts of budget on the development of their own trademarks.

All the above confirms that retail internationalization motives are not uniform and common to all companies. What is more, companies are always encouraged by a large number of motives, regardless of whether they act as pull factors from foreign markets or push factors from the domestic market. In any case, companies are always guided by self-interest, and, basically, business internationalization is the desire to increase profits or income.

Tourism as a factor of retail internationalization

Tourism is becoming an increasingly important economic sector in a large number of countries (Sokolov Mladenović & Ćuzović, 2016). Over the past six decades, tourism has experienced continued and rapid expansion and diversification, to become one of the largest and fastest growing economic sectors in the world. Thus, statistical data confirms steady growth in international tourist arrivals of 277 million in 1980, 528 million in 1995, up to 1 billion in 2012. With the gradual global recovery (Mladenović & Kitanović, 2014) and the appearance of emerging markets, this figure rose to 1,087 billion international arrivals in 2013 (World Tourism Organization, 2015). Judging by these figures, estimates of the World Tourism Organization are positive in terms of the number of international arrivals. Thus, it is estimated that the number of international arrivals increases by an average of 3.3% each year, which will represent 43 million more tourist arrivals every year, so that in 2030 it will amount to 1.8 billion international tourist arrivals (World Tourism Organization, 2015).

In the context of analysis of the importance of tourism as an economic sector, the importance of shopping tourism is gaining in importance. In fact, shopping itself is becoming a relevant component of the value chain in tourism. It is becoming a decisive factor that affects the choice of tourist destination, an important component of shopping experience, and, in some cases, primary motivation for travel (Moscardo, 2004). Therefore, tourist destinations get a tremendous opportunity to take advantage of this new trend on developed markets and add a unique shopping experience to the value of their tourism offer, as well as to define their tourism brand and successfully position it.

Practice shows that shopping is a growing motivation for travel. Christmas shopping in Germany, visiting boutiques along the *Avenue des Champs-Élysées*, buying gifts at the airport duty-free shop, visiting shopping centers in Hong Kong, or Grand Bazaar in Istanbul are just some of the examples of shopping tourism. Shopping is no longer just a satisfaction that tourists practice while traveling, but, in today's conditions, for millions of tourists, it is one of the main motives for the trip.

Number of shopping tourists is on the rise and development of this phenomenon is attracting increasing attention of economic, tourism, and trade policymakers, researchers, and business leaders of the world. As with many aspects of management and marketing of tourist destinations, balancing the interests of all stakeholders in the area of shopping tourism is a complex process that requires investment, skills, and experience, and, above all, partnership relations.

Particularly interesting is the data illustrating increase in the number of tourists whose main purpose of travel is shopping. For example, population of the United States and Canada enjoys cross-border shopping. Thus, number of Canadian tourists in the USA increased by 68% between 2001 and 2012. A similar trend was recorded in the number of American tourists to Canada. This trend was later recognized by a large number of US retailers, who expanded their operations to the Canadian market, which will be discussed later.

Recognizing the importance of shopping tourism, a large number of researchers focus on the definition of this term. Given the relatively recent evolution of shopping tourism as a motive for travel, there are several definitions of this concept. So, Jansen-Verbeke (1991) raised the

question of how, where, and when shopping can function as a tourist attraction. She pointed to shopping as the basis of tourism, including commercial city areas as well as the development of modern shopping malls. Moscardo (2004) also studied the importance of shopping tourism, and pointed to the difference between traditional and modern tourists, who have high purchasing power and are increasingly becoming consumers of high fashion products which they purchase in selected tourist destinations.

Furthermore, Stansfield's analysis of shopping tourism points out the difference between individuals' shopping "at home" and when they are traveling, pointing to purchase of non-essential items (Butler, 1991). Deviating from the usual norms of consumption, tourists focus on shopping as the relaxing activity in relation to the average shopping "at home".

All these studies prove that shopping tourism is a modern form of tourism, which, with all its characteristics, becomes a crucial factor in making shopping decisions. Recognizing this fact, retail companies in food and fashion sectors begin to carefully analyze markets to expand business, with a focus on the number of tourists by different countries.

Research methodology, results, and discussion

Importance of tourism as a factor in retail internationalization will be analyzed based on a case study of the most successful international retail company in the world, as well as through a case study of a retail company that operates on the market of the Republic of Serbia. Specifically, it is a retail company Wal-Mart, on one side, and the company Idea, on the other.

Wal-Mart has been in the lead position in the world for many years, as seen by sales volume generated by the largest retail chains. This is supported by the latest data published by the consulting firm Deloitte Touche, obtained from the so-called Global Power of Retailing report 2017, shown in Table 2.

Table 2: *Largest retail chains by sales volume (2015)*

Rank	Company	Country	Revenue (in millions of dollars)	Number of countries in which it operates	Percentage of revenue generated abroad (%)
1.	Wal-Mart Stores, Inc.	USA	482.130	30	25,8
2.	Costco Wholesale Corporation	USA	116.199	10	27,4
3.	The Kroger Co.	USA	109.830	1	0,0
4.	Schwarz Unternehmenstreuhand KG	Germany	94.448	26	61,3
5.	Walgreens Boots Alliance, Inc. (formerly Walgreen Co.)	USA	89.631	10	9,7
6.	The Home Depot, Inc.	USA	88.519	4	9,0
7.	Carrefour S.A.	France	84.856	35	52,9
8.	Aldi Einkauf GmbH & Co. oHG	Germany	82.164	17	66,2
9.	Tesco PLC	Great Britain	81.019	10	19,1
10.	Amazon.com, Inc.	USA	79.268	14	38,0
	Top 10		1.308.065	15,7*	
	Top 250		4.308.416	10,1*	
*Average					

Source: *Deloitte Touche Tohmatsu Limited. Global Powers of Retailing 2017. <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/consumer-industrial-products/gx-cip-2017-global-powers-of-retailing.pdf> (13 April 2017).*

So, Wal-Mart has long been the largest retail company in the world, with total revenue of about 482,130 million dollars in 2015. This is a huge success for a company that began operating in 1962 with a single store, had 38 stores in 1970, and now there are about 5,000 in 30 countries around the world. The question that arises is how Wal-Mart managed to do that and whether it can continue at the same pace? With an average growth rate of 16% per year, Wal-Mart will be, it seems, the first company with sales of 1,000 billion over the next 10 years. With such a size, Wal-Mart will have more than 5 million employees and the value of its sales will be roughly equal to the GDP of Great Britain and will be significantly greater than the GDP of Australia, Canada, Spain, and nearly 10% of GDP of the United States.

The expansion of operations outside the US market is becoming imperative for Wal-Mart. In this regard, company managers carefully analyze all factors, which were discussed in previous parts of this paper.

It is especially interesting to point to Wal-Mart's operations on the Canadian market. What started small, with a single discount store and the simple idea of selling more for less, has grown over the last 50 years into the largest retailer in the world. Walmart Canada was established in 1994 through the acquisition of the Woolco chain and has grown to more than 400 stores nationwide serving more than 1.2 million customers every day. Walmart Canada's flagship online store, walmart.ca, is visited by 600,000 customers daily. With more than 95,000 associates, Walmart Canada is one of Canada's largest employers and is ranked as one of the country's top 10 most influential brands.

Business expansion on the Canadian market was also accompanied by trends in the number of tourists from Canada to the United States. The number of overnight trips United States residents took to Canada increased from 15.6 million in 2001 to a peak of 16.2 million in 2002. It then decreased fairly steadily to 11.7 million in 2009 and remained at 11.7 million in 2010.

The number of overnight trips residents from countries other than the United States took to Canada declined from 4.0 million in 2001 to 3.2 million in 2003. It then increased steadily to 4.2 million in 2008 before edging down to 4.1 million in 2010.

Table 3: *Number of tourists in Canada from the USA and other countries*

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Thousands of person trips									
From the United States	15,570	16,168	14,232	15,088	14,390	13,856	13,376	12,503	11,667	11,749
From other countries	4,010	3,796	3,188	3,944	4,222	4,272	4,400	4,494	3,918	4,118

Source: *Statistics Canada, CANSIM table 427-0004 and Catalogue no. 66-201-X* <http://www.statcan.gc.ca/eng/start> (15 April 2017).

With minor fluctuations, it is evident that the number of tourists from the USA to Canada tends to increase. On the other hand, increase in the number of tourists is accompanied by more intensive business expansion on the Canadian market, as evidenced by the data on Wal-Mart's official website. "1996-Walmart Canada is ranked by Strategy Magazine as the best store for customer service and value for money. 1998-For the third year in a row, a Canadian store is selected as Walmart's International

Store of the Year. 1999-With more than 1.1 million associates worldwide, Walmart becomes the world's largest private employer. 2000s: A New Era of Walmart Canada. 2006-Walmart Canada opens its first Supercentres in Stouffville, Ontario, London, Ontario and Ancaster, Ontario, offering fresh food combined with general merchandise for the broadest selection of products under one roof at unbeatable prices. 2008-Walmart Canada celebrates its 300th store opening! Walmart team members open a new store with a ribbon cutting ceremony. 2009-Walmart Canada launches its new, brighter logo and tag line: Save Money. Live Better. 2011-Walmart.ca is launched as a place for Canadians to shop at Walmart Canada online. 2014-Walmart Canada celebrates its 20th anniversary in Canada. 2015-Walmart Canada launches Grocery Pickup in Ottawa, Ontario, allowing customers to order groceries online and pick them up at-store. Walmart Canada surpasses an incredible milestone of \$100 million raised over 20 years in support of children's hospitals across Canada through the Children's Miracle Network. 2016-Walmart Canada opens 400th store and 300th Supercentre. Walmart Canada celebrates 10 years of fresh with over 80% of stores offering Canadians access to fresh, healthy food" (<http://www.walmartcanada.ca/our-story/our-busines>).

Another case study that illustrates the expansion of retail while monitoring tourism trends is the case with the domestic market, referring to the Croatian chain Idea. Idea d.o.o. is part of the Croatian company Agrokor Group, the largest private company in Croatia and one of the strongest companies in Southeast Europe, with consolidated revenue of 7 billion euros and 40,000 employees.³

During 30 years of existence, starting as a small family-owned company for the production and sale of flowers, with a clear business vision, strategy, and prudent investment, Agrokor managed to grow into a leading food retail system on the regional market. The leading positions of Agrokor companies are reflected by a high market share, so Ledo holds 80% of the Croatian ice cream market, Zvijezda firmly holds 83% of the margarine market, while Jamnica dominates the mineral and spring water market in Croatia with 82%.

³ In recent weeks, Agrokor has been in the focus of scientific and professional, as well as political public, due to the financial crisis. Factors and effects of Agrokor crisis on the Serbian market may be subject to other research. In this paper, the subject of analysis is only the expansion of Idea company's business on the market of the Republic of Serbia.

Croatian retail chain Idea entered the Serbian market in 2005, when it became part of Agrokor Group through acquisition. Before that, Idea in Serbia operated as a local wholesale service company. This indicates that the Croatian company Agrokor entered the Serbian market through acquisition strategy, taking over the company Idea. This venture was preceded by a feasibility study that included market research, as well as identifying any preconditions and satisfying market potential, which influenced the decision to expand business on the Serbian market. The company's operations on the Serbian market are based on a strategy of custom "package" offer, with a certain degree of standardization of a part of "package" offer. In early 2014, Agrokor Group successfully concluded the process of buying a majority stake of Business System Mercator, and became its majority owner, announced Agrokor.

Idea's retail network today has nearly 300 neighborhood stores of small and super format, which can be found in almost every town in Serbia. By the size of its stores and the carefully selected product range, it is mainly intended for everyday shopping that allows one to pleasantly surprise their family and loved ones with fresh products that came into the store the same morning.

2015 continued with new investment, especially in terms of expansion of retail network, to make Idea stores of different formats available to customers throughout Serbia. Optimization of existing business processes and increase in productivity and service quality in retail also continued in 2015.

In the context of analysis of internationalization factors of Idea on the Serbian market, trends in the number of tourists can be analyzed as well (Table 4).

Table 4: *Trends in the number of tourists from Croatia to Serbia*

	2005	2006	2007	2008
Arrivals	1746	2180	2760	2811
Overnight stays	3162	3646	4982	4984

Source: *Adapted from: Press – Tourism in the Republic of Serbia, February 2005, 2006, 2007, 2008, <http://www.stat.gov.rs/WebSite/Public/PageView.aspx?pKey=180> (18 April 2017).*

Table 4 shows increase in the number of Croatian tourists in Serbia in the period from 2005 to 2008, judging both by arrivals and overnight stays. In this period, more intensive expansion of Idea's business on the Serbian

market can be seen. Following this trend, the company Idea today has over 300 retail stores.

Previously analyzed case studies show that, among other factors, tourism is an important factor in retail internationalization.

Conclusion

Internationalization is a basic feature of modern retailers' business. National markets experience high saturation due to which business is expanding to other countries. Internationalization is becoming a vital strategy of growth and development of retail companies, which, in turn, provides the ability to transfer know-how, business concepts, and management functions from the home market to other countries. Today, internationalization process takes place in different directions. At the same time, it is not an easy or simple task, because there are different motives and factors of retail internationalization. These factors, according to a large number of researchers, relate to conditions or limitations that exist on the local market, on the one hand, and opportunities that exist on a new market, on the other hand. Hence the widely accepted classification of internationalization factors into "push" and "pull" factors, which are a complex of political, economic, social, and cultural factors, studied in detail in this work. The paper points out that these factors are viewed in terms of opportunities on a new market, or the market that one company estimates as attractive enough to start its operations there. In the context of these factors, an important issue that faces international retail chains is the growing importance of shopping tourism, as a modern form of tourism, which, with all its characteristics, becomes a decisive factor in the shopping decision. Recognizing this fact, retail companies in food and fashion sectors begin to carefully analyze markets on which to expand their business, with a focus on the number of tourists by different countries. The importance of this factor has been analyzed with reference to case studies of Wal-Mart (the largest retail company in the world) and the Croatian company Idea, which operates on the Serbian market.

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HARMONIZATION OF LEGAL FRAMEWORK OF THE REPUBLIC OF SERBIA IN THE FIELD OF TOURIST SERVICES WITH THE EU RULES

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Abstract

*The legislation on the EU territory has been developing in the form of the directives as legal sources the purpose of which is aligning of the State Members' regulations. The Stabilisation and Association Agreement that sets adoption of the inner market legislation as the priority task for the future Member States, pays particular attention to consumer protection, thus the implementation of the Directive on package travel and linked travel arrangements is the unavoidable obligation of the Republic of Serbia. By analyzing the contracts on organizing travel as the most frequent and typical consumer contracts and by comparing both domestic and the EU regulations, the authors conclude in this paper that the increased level of consumer protection inevitably originates from the transposition of certain EU directives into our legislative system, meaning that legal texts have not remained at the level of declaration, but that the implementation for a more efficient consumer protection or harmonization of our legal system with the EU *acquis* took place.*

Key Words: *contract on organizing travel, EU Directive, law*
JEL classification: *K20, K33, Z30*

Introduction

The globalization of economic activities imposes the need to all the countries to actively participate in international cooperation and process of exchange of goods, services and capital (Đurić et al., 2016, p. 531). Compared to other economic activities, tourism exceeds the national level much faster, becoming a vital global activity. Considering the fast growth

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of this economic sector, funding of tourist services is becoming the topic for the international financial institutions, with a special focus on private companies in this sector (Milanović & Ristić, 2017).

Apart from technological innovations, social changes, like the improved standard of population with realistic increase of income and paid annual leave, represented significant incentives for the dynamic growth of tourism, particularly in the developed countries (Bejatović & Ristić, 2016, p. 484).

In tourism that is an important factor of global development, apart from consumers (users of tourist services), there are also the organizations of tourist activity (travel agencies, hospitality travel agencies...) as the actors in tourist economic activity. The importance of tourism in the economic growth of every country imposes the need for high quality of governing, whereas the success of tourism development also depends to a large extent on networking of all the entities the organization structure of tourism consist of.

Tourist trade constantly develops in its scope and dynamics, if we consider the international tourism (Cvijanović et al., 2016, p. 76). According to the reports of the European Travel Commission, global crisis was not significantly reflected in the effects of tourism, and most of the countries, including the Republic of Serbia, report growth in visits of foreign tourist (ETC, Q3/2015).

Tourist market, as the *sui generis* market, has some specificities, but its constitutive elements do not make it significantly different from other commodity markets.

Transposition of the directive on package travel and linked travel arrangements into Serbian legislation

The EU legislation in the field of consumer protection has been developing in the form of the directives offering solutions for the existing obstacles to free movements of goods and services on the inner (single) market, thus as a legal source, they represent the means for aligning of regulations of the Member States. According to the Stabilisation and Association Agreement, the priority task of the future Member States is the adoption of the inner market legislation representing a larger part of the EU acquis. The Agreement pays particular attention to consumer

protection, therefore the implementation of the Directive on package travel and linked travel arrangements (2015/2302/EU) is an unavoidable obligation of the Republic of Serbia. Since trade of goods and services is done through contracts, the obligation of harmonization of the consumer contractual right takes precedence over other branches of the law, particularly for the contracts with a cross border element, and the Directive on package travel and linked travel arrangements is the best example of the directives in this respect.

Pursuant to the Law on Obligations, the travel organiser (tourist or travel agency) is bound by a contract to acquire for the traveller the *set of services* consisting of transport, accommodation and other related services, and the traveller is obliged to pay one total (inclusive) price (“Official Gazette of SFRY”, No 29/78, Article 859). There are different perceptions in terms of the number and type of services in legal theory (Vanderperren, 1968, p. 343; Wineersch, 1974, p. 206). However, in terms of the number of services, through logical interpretation, a set always includes two items, therefore it takes at least two travel services to consider the set of services from the contract on travel organising.

The Law on Consumer Protection defines a tourist travel (package travel) as the combination of at least two or more travel services lasting for more than 24 hours or less, only if one overnight accommodation is included (“Official Gazette of RS”, No 62/14 and 6/16 point 25 of Article 5 (1)). Apart from the aforementioned, the same Article stipulates that the tourist travel also includes several days of only the accommodation service in certain periods or certain duration. The tourist travel is defined in the same manner by the Law on Tourism (“Official Gazette of RS”, No 36/09, 88/10, 99/11, 93/12 and 84/15, point 25 of Article 3 (1)).

Pursuant to the Directive 2015/2302/EU³ (the European Parliament and the Council of the European Union, Official Journal L 326/1 of 11 December 2015) package travel and linked travel arrangements, “the package” is a combination of at least two different types of travel services for the purpose of the same trip or holiday, if:

- - those services are combined by one trader, including at the request of or in accordance with the selection of the traveller, before a single contract on all services is concluded; or

³ This Directive repealed the Council Directive 90/314 EEC on package travel, package holidays and package tours (EU Official Journal 158/59).

- - irrespective of whether separate contracts are concluded with individual travel service providers, those services are:
 - a. purchased from a single point of sale and those services have been selected before the traveller agrees to pay;
 - b. offered, sold or charged at an inclusive or total price;
 - c. advertised or sold under the term 'package' or under a similar term;
 - d. combined after the conclusion of a contract by which a trader entitles the traveller to choose among a selection of different types of travel services, or
 - e. purchased from separate traders through linked online booking processes where the traveller's name, payment details and e-mail address are transmitted from the trader with whom the first contract is concluded to another trader or traders and a contract with the latter trader or traders is concluded at the latest 24 hours after the confirmation of the booking of the first travel service. Therefore, the package requires at least two types of travel services pertaining to the same travel.

The subject matter of the contract and price of services are important elements of this contract. The subject matter of the contract on organizing of travel is the set of interrelated services, the so-called 'package of services', making the contract on organizing of travel different from the agency contract on travel the subject matter of which can also be acquisition of several services, but not as services interrelated into one unit, but a sum of independent/isolated services.

According to the aforementioned, it is clear that the Law on Obligations and the Law on Tourism do not recognize the term 'package', which is not the case with the Law on Consumer Protection following the Directive 2015/2302/EU.

According to the Directive 2015/2302/EU 'travel service' means:

- a) carriage of passengers;
- b) accommodation which is not intrinsically part of carriage of passengers and is not for residential purposes, and
- c) rental of cars and certain motorcycles.

Accommodation for residential purposes, for example for language learning, is not considered accommodation in terms of this Directive.

Carriage of passengers to their chosen place and their stay in a certain hospitality facility at the same time are not only basic, but the most significant travel services necessary for the existence of the travel contract (package). The Law on Consumer Protection and the Law on Tourism stipulate that carriage and accommodation are the main travel services, whereas Directive 2015/2302/EU defines the travel service as the carriage of passengers and the accommodation which is intrinsically part of carriage of passengers and is not for residential purposes.

Apart from carriage of passengers and accommodation, Directive 2015/2302/EU puts rental of cars within the meaning of Article 3(11) of Directive 2007/46/EC (Directive of the European Parliament and of the European Council) or motorcycles requiring Category A driving licence in accordance with point (c) of Article 4(3) of the Directive 2006/126/EC (Directive of the European Parliament and of the European Council) in the category of important travel services.

Along with carriage, the accommodation in hospitality facilities providing this service makes an a service important for conclusion of contract on organizing of travel. The Law on Tourism stipulates the following types of hospitality facilities for accommodation: hotel, motel, tourist resort, camp, boarding house, bed & breakfast, resort, house, apartment, room, rural tourist household and other facilities providing accommodation services (Article 67 paragraph 2).

Pursuant to Directive 2015/2302/EU, other tourist services are services not intrinsically part of carriage of passengers, accommodation and rental of motor vehicles and certain motorcycles, but at the same time account for a significant proportion of the value of package, whereas the Law on Consumer Protection and the Law on Tourism set no limits for other tourist services.

The price of services is established in advance in one total (inclusive) amount for the package of services, the so-called single price. It is defined by the contract or the tariff of the trip organiser. The Law on Consumer Protection does not mention the price when defining the term of consumer protection, whereas the Law on Tourism stipulates a single price of tourist travel.

Directive 2015/2302/EU excludes trips lasting for shorter than 24 hours and not including accommodation from the scope of implementation. However, the only exception to this rule are trips shorter than 24 hours only if they include the service of accommodation with overnight. The Law on Obligations does not stipulate time limitation, or the duration of the contract on organising a trip, unlike the Law on Consumer Protection and the Law on Tourism, which, in accordance with the Directive on package travel and linked travel stipulate that the contract will last for longer than 24 hours or shorter only if it includes an overnight (“Official Gazette of RS”, No 36/09, point 25 of Article 5 (1) and “Official Gazette of RS”, No 62/14, point 25 of Article 5 (1)).

The broadest definition of a contract on organising travel is contained in the Law on Obligations, which is logical considering the time when this Law was drafted. The Law on Consumer protection is harmonized with the Directive on package travel and linked travel (2015/2302/EU) to a large extent, and following the Directive, the term of organising travel is narrower, relating to contracts lasting for more than 24 hours, with an exception.

Defining the term of travel organiser

The Directive defines ‘trader’ as any natural person or any legal person who is acting, including through any other person acting in his name or on his behalf, for purposes relating to his trade, business, craft or profession in relation to contracts covered by this Directive, whether acting in the capacity of organiser, retailer, trader facilitating a linked travel arrangement or as a travel service provider. In terms of Directive 2015/2302/EU, ‘organiser’ is a trader who combines and sells or offers for sale packages, either directly or through another trader or together with another trader, or the trader who transmits the traveller’s data to another trader. The Directive defines ‘retailer’ as a trader other than the organiser who sells or offers for sale packages combined by an organiser.

The Law on Consumer Protection defines travel organiser as a trader organising a tourist trip and selling it or offering it for sale directly or through an agent in the sale of a tourist travel (point 2 of Article 5 (1)), whereas the Law on Tourism connects the term of the travel organiser to tourist agencies stated as organisers of tourist travel (Article 45), whereby a tourist agency is defined as a company, entrepreneur, other legal person

or a branch of a foreign legal person under the terms stipulated by the law for gaining of profit (point 12 of Article 2 (1)).

Defining the term of consumer and right to information

The contract on package travel is a consumer contract in which one contracting party is a consumer. Depending on the objective the Directive aims to achieve, a circle of persons to be protected by the Directive rules is determined, and the concept of a consumer is defined in the directives governing the consumer protection rules in a different manner.

Our Law on Consumer Protection defines consumer as any natural person who procures goods and services on the market for purposes which are outside their business or other commercial activities (point 1 of Article 5 (1)).

In terms of Directive 2015/2302/EU, consumer is any person, natural or legal, purchasing a package or linked travel arrangement.

Travel organiser and retailer (where the package is sold through a retailer) are obliged to provide the consumer (traveller) with the standard information before the traveller is bound by a package travel contract (in the pre-contractual phase). Directive 2015/2302/EU lists the following information:

- a) the main characteristics of the travel services regarding: destination, itinerary and periods of stay (with dates and time) and, where accommodation is included, the number of nights; the means, characteristics and categories of transport, the points, dates and time of departure and return, the duration and places of intermediate stops and transport connections, or, where the exact time is not yet determined, the approximate time of departure and return; the location, main features and tourist category of the accommodation (under the rules of the country of destination) and the meal plan; visits, excursions or other services included in the total price agreed for the package; if any of the travel services will be provided to the traveller as a part of a group, then the information about the approximate size of the group; language in which those services will be carried out; upon traveller's request, precise information on the suitability of the trip or holiday taking into account the traveller's needs

- b) trading name and geographical address of the organiser, and if needed, of the retailer, their telephone number and e-mail address
- c) the total price of the package (inclusive of taxes and all additional fees and charges, or an indication of the type of additional costs which the consumer may still have to bear)
- d) the arrangements for payment (any amount which is to be paid by the consumer as a down payment and the timetable for payment of the balance, or financial guarantees to be paid or provided by the traveller)
- e) the minimum number of persons required for the package to take place and conditions for the possible termination of the contract if that number is not reached
- f) general information on passport and visa requirements of the country of destination, including approximate periods for obtaining visas and information on health formalities to perform for travel
- g) information that the traveller may terminate the contract at any time before the start of the package in return for payment of an appropriate termination fee or the standardised termination fees
- h) information on optional or compulsory insurance to cover the cost of termination of the contract by the traveller or the cost of assistance, including repatriation (in the event of accident, illness or death).

The mentioned information have to be provided to the consumer in a clear, comprehensible and prominent manner, and when provided in writing, it has to be legible.

The Law on Consumer Protection includes detailed provisions on the contents of pre-contractual informing corresponding to the list of information stipulated by Directive 2015/2302/EU, and the deadline in which information is to be provided is also stipulated (Article 93).

Directive 2015/2302/EU guarantees to traveller (consumer) the right to terminate the contract on package travel at any moment before the start of package. A consumer may terminate the contract before the start of package and pay a reasonable standard termination fee to the organiser. In case of force majeure, the consumer is entitled to termination of the contract, without a penalty, as well as to reimbursement of the full amount paid for the package. In other cases, the consumer is not entitled to additional compensation.

The Law on Consumer Protection recognizes a timely withdrawal from a contract before the commencement of travel in an appropriate period and

withdrawal due to circumstances representing a justified reason. In that case, the consumer is obliged to reimburse administrative expenses regarding withdrawal to the organiser, or pay an economically justified percentage of the contracted price (Article 99, paragraphs 1-5).

Pursuant to Directive 2015/2302/EU, a consumer may withdraw from the contract due to altered substantial elements of the contract, like the price. After conclusion of package travel contract, prices may be increased exclusively as a consequence of changes in:

- a) the price of the carriage of passengers resulting from the cost of fuel or other power sources;
- b) the level of taxes or fees included in the contract imposed by third parties not directly involved in the performance of the package;
- c) the exchange rates relevant to the package.

If the organiser proposes to increase the price by more than 8% of the total price, the consumer is entitled to:

- a) terminate the contract without paying a termination fee;
- b) accept the proposed change.

In Article 98 paragraphs 1-5, the Law on Consumer Protection stipulates the option of amendment of certain substantial provisions of the contract because of the reasons also stipulated by Directive 2015/2302/EU, and in case of termination of the contract, the consumer is entitled to full reimbursement of amount paid, without deduction. Pursuant to the Law on Tourism, travel organiser is obliged to establish general terms of travel governing rights and obligations of organisers and travellers (Article 56 paragraph 1), concerning the right of travel organiser to compensation for the expenses incurred when a traveller withdraws from the contract out of justified reasons, rights of passengers in case of cancellation of travel and conditions for alteration of the contracted price of travel (points 1-2 of Article 56 (4)).

The package travel contract may be terminated by the organiser in case neither organiser or traveller are liable, if the number of persons enrolled for the package is smaller than the minimum number stated in the contract, as well as in the case of extraordinary circumstances. The organiser is obliged to notify the consumer without delay:

- - twenty days before the start of the package in the case of trips lasting more than six days;

- - seven days before the start of the package in the case of trips lasting between two and six days, and
- - 48 hours before the start of the package in the case of trips lasting less than two days.

The consumer is entitled to reimbursement of any payments made minus the appropriate termination fee, without undue delay and in any event not later than 14 days.

The Law on Consumer Protection stipulates the same conditions for contract termination, but the minimum period for contract termination due to insufficient number of passengers enrolled is 5 days (before the start of package), and the consumer has to be informed about it (point 1 of Article 100 (2)).

The contents of the package travel contract stipulated by Directive 2015/2302/EU is also included in the Law on Consumer Protection (Article 96).

Responsibility of the organiser

Responsibility for performance of the package is of particular importance in terms of exercising the consumer protection. Chapter IV (Article 13) of the Directive 2015/2302/EC includes rules governing the responsibility for performance of the package.

Directive 90/314/EEZ on package travel, package holidays and package, applicable before the Directive 2015/2302/EU entered into force, governed the responsibility for proper performance of the package in a rather flexible manner, by providing a broad discretion to Member States to define in their national laws whether retailer or organiser, or both retailer and organiser are responsible. In order to approximate the legislations of the Member State and use the cross border potential of the travel market to the maximum, whereby organisers and retailers from one Member State sell tourist services in another Member State, and reduce legal differences at the same time, this flexibility was abolished by the Directive 2015/2302/EU specifying that the organiser is responsible for the performance of the travel services included in the package travel contract, irrespective of whether those services are to be performed by the organiser or by other travel service providers. All the doubts and uncertainties of the previous Directive were thus resolved. In their

national legislation, Member States may stipulate a higher level of responsibility, i.e. the responsibility of both organiser and retailer.

The organiser is liable for the damage incurred to the passenger due to complete or partial failure to perform the obligations pertaining to organizing the travel stipulated by the contract on organizing travel. In particular:

- a) first, the organiser is liable for all damages incurred to the other party due to failure to issue the travel certificate or its inaccuracy;
- b) second, the organiser is liable if the organiser violated a general obligation of protection of rights and interests of passengers;
- c) third, the organiser is liable if the organiser causes a damage to the traveller by incorrect information or failure to provide correct information to the traveller;
- d) fourth, the organiser is liable for the damage incurred for the traveller due to violation of obligation to organize travel;
- e) fifth, the organiser is responsible if the organiser violates the obligation to provide the contracted services.

The organiser can provide some of the services under the travel contract to travellers (carriage, hotel accommodation, etc.). If the organiser provides the services related to performance of an organized travel on its own, the organiser is liable to the damage incurred to traveller, in accordance with the regulations pertaining to the services through the performance of which the damage was incurred. This is particularly evident in case of carriage services. In terms of liability, the position of the organiser is equal to the position of the carrier, caterer, etc. Such a heterogeneous governing of liability, conditioned by the differences between regulations where the organiser may use provisions stipulating exclusion or limitation of liability of a certain service provider, calls into question the basis of liability of the organiser.

In meeting all or certain obligations under the contract on travel organizing, the organiser regularly uses third parties (to meet the obligations being the subject matter of the service stipulated by the contract on travel organizing, itinerary and travel certificate, the organiser enters into a series of contractual relations with service providers, entrusting them with performance of those services). In cases when damage to travellers is incurred by third parties as service providers, through failure to provide services, or through providing them irregularly, there is the question of liability for damage: is it organiser or service

provider, or both, having in mind that travellers pay the total inclusive price to the organiser. There are several concepts in legal theory: according to one of them, the organiser is liable only for its own acts, including the liability for poor choice (*culpa in eligendo*), whereas the organiser is not liable for the acts of third parties; according to another concept, the organiser is also liable for the acts of third parties as service providers (Gorenc & Šmid, 1999, p. 107-108).⁴

Failure of third parties to provide services included in the package means direct liability of the organiser in majority of Member States. Inappropriateness of such a solution is obvious (for example, the consumer purchases the package from the retailer from their own country, and the contract is drafted by an organiser from another country) as the consumer is exposed to numerous problems, starting from different language, the law applicable in the Member State of the organiser and numerous other difficulties.

Our legal system (in accordance with the International Convention on Travel Contracts) differentiates between liability of the organiser for the damage incurred by complete or partial failure of third parties to perform these services under the contract or required for the performance of the contracted travel, and liability for the damage incurred to the traveller because of their performance although they have been regularly performed (theft in a hotel, falling down the stairs, etc.). In the first case, if the third party completely or partially failed to perform services entrusted by the organiser, the organiser will be liable for the incurred damage, pursuant to provisions applicable to performance of such services. In the second case, the organiser is liable only for *culpa in eligendo* – when the services were performed in accordance with the applicable contract and regulations, the organiser is liable for the damage incurred to the traveller during their performance, unless the organiser proves that the organiser behaved as a prudent organiser regarding the selections of parties performing those services (Milanović et al. 2013, p. 167).

4 The Draft of the International Convention on Travel Contract stipulated that the travel organiser was liable for all the damages incurred to travellers (by full or partial failure to provide services), whereas the final text differentiates between the liability for the damage incurred to the traveller by the service provider through failure to perform services and the liability for the damages incurred regarding provision of services within a narrower scope of *culpa in eligendo*.

Instead from the organiser, travellers may request their right to compensation of damage directly from the responsible service provider (Gorenc & Šmid, 1999, p. 109). The traveller will therefore have two debtors (organiser and third party/service provider) who are jointly responsible, making the traveller well protected in case of liability for damages (Draškić, 1978, p. 184). The organiser will acquire the right to recourse to the extent that the organiser compensated the damage to the traveller.

The Law on Obligations stipulates liability of the organiser in case of defects in performance of the contracted services, irrespective of whether they are performed by the organiser or a third party – if the services from the contract on travel organizing have been performed incompletely or their quality is poor, the traveller may require a proportional price reduction if the traveller filed a complaint with the organiser within seven days from the completion of the trip; the application for price reduction does not affect the traveller's right to require compensation of damage (Article 869).

Provisions of contract on travel organizing not excluding or reducing liability of the organiser are null and void. Regarding the liability of travellers, they are liable for damages incurred to the organiser by failure to perform their obligations under the contract and pursuant to the provisions of this Law. The traveller will be responsible if the traveller fails to pay the price on time, fails to act in accordance with notices of the organiser so that traveller himself/herself or the traveller's luggage fails to comply with customs, sanitary and other regulations, if the traveller fails to provide accurate or full information required for the organization of travel, as per the organiser's request.

The Law on Tourism stipulates that the organiser is liable to the traveller for the performance of contractual services (Article 56 paragraphs 2 and 3 and Article 57). Article 102 paragraph 1 of the Law on Consumer Protection stipulates that the organiser is obliged to provide the consumer with the package tour in accordance with the contract. The organiser is responsible for the conformity of service, including services rendered by third party (Article 102 (3)). The consumer is entitled to request the compensation of not only material, but the non-material damage as well incurred if the organiser or a third party that was supposed to perform the obligation under the travel contract fails to perform the obligation or performs it partially. It the consequence of failure to perform or partial

performance of the contractual obligation was incurred by the fault of the consumer, the organiser may be exempted from this liability. The burden of proving the guilt of consumers is on the organiser.

Features of the contract on travel organizing

In the last decade of the past century, the tourist market became large and significant (Cvijanović, 2014, p. 17). According to the Declaration on World Tourism classifies tourism with the activities essential for the society due to its impact in social, culture and economic sectors. Due to high importance of this economic activity, the relations between the entities participating in tourist trade need to be regulated. In the Republic of Serbia, these relations are governed by the contracts on tourist services such as: contract on travel organizing, agency travel contract and contract on engaging hospitality capacities (allotment). The contract on travel organizing as the most frequent tourist contract and a typical consumer contract deserves special attention. The contract is important for both parties and it needs to provide gains to both parties (Cvijanović & Mihailović, 2012, p. 70).

The contract on travel organizing requires one contractual relation – between the organiser and the traveller (consumer). On the other hand, the organiser concludes contracts with service providers on his own behalf, much before conclusion of the contract on travel organizing. This obligation of the organiser consists of undertaking all legal and factual actions required for providing a set of services to the traveller in accordance with the itinerary; it is not relevant whether some services will be provided to the traveller by the organiser or by another party as a service provider (Gorenc & Šmid, 1999, p. 96).

When concluding the contract, the organiser is obliged to issue the travel certificate to the traveller (Cvijanović et al., 2016, p. 123). The certificate includes information about date and place of issuance, about organiser and traveller, about the start and the end of travel, carriage, stay and other services included in the total price, the total price for the set of services, etc. The certificate of travel is proof that the contract on travel organizing, on one hand, but on the other hand, it is used for the protection of interest of a tourist/traveller, as the tourist/traveller learns about all his/her rights, obligations and responsibilities from the certificate.

The travel organizing contract is a consensus based contract and the travel certificate is not of a constitutive character, but it merely represents the proof of its existence. Therefore, a contract arises and has legal effect even if there is no issuance of the travel certificate. Services described in the travel certificate testify to the contents of the contract and they may be the only instrument providing the traveller with the knowledge of complex contents of the contract signed, which is why the travel organiser is responsible to the traveller/tourist for any damage incurred due to failure to issue travel certificate or its inaccuracy. The travel certificate, used as a proof of existence and contents of the contract, constitutes a rebuttable presumption, the *prima facie* proof that everything stated in the certificate is true, that the contents of the certificate is the same as the subject matter of the contract; however, it is possible that the congruence is lacking and then everything stated in the certificate is considered true until proven otherwise. Travel organiser also issues the itinerary to the traveller. The itinerary is an elaborated travel contents. It includes a detailed elaboration of the travel contents with dates and places in which certain services will be provided to the tourist-traveller; an inclusive price of services; services not included in the inclusive price; advice and notices regarding services representing the travel contents; detailed general terms of travel, etc. If the itinerary includes the same information as the travel certificate and if it was delivered to the traveller before the travel certificate was issued, then the travel certificate can only include reference to the itinerary.

Contract on travel organising in our country is governed by the Law on Obligations (Article 859-880), Law on Consumer Protection (Article 96-109) and on the international level by the Brussels Convention on Travel Contracts of 1970 and Directive 2015/2302/EU on package travel and linked travel arrangements (Official Journal L 326/1 of 11 December 2015).

Conclusion

Directive on package travel and linked travel arrangements (2015/2302/EU) stipulates the minimum level of consumer protection, whereas Member States are provided with an option to ensure even a higher level of protection, if necessary.

The Law on Obligations (Official Gazette of SFRY No 29/78) is of particular importance for the field of tourism in the Republic of Serbia, as it is the first law that governs the contracts on providing tourist services in

our legislation.⁵ That Law defines the contract on travel organizing quite broadly, which is justified having in mind the time of its adoption, and that it was drafted following the example of the Brussels Convention. The mentioned imperfection of the Law on Obligations was eliminated by the Law on Consumer Protection, which is why following the Directive, the term of the contract on travel organizing is much narrower, concerning the contracts lasting for longer than 24 hours, with an exception.

The primary objective of the Directive 2015/2302EU is the appropriate informing of consumers in the pre-contractual phase, as the informed consumer is the best protector of his/her own rights. Provisions of the Law on Consumer Protection regarding the pre-contractual informing correspond to the list of information stipulated by the Directive 2015/2302/EU. In this respect, through their responsible and conscientious conduct, consumers may promote the system of promotion of their rights. The role of state institutions dealing with consumer right protection, or that are in charge of their protection, is also very important.

The Serbian Law on Consumer Protection is harmonized with the Directive on package travel and linked travel arrangements (2015/2302/EU) to a great extent, so the gaps have been filled and the Serbian consumers obtained new rights.

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TOURISM DEVELOPMENT AND EVOLUTION OF TOURISM RELATED RULES*

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Abstract

From historical and comparative law perspective, the emergence, development and legal regulation of tourism (tourist activities) greatly depends on the degree of development and organization of certain society. In the earliest stage, tourist activity was rare, and there were no special rules governing the relationship between providers and users of tourist services. Therefore, in the absence of special rules, this relationship was subject to customary law and general rules of civil law. The increase in the number of users of tourist services and their subordination in relation to traders - service providers, has imposed the need for greater legal protection of tourists, both during the journey, as well as in the place of temporary residence. The aim of this paper is to identify the origins of tourism related rules in order to determine why and how these rules have been developed, retained, amended, supplemented, or rejected. In addition, the paper will provide an overview of the development of tourism worldwide, in Serbia and at the EU level.

Key words: *tourism, historical development, legal rules, tourist activity, tourist services, tourist operators.*

JEL classification: Z32

Introductory remarks

People have been traveling since the earliest ages. The travels analogous to tourist movements nowadays existed in ancient civilizations and were undertaken for the purpose of education, leisure, entertainment, trade and other reasons (Gyr, 2010, para. 4). Tourism related travel triggered the development of hospitality law rules, and emergence of various service providers, tourist services and tourist products. These categories have

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gradually evolved into their current form. The aim of this paper is to look for the origins of tourism related rules in order to determine why and how these rules have been created, developed, retained, amended, supplemented, or rejected.

From the historical and a comparative perspective, an appearance, development and legal regulation of tourism (tourist activities) depend on the degree of development of a society. However, regardless of the different dynamics of its development *in concreto*, some common factors and regularities may be noticed that influenced the development of tourism worldwide, in Serbia and in European Union.

Tourism development worldwide

The written historical sources refer to Sumerians, the first inhabitants of Mesopotamia as beginners of the travel era² 4000 years BC (Spasić, 2013, p. 6). Then, travels opened the way for the appearance and development of hospitality activities. The earliest forms of lodging facilities appeared in Babylonia, Assyria, Palestine and Persia, known as caravansaries, inns, taverns, pubs and relais for officials.³ Service users of accommodation, food and beverages in these facilities, apart from the native population, were merchants and travelers on the way between the old China and India and the ancient nations of southern Europe on the itinerary known as the "Silk Road".⁴

2 Around 2050 BC in the area of Mesopotamia the first paved roads were built and one such road was built between the cities of Ur and Nippur, enabling travelers to cross the distance of about 100 miles more efficiently, and to go from one city to another and back in a single day (McIntosh et al, 1995, pp. 30-33).

3 In the Code of Hammurabi (enacted around 1750 BC), which had exceptionally class character because it primarily protected the interests of the ruling class, certain hospitality related provisions can be found, aimed to protect ruler himself, and the value of money. Thus, in a par. 109 says that if conspirators meet in the house of a tavern-keeper, and these conspirators are not captured and delivered to the court, the tavern-keeper shall be put to death. Or, in a par. 108 states that if a tavern-keeper (feminine) does not accept corn according to gross weight in payment of drink, but takes money, and the price of the drink is less than that of the corn, she shall be convicted and thrown into the water (Yale Law School – Lillian Goldman Law Library, paras. 108, 109).

4 Besides "Silk road" from China to the Black Sea, for the purpose of trade, other traffic routes also developed, such as "Amber Road" from the Baltic to the Mediterranean, and "Salt Road" from Hadramaut to Arabia and Asia Minor (Petrić, 2003, p. 5).

In an ancient Egyptian civilization, it is assumed that the first tourist trip was undertaken by the Egyptian queen Hatshepsut in 1480 BC, visiting the land of Punt and Deit El Bahari temple in Luxor, and the display of the journey itself remained recorded on the walls of the temple in the form of relief (Spasić, 2013, p. 7).⁵

In ancient Greece, trips to sacred places (Delphi and Delos) and to medicinal baths (Epidaurum and Euboea) were practiced (ibidem). In this regard, the first government bodies (*proxenos*) were formed in the Greek cities whose job was to help foreigners during their stay. Foreigners had special protection because it was believed they were protected by god Zeus, and therefore hospitality was significantly developed (*hospitality*) in the form of kindness of each individual towards foreigner (*hospitality privata*), as well as in the form of kindness and attention in public places (*hospitality publica*).⁶ There were strict laws against the exploitation of foreigners, theft of passengers, unsanitary conditions, depravity, poor quality of hospitality services, and also regulations regarding the currency exchange. In order to ensure safe travel, ancient Greeks concluded "agreements on friendly visits." These agreements bound the parties to offer to each other reciprocal accommodation that included food and lodging. In general, these contracts were mostly concluded by merchants and officials who were able to provide decent accommodation to the visitor and also to protect visitors and goods in their possession (Cristea, 2012, p. 178). The conclusion of the contract was accompanied by a certain symbolic actions - by breaking the object into two parts, while each party kept their part. That object was called *sumbolon* (*symbol*) and can be considered the precursor of vouchers or of a reservation agreement, which occurred a few centuries later (Cristea, 2012, p. 179). This practice ensured that acquired contract right was transferable and inheritable. Breach of the contract was considered sacrilege and it was

5 About the undertaken tourist journeys from that time testify other records on the walls of Egyptian temples. One such record that was left on the wall of the temple associated with Djoser pyramid at Giza dates from 1244 BC and says: "Hadnakhte, scribe of the treasury, came to make an excursion and amuse himself on the west of the Memphis, together with his brother, Panakhti, scribe of vizier" (Casson, 1994, p. 32).

6 In this regard, in Athens and Corinth, the largest commercial and port city of ancient Greece, hospitality was developed. Among the various lodging facilities were differentiated: *prytaneion* (facility run by the state), *xenodochium* (buildings with a courtyard surrounded by porches and a high level of hygiene), special accommodation facilities such as *lesche* (public shelter), *katagogion* (guest house), as well as special facilities for food and drinks *kapeleion*, *thermopolium* and *inns* (Bunja, 2006, p. 8).

ominously, and a person who violates the contract terms would find himself in a disfavor of gods.

When it comes to the ancient Rome, the thing that the Romans were known for and by which they contributed to tourism development, was the construction of high quality roads during that time.⁷ That encouraged the construction of restaurants along the Roman roads. In the beginning they were simple sleepover inns, while food and drink passengers carried. Later, rooms were reconstructed along with the lodging in which the food and beverage services were provided. Apart from the road, a maritime transport was also developed. Bearing in mind that goods on ships, inns and stables were frequently stolen, the rules of classical Roman law predicted objective liability of the carriers, innkeepers and owners of the stables for the things of their guests or passengers. The aforementioned people were responsible regardless of fault for each loss and damage of things entrusted to them, unless it occurred due to force majeure (Šarac & Lučić, p. 177). That responsibility was called *custodia* and it was regulated by *Edict nautae, caupones, stabularii* (ship operators, innkeepers and owners of stables).⁸ As a basis for their responsibility, initially an agreement between ship owners, inns and stables and their customers served, known as *Receptum nautarum, cauponum et stabulariorum*. It was one of the most important informal agreements (*pacta praetoria*) protected by Praetorian complaints, by which ship operators/innkeepers/ owners of stables were taking responsibility for any damage or destruction of things entered into the aforementioned objects, unless they proved that the damage was the result of force majeure. In case of the damage, the injured party was entitled to a special complaint - *actio de recepto* (Ivošević, 1974, p. 14). Later, the liability of these persons was assumed even without any formal agreement, just on the

7 According to the theoretical sources, in the period around the 300 AD there was a road network with a length of 90 000 kilometers of main roads and 200 000 kilometers of secondary and rural roads. The famous motto: "All roads lead to Rome", testifies how significant the Roman road network really was. Better quality of roads significantly contributed to a better flow of people and services, which ultimately led to the development of tourism (Gyr, 2010, para. 6; The Contribution of the Ancient Roman Empire to Tourism Development and Lessons for Ghana's Tourism Hospitality Industry).

8 The Roman Edict states: "Ait Praetor: nautae, caupones, stabularii quod cuiusque salvum fore recipiant nisi restituent in eos iudicium dabo" i.e. "The Praetor announces: I will grant an action against shipmasters, innkeepers, and stable keepers if they fail to restore to any person any property of which they have undertaken for safekeeping," Dig IV 1X Fr.1 (Ulpian on the Edict).

basis of the presence of guests and the luggage in their facilities. In addition to contractual liability, there was a strict liability of these persons *in duplum*,⁹ for theft and damages that the subordinated persons committed to the things of passengers/guests (on that way praetor protected travelers who were not familiar with the circumstances and people in foreign places) (Zimmerman, 1996, p. 517; Story, 1844, p. 590; Šarac & Lučić, pp. 231, 245). This is still the basis of hotelkeepers' liability in most European States and other States which have adopted the Civilian Legal Tradition, including Mainland Europe, Central and South America, Francophone Caribbean and Africa, Mozambique, Angola, Vietnam, Laos, Cambodia (Downes, 2004, p. 14).¹⁰

The Romans took over the custom from the ancient Greeks that was in effect for *symbolon*, but it was significantly improved and used, not only when it comes to the conclusion of contracts between individuals, but also for town fraternization by the conclusion of hospitality contracts. That way, all full-rights citizens of fraternized towns were guaranteed accommodation and hospitality, in accordance with the long-term relationship of hospitality (*hospitium*) between the two cities.¹¹ However, Romans treated visitors with the due diligence, regardless of the hospitality contracts. Visitors were given a bronze badge, known as *Tessera hospitalis*, which ensured privileged treatment to its users (Cristea, 2012, p. 180). In ancient Rome, even a guide service existed in

9 *Actio furti damni et adversus nautas coupons stabularios* was the claim based on which the ship operators, innkeepers and owners of stables, regardless of their guilt, needed to reimburse to travelers and guests double value of the things that they were stolen or damaged by the members of their staff (Jaramaz Reskušić & Krka, 2007, p. 160).

10 Among the countries of Common Law Tradition (England, Wales, Ireland, Canada, USA, Malta, Israel, India, Japan, Singapore, Hong Kong, Australia and New Zealand), similar protection mechanisms were developed based on "custom of the realm" and "public trust" (Downes, 2004, p. 14).

11 The Laws and customs governing travel and hospitality in the Jewish, Christian and Islamic worlds have their roots in the story of Sodom and Gomorrah. This is recounted in the Qur'an at Surat Houd Chapter 12 verses 77-83. Those towns were punished for their inhospitality to, and abuse of, travellers. In other parts of the same chapter of the Qur'an there is a call to admire and enjoy creation (the natural world) and a condemnation of the abuse of travellers. Apart from that, ancient rules and customs in relation to hospitality can be found in Buddhist Codification of the Law, including the Ten Pious Acts, known as *Lhachoc Gyewa Chu* (including charity and benevolence), and the sixteen virtuous acts of social piety, known as *Michoe Tsangma Chudrug* (Downes, 2007, p. 1).

rudimentary forms. Visitors were able to engage specialized guides known as *perigeta* or *exigeta*, whose task was to show the most important sights (ibidem). The most popular and most complete travel guide from this period was written by a Greek *Pausanias*, in 170 BC, entitled "A guide to Greece", which was primarily addressed to the Romans who wanted to visit Greece (ibid., p. 181).

After the fall of the Western Roman Empire (476 AD) and almost a millennial stagnation in the development of human society and travel in general, in the early Middle Ages, the volume of journeys gradually began to increase. Thus, in the 15th century emerged the first 'organizers' of the journeys providing intermediary services for pilgrims who traveled to visit holy places (Spasić, 2013, p. 8).

During the 17th and 18th centuries, the journeys of young bourgeoisie became more numerous in order to acquire new skills, get acquainted with cultural and historical values, as well as for fun and entertainment. Later, merchants, doctors, bankers and a number of other professionals (artists, teachers, etc) engaged themselves into those journeys. Journeys lasted for several months and were known as the *Grand Tour* (ibidem; Gyr, para. 5; Towner, 1985, pp. 297-333). In this regard, since 1672, in France were issued guidelines for foreigners who were traveling through the country, with itineraries for short and long journeys (Sušić, 1986, p. 19).

Rapid economic progress in Europe, as a result of technical achievements, particularly in the area of industry and trade, also caused major changes in the organization and implementation of the journeys. Therefore, from the mid-19th century one can talk about the beginnings of organized tourism. Technical and organizational preconditions for massive journeys were created in that time. The first organized journey is associated with the name Thomas Cook. He organized the transport of 570 passengers, who, in 1841, participated in a congress.¹² Cook proposed to the railways his service in organization and a better utilization of the means of transport in addition to providing favorable transport prices. He rented the whole composition and organized the transport of passengers. For participants he provided tea and festive music, and the price per person was one shilling. Having achieved good business success, Cook founded the travel

¹² By the year 1897, Thomas Cook reached the figure of 20,000 tourists annually (Poon, 1993, p. 31).

agency 'Thomas Cook and Son' in 1845, which, due to the growth of interest in this kind of travel, rapidly developed. Yet in 1851, he organized a visit to the World Exhibition in London, in 1864, the first journey from England to Switzerland, in 1869, the first journey outside Europe to Egypt, and in 1871 he organized the first journey around the world (Spasić, 2013, pp. 9-12; Cristea, 2012, p. 183). His name is associated with the introduction of "circular", in 1874, a product that preceded to the introduction and popularization of traveler's checks in 1891, for which American Express was credited for. He founded his first commercial bank in 1879.

In the mid-20th century, after the Second World War, the stage of modern tourism began with the rapid development and growth. Traffic, infrastructural, technological,¹³ legal, social and other economic¹⁴ conditions were created at that time for its expansion (development of air

13 The development of the information society and communication technologies led to substantial changes in the manner of performance of the tourist activities, i.e., the way in which holders of tourist activities convey information, in order to simplify the use of tourist services (Singh, 2008, p. 13). Initially, the consumers received information on the possibilities of vacation through various forms of advertising (print media, radio and television, travel organizers, travel agencies, tourist information centers), but only in direct contact with the tour operator or travel agency they could conclude the contract. The advent of computerized reservation systems, led to the information revolution. Almost all airlines, travel organizers, travel agencies and hoteliers, operate through computerized reservation systems. A new qualitative step forward was made with the appearance of the internet, which enabled visitors (all interested parties) to have all the relevant information regarding local tourism products and services (accommodation, tourist attractions, events) in one place. In this way, instead of direct visit to the business premises of the tour operator or travel agency, one can reach all the necessary information from home, with the possibility of organizing independent journey or vacation. With further technological development, the internet access is enabled not only through computers, but also through portable devices (mobile phones, tablets, etc.), by which consumers are given the opportunity to organize their journeys "on the go", through the access of the relevant internet sites or specialized mobile applications.

14 Mass tourism affected the economic development in many areas, which, apart from the natural amenities, had no other development opportunities. Therefore, it contributed to the better living standard by generating jobs to local residents, development of domestic industries, private accommodation and the like. Also, mass tourism had an impact on the development of environmental infrastructure (roads, water supply, sewerage, telephone network), which enabled the development of tourist infrastructure (ski resorts, beaches, outdoor and indoor sports and recreation facilities, tourist information centers, centers for accommodation of tourists and visitors, rest areas along the highways, etc.) and other supporting facilities (shopping centers, sports facilities, museums).

transport,¹⁵ usage of credit cards, traveler's checks, the emergence of computerized reservation systems, mass production, marketing, flexible working hours, paid vacation) and emergence of the so-called mass tourism. This term is usually used to denote great participation of pre-planned and unified package arrangements organized by a travel agency.¹⁶

The development of mass tourism was accompanied by the adoption of different legal regulations at the international level, governing travel contracts (International Convention on the Travel Contracts from 1970), transport (Athens Convention relating to the Carriage of Passengers and their Luggage by Sea from 2002, Montreal Convention for the Unification of Certain Rules for International Carriage by Air from 1999, Warsaw Convention for the Unification of Certain Rules Relating to International Carriage by Air from 1929, Tokyo Convention on Offences and certain other Acts committed on Board Aircraft from 1963, Convention concerning International Carriage by Rail from 1980), accommodation (Paris Convention on the Liability of Hotel-keepers concerning the Property of their Guests from 1962), and other tourism related issues.

Tourism development in Serbia

The origins of tourism in Serbia date back somewhere between the establishment of The Founding Donors' Association of the Medicinal Hot

15 The milestone in the development of tourism was the development of air transport - planes of higher capacity brought closer the Mediterranean destinations to European countries with the intermediary role of tour operators who made available and accessible many other distant destinations by offering package arrangements (Sezgin & Yolalm, 2012).

16 For the accommodation of tourists, large hotels and even entire resorts (combination of hotels, suites, camps) were built. Coastal and mountain tourism were accompanied by the development of other types of tourism such as: health tourism, spa tourism, rural tourism, conference tourism, eco-tourism, sports and recreational tourism, adventure tourism and even so-called space tourism nowadays.

Mineral Water in Vrnjci, in July 1868,¹⁷ the construction of the railway Belgrade - Niš in 1884 and the mid-nineteenth century, when the excursions around Belgrade became common (by scenic train that circled to Rakovica, Kneževac and Resnik; by rented boat to Kostolac, Gradište, Umka, Obrenovac, Smederevo). Until the beginning of the World War I, the best known forms of tourism were developed, such as: organized trips to the world fairs and exhibitions (Paris 1900, London 1907); departures to the seaside (in the nineteenth century the most common destination was Abacija, current Opatija) and spas; group tours to the Slavic states. At the turn of the nineteenth to the twentieth century, the first foreign tourists arrived in Belgrade, mostly on a peregrination to the Orient (Lazić, 2015, p. 38).

According to the available data, the first guidebook about Belgrade was written in 1896, and in 1936 Belgrade, with the other specific tourist, climatic and spa places, was declared a tourist destination. The first domestic tourist agency Putnik, was founded on June 24, 1923 in Belgrade under the auspices of the Ministry of Trade and Industry and Transport,¹⁸ and in 1927 it was already admitted to the Association of big tourist organizations, headquartered in Vienna, with about twenty largest tourist organizations in Europe. With the opening of the first Belgrade Fair in the autumn of 1937, event tourism rapidly developed, given that the regular spring and autumn fairs recorded visit from 80,000 to 250,000 visitors in the former Belgrade with about 300,000 inhabitants. During the 1930's of the last century, the first international exhibitions were organized in Belgrade by the *Association Cvijeta Zuzorić* and the Museum of Prince Pavle, which attracted a large number of guests and thereby contributed to the development of so-called cultural tourism.

17 An essential contribution to the development of tourism in Serbia gave Prince Milos Obrenovic, when he sent to Vienna water samples from several spa springs for analysis in ancient 1837. That was the first step towards the establishment of spas, not only as a health resorts, but also as popular places for recreation and vacation. In the nineteenth century popular spas were Vrnjačka, Arandjelovačka, Ribarska, Brestovačka and Sokobanja, and among them Vrnjačka stood out. This is supported by the fact that in the period between the two world wars (1928) 675,400 overnight stays were recorded in Vrnjačka Banja, so that before the Second World War that number increased to nearly one million overnight stays, as Belgrade, Dubrovnik and Bled accomplished together, the three most visited cities in the Kingdom of Yugoslavia (Penava & Matušić, p. 62; Lazić, 2015, p. 46).

18 Although founded in Belgrade, the first ticket office started to work in Sarajevo on September 1, 1923 and a month afterwards in Belgrade and Zagreb (Lazić, 2015, p. 41).

In the period before the World War I, several regulations in the field of tourism were issued: The Regulations of keeping order in the mineral waters (Statistical Office of the Republic of Serbia, 2013, p. 218), were adopted in 1888; 1914 in Serbia the Act on spas, thermal and warm waters was adopted,¹⁹ and in 1920 the Rulebook of the same name. In the time interval between the two World Wars, a Regulation on the promotion of tourism and the Regulation on proclamation of tourist places in 1936 were adopted with a list of 18 cities of the Kingdom of Yugoslavia, classified according to the autonomous provinces in touristic,

19 The Act stipulated that all mineral and hot spring waters were in state ownership, operated and managed by the Minister of Internal Affairs, through the Sanitary Department. In the case that mineral or hot water existed or was found on private property, the Government had the right to purchase the property concerned and the surrounding properties by free agreement or by expropriation at the expense of the sanitary budget. Government had an exclusive right to exploit mineral and hot water in the form of a spa or in any other form, but that right, under the conditions prescribed by the law, could be given to other bodies or persons at a certain time. The law allowed to raise the living quarters of owners in the broader spa region without the approval of the Ministry of Internal Affairs. For the habitation of spa visitors, only facilities built according to the plans approved by the Minister of Internal Affairs could be used, which were inspected at the beginning of the spa season by the sanitary police commission and established to be in order for apartments. Renting out of buildings in the narrower or broader spa region that were not hygienic or were intended only for living of owners, was sanctioned by a fine from 50 to 250 dinars and by closing the building. The Law also contained provisions concerning the protection of the environment. Thus, in the narrow spa region deforestation was prohibited, except with the approval of the spa administration in order to beautify the spa itself. In the broader spa region, and on the area of two kilometers from the narrower region, forests could be cut only with the approval of the Minister of Internal Affairs, after the hearing of the Minister of National Economy. Within the whole area it was forbidden to let the cattle, especially goats to graze and damage the forest. Anyone who acted otherwise, would be punished by the police authorities of the respective county in which the spa is located with 10 to 100 dinars in favor of the Medical Fund. Each spa was in legal terms an integral part of the respective municipality and had special arrangements. A part of the arrangement also was a permanent spa administration whose main duty was: ensuring that all spa activities were done on time; making proposals for the improvement of the spa to the Minister of Internal Affairs; taking care of order in the spa during the spa season; doing all activities in accordance with the provisions of the Act and the Regulations. Finally, the Act precisely specified what belonged to the spa revenue: revenue from state assets (taverns, restaurants, residence buildings, etc); revenues from treatment tolls; revenues under special laws and regulations as a butchery and store rent and other revenues under that or any other law; revenues from charges for the use of facilities that belonged to the state (baths, massages, etc); revenues from fines and other unplanned revenues (Zakon o banjama, mineralnim i toplim izvorima [The Law on Spas, Mineral and Hot Water Springs], <http://www.vrnjacka-banja.co.rs/zakon-o-banjama-mineralnim-i-toplim-vodama-iz-1914-g/>)

climatic and spa places (Lazić, 2015, p. 39). Within the Chamber of Commerce, the Department of Tourism was formed in 1931 and in 1936, the document, which defined the tourist policy, was adopted.

After the Second World War, tourist and hospitality industry was at first regulated by federal regulations. In 1965 the Basic Law on the Hospitality Industry was adopted, according to which all other relevant rules and regulations were based (Off. Journal of the SFRY, no. 8/65, 10/65, 15 and 30/68). By the adoption of the constitutional amendments from 1971 regulation of that industry was entrusted to the republics and provinces. In the Federal Republic of Serbia in 1973 the Law on the Hospitality Industry was adopted (Off. Gazette of SRS, no. 49/71, 24/73, 51/77, 24/85 and 32/90), and a year later, the Law on the Hospitality Industry and Hospitality Services Performed by the Working People (Off. Gazette of SRS, no. 4/1974), which was out of particular importance for the regulation of tourist and commercial activity performed independently and by citizens' resources. In addition, many other laws and bylaws regulating different aspects of tourist and hospitality industry (regulations, rules of procedure, resolutions, decisions, etc) were also adopted.

After several amendments to the Law on Hospitality Industry (Off. Gazette of FRS, no. 24/73, 51/77, 24/85 and 32/90), the Law on the Conditions for the Implementation of Tourist Guides and Tourist Companions (Off. Gazette of FRS, no. 10/78, 45/84, 24/85 and 6/69) and the Law on Camping (Off. Gazette of FRS, no. 20/69 and 24/85), the provisions of the above mentioned acts ceased to be valid by the adoption of the new Tourism Act of 1994 (Off. Gazette of RS, no. 35/94, 38/94 and 48/99). With the provisions of the Tourism Act of 1994, the basic conditions for the development of tourism were created through the integrated planning, system of tourism development incentives, budget fund for tourism development and tourist organizations system. Nevertheless, in order to raise competitiveness and attractiveness of tourist products, taking into account the world experiences, it was necessary to improve development mechanisms. That was done by passing the Tourism Act from 2005 (Off. Gazette no. 45/05), which established the Tourism Development Agency. During its adoption, it was acted upon the recommendations of the World Trade Organization (the provision of the previous law stipulating that international travel agencies can carry out group tourist trips in the Republic of Serbia through the tour organizer was deleted) and the recommendations of the EU Accession Office (regarding the need to harmonize the provisions related to

categorization of hospitality facilities with the practice of EU member states). Likewise, the list of persons who were exempted from paying the tax was specified, the list of activities that could be performed was extended on activities that were common in tourist traffic, which were in the function of journey. Intermediary agency was exempted from the obligation to have director of the office, certain legal provisions were specified in order to ensure greater protection of service users and penalty provisions were coordinated with the substantive provisions of the law.

The new Tourism Act (Off. Gazette of RS, no. 36/09, 88/10, 99/11 – other law, 93/2012 and 84/15) was passed only four years after the previous one. The need for harmonization of the domestic regulations with the respective rules of the World Trade Organization and the European Union was emphasized as a justification for such a quick change of the law. The provisions of the Act in one part relied on the decisions from the previous one, in terms of incentives and promotion of tourism, and in terms of regulating activities in tourism. On the other hand, with the Act of 2009 a number of innovations were introduced. In the planning area of tourism was thereby established a clear hierarchy of planning documents (Tourism Development Strategy of the Republic of Serbia, Strategic master plan, Strategic marketing plan, program development of tourist products, tourism development program and the program of promotional activities). In terms of space, this law defined the categories of tourist area, holiday and tourist places, as well as preferred tourist destinations. Furthermore, the Act increased the volume of data to be recorded. Serbian Business Registers Agency runs the Registry of tourism aimed at keeping the travel agencies records (travel organizers and agents), tourist places, hoteliers, categorized and uncategorized hospitality facilities, categorized and uncategorized nautical and hunting tourism, service providers of hunting tourist activities, tourist guides, local tourist guides, travel companions, companies that provide car rental services, home craft service providers and service providers in rural tourist households. Perhaps the most important innovation of that Act was related to the conditions for licensing of tourist agencies. In comparison with the former Act, which among other necessary conditions for obtaining license (proof of registration, at least one qualified employee, determined general travel conditions, non-existence of formal obstacles such as bankruptcy or temporary ban on the performance of professional activities), required tourist agency to provide either an insurance policy for each tourist trip, or insurance policy/secured funding/bank guarantee in the minimal amount determined by law (59), the Act of 2009,

simplified the insurance procedure by the introduction of the common liability insurance policy covering the liability arising out of the performance of professional activities (art. 53). In addition, with the Act of 2009 provisions, it was stipulated that the license of travel agencies was valid for three years instead of five years according to the previous law (see art. 58. para. 3. of Tourism Act from 2005 and art. 51. para. 2. of Tourism Act from 2009).

With the latest amendments to the current Act, the legislator specified the obligations of intermediary tourist agencies, prescribed duty to provide travel guarantees for each contracted travel arrangement, coordinated respective provisions of Tourism Act and Consumer Protection Act regarding travelers claims, aligned penalty provisions of Tourism Act with the new Law on Offences in the way that certain violations of the Act are sanctioned with the penalties in a fixed amount in order penalty warrant to be issued, which enables a more efficient fine collection at a lower cost for the state and the offender. In order to cope with the grey economy in tourism, the state has decided to give more powers to the tourist inspectors who would be able to write penalty charges, while the competence of the inspections is partially shifted from republic to the local level, enabling municipalities to take control over the business activities of tourist operators on their territory.

In addition to the Tourism Act, the status issues in the field of tourism are also regulated by the Law on Spas (Off. Gazette of RS, no. 80/92 and 67/93 - other act), the Law on Public Ski Resorts (Off. Gazette of RS, no. 46/2006), the Law on Environmental Protection (Off. Gazette of RS, no. 135/04, 36/09, 36/09 – other act, 72/09 – other act and 43/11 - decision of the CC), the Law on National Parks (Off. Gazette of RS, no. 39/93, 44/93 - correction, 53/93, 67/93, 48/94, 101/05 – other act and 36/09 - other act), the Law on Cultural Property (Off. Gazette of RS, no. 71/94, 52/11 - other act and 99/11 - other act). On the other hand, the rules governing the legal relations of tourist operators are contained in the Law on Obligations (Off. Journal of SFRY no. 29/78, 39/85, 45/89 - decision and CCY 57/89, Off. Journal of FRY, no. 31/93 and Off. Journal of SME, no. 1/2003 - Constitutional Charter) and the Consumer Protection Act (Off. Gazette of RS, no. 62/14). The Law on Obligations contains provisions on organized travel contract (art. 859-879), intermediary travel contract (art. 880-884) and allotment contract (art. 885-896), while the Consumer

Protection Act regulates package tour contract (art. 93-109) and timeshare contract (art. 110-122) for the purpose of protection of consumer rights.²⁰

Tourism development in European Union

Tourism represents the third largest factor in the EU economy, and despite the economic crisis, it is anticipated this sector will have even greater contribution towards increasing of employment rates in the EU in the future, and thus to economic development and social cohesion. At the EU level, tourism, as a term, was firstly mentioned in 1992 in art 3. para. 1 point t. of the Maastricht's Treaty in which the measures Community needs to undertake in order to create a common market and economic and monetary union are exhaustively listed, including the measures in the field of energy, civil protection and tourism.²¹ The provisions relating to the tourism are contained in the text of the current Lisbon Treaty and the Treaty on the Functioning of the EU, but these provisions do not substantially alter the scope of powers of the EU authorities in the field of tourism, because the tourism is not recognized as an independent policy.²² Therefore, the EU activities in this area can only complement the activities of the Member States and any harmonization is excluded.

EU priorities in the tourist industry, defined in the Lisbon Treaty and in the strategy Europe 2020 are reflected in stimulating investments, staff

20 The emergence of time-sharing in practice, followed by its legislative drafting, was accompanied by a dynamic process of development. During this development process, time-sharing has gradually evolved from a contract with precisely defined contract elements (period of use, duration of the contract, type of units) to a flexible tourist product, which includes a significant number of services and considerable number of stakeholders (Mićović, 2015a; Mićović, 2015b).

21 Prior to that, the European institutions adopted general (framework) policy guidelines on tourism, that is to say, the legal norms regulated by this sector. The European Council in 1984 recognized the importance of tourism for the integration of European area and invited the European Commission to make proposals towards the development of this field. The European Commission contributed through the adoption of several documents that defined the general guidelines for the development of tourism.

22 In the Art. 2E of the Lisbon Treaty, the EU competence was extended to "support, co-ordination or supplement of the activities of the Member States' in the field of tourism. In Chapter XXI, a special article 176B was added which provided that the Union complements the activities of Member States in the tourism sector, in particular through promoting the competitiveness of Union enterprises in that sector. With that intention, the Union's activities aim to: a) encourage the creation of an environment conducive to the development of entrepreneurship in the tourism sector and b) promote cooperation among the Member States, particularly the exchange of good practice.

education, the development of information technology and the improvement of business conditions. Direct cooperation with national authorities in the tourism sector helps to improve staff education and training and to use the potential of the tourism sector for employment in the most efficient manner, as well as to create conditions for the work and the effective functioning of small and medium-sized enterprises, which will be able to keep employees even during the off-season for training. The EU is particularly committed to the idea of building awareness of the necessity of short-term and long-term sustainable development as well as for a better professional training and emphasizing of the own cultural heritage for tourist purposes (Paunović, 2014, p. 69).

In order to create a common EU tourist market at the local, regional and national level, the legislation, procedures, methods and everything that can encourage greater involvement of capital is gradually developing, i.e., private and public investment in tourism. Many EU policies and measures have a direct impact on tourist activities, and some of them are: better connection of all tourism policy makers and EU initiatives in this sector; strengthening the role of the Advisory Committee in tourism; promotion of better interaction with the tourist industry and other interested groups (through the organization of annual trade fairs and tourist forums); incitement of interaction between different actors and destinations in tourism and promotion of their partnerships; networking services and necessary support towards functioning of measures and activities through the specialized bodies and centers related to the tourist industry which exist at national and/or regional level in most of the Member States; a special procedure that Member States, regional authorities and the tourism industry have for the effective use of financial and non-financial instruments for their needs; European Commission and EU Member States encourage the introduction of a common satellite accounts in tourism (Tourism Satellite Accounts - TSA); promotion of sustainable development of tourism in Europe (according to Agenda 21) in order to protect natural resources, protection of environment and use of renewable energy sources in the tourist policy, increase in the number of participants in the tourist business, encouragement of the corporate social liability and control of the implementation of provisions on sustainable tourist development; depending on the needs for development, European (national, regional and local) authorities promote and support the production of documents of general social and economic interest, provide technical cooperation; the determination and application of methods and

the means necessary to control the quality of tourist destinations and services.²³

Within the EU, a number of regulations are adopted that are directly or indirectly related to tourism. Among the regulations that are directly related to tourism, the Directive 2015/2302/EU on package travel and linked travel arrangements stands out (OJ L 326, 11.12.2015), which replaced Directive 90/314/EC on package travel, package holidays and package tours (OJ L 158, 23/06/1990), as well as Directive 2008/122/EC on the protection of consumers in respect of certain aspects of timeshare, long-term holiday products resale and exchange contracts (OJ L 33, 3.2.2009).²⁴

Conclusion

For a proper understanding of a modern law one needs to be familiar with the origin of its rules and institutions, form in which they have been received, why and how they have been developed, retained, changed, adapted or rejected (Zimmerman, 1996, p. viii).

In respect of that, the origins of rules and customs in relation to hospitality and tourism can be found in the Hammurabi's Code; ancient edict *nautae cauponae stabularii*, of the Romans and the Civilian tradition; the concepts of *public trust* and *custom of the realm*, in the developing Common Law; the precepts and duties of hospitality in Jewish and Islamic Law; the Buddhist Codification of the Law, including the Ten

23 At the EU level, a number of institutions (organizations), significant for the development of tourism, were formed, including in particular: the European Travel Commission - ETC (Tourist Organization of Serbia is a full member of ETC starting from October 3, 2006); European association of hotels, restaurants and cafés (HOTREC); European Travel and Tourism Advisory Group (ETAG); The European Travel Agent's and Tour Operators' Associations (ECTAA); European Federation of Rural Tourism (EuroGites).

24 Legal regulations in relation to time-sharing, both at the EU and national level, have been changed for two main reasons: one is to translate business practice into legal rules, and the other, more important for the protection of consumers is to restrict or exclude the impact of (unfair) business practice on the formation of the legal relationship between trader and consumer, as well as to prevent the usage of unfair contract terms (Miladinovic & Mićović, 2015). Since time-sharing is a typical cross-border consumer contract, the question of jurisdiction and applicable law is of particular importance for the procedural protection of consumers (Mićović, 2014).

Pious Acts, known as *Lhachoc Gyewa Chu* (including charity and benevolence), and the sixteen virtuous acts of social piety, known as *Michoe Tsangma Chudrug* (Downes, 2007, p. 1).

As the initial tourist activity was rare, there were no specific rules that would regulate the relationship between providers and users of tourist services, but the general rules of the civil law applied instead. Increase in the number of users of tourist services and their subordination in relation to the economic entities - service providers (development of tourism industry led to the appearance of the various entities, such as travel agencies, specialized in conducting tourist activities), imposed the need for the stronger legal protection of tourists, both during the journey and in the place of temporary residence (Dragašević, 1990, p. 10). With that aim, states took over the initiative not only to regulate the mutual relations between business entities and the users of their services (by laying down rules on liability for the proper performance of the contract, the rules on the safety of passengers and their luggage, etc), but also to define the legal framework and conditions for conducting these activities (systems of licenses/registrations/ approvals), and, finally, to adopt rules which would ensure compliance with professional duties and other standards (ibidem, p. 10).

However, globalisation and the increased movement of people for tourism and recreational purposes in recent years triggered the need for the adoption of respective travel and tourism rules at the international and EU level. In order to create coherent legal framework, national travel and tourism rules need to be harmonized with the relevant international norms. That means, inter alia, that Serbia needs to include rules from recently adopted Directive 2015/2302/EU on package travel and linked travel arrangements, in order to ensure stronger protection of tourists (travelers).

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INTERNATIONAL LEGAL FRAMEWORK FOR TOURISM SUSTAINABILITY

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Abstract

The paper analyses international legal framework for tourism sustainability. Although international legal norms in this area do not have obligatory character they are considered as fundamental rules for policy makers and economic subjects in tourism industry all over the world. Their legal strength stems from their ethical grounds on which they have been built. Special attention in this paper is devoted to basic principles of Agenda 21 for the Travel & Tourism Industry and Global Code of Ethics for Tourism which deal with the issue of sustainability. Based on these legal sources of international law, new resolutions and declarations have emerged attempting to address the challenges of growing complex problems of tourism sustainability.

Key Words: *tourism sustainability, Agenda 21 for the Travel & Tourism Industry, Global Code of Ethics for Tourism, Convention on Tourism Ethics, sustainable development*

JEL classification: *F64, K33*

Introduction

Right to tourism is considered to be one of universal human rights. But, does that right belong to every inhabitant of our planet? Legal norms are often difficult to apply, especially if they are not binding. Without underestimating this fact it should be noted that in last two decades the right to tourism has been dealt with in a large number of international declarations and resolutions. Their legal foundations have been *Agenda 21 for the Travel & Tourism Industry: towards Environmentally Sustainable Development* adopted in 1996, and *Global Code of Ethics for Tourism*, adopted in 1999. Since these two international legal documents

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have been launched, the world has been faced with successive political, ecological and demographic crises on one hand and on unprecedented growth of tourism activities on the other. This controversy has pointed out to the growing importance of tourism sustainability and resulted in an initiative to convert the *Global Code of Ethics for Tourism* into binding legal instrument.

The chronology of the development of legal issues concerning tourism sustainability is quite instructive. It reveals the evolution of attitudes towards the need for preserving natural and cultural resources along with the necessity to make conditions for the development of tourism industry. This paper aims to tackle this chronology and to foresee future legal initiatives.

The first part of the paper discusses basic principles of *Agenda 21 for the Travel & Tourism Industry*, which could be considered as a basis of legal framework for tourism sustainability. The second part of the paper turns to basic principles of *The Global Code of Ethics for Tourism*, labeled as fundamental international legal framework for responsible and sustainable tourism. The third part of the paper is devoted to new international initiatives in legal regulation of tourism sustainability. Special attention is paid to the initiative to transform *The Global Code of Ethics for Tourism* into binding international *Convention on Tourism Ethics*.

Agenda 21 for the Travel & Tourism Industry

Dynamic development of tourism industry has many positive but also numerous negative effects on the development of tourist destinations (Bošković, 2008). Only clean and uncontaminated environment could be the basis for successful tourism activities. However, tourism activities themselves can negatively affect the environment. This is especially truth for different forms of mass tourism.

Simultaneously with environmental degradation the awareness of the need for its protection has been strengthening. Thus the concept of sustainable tourism has been inspired by the concept of sustainable development, established with the *Agenda 21* of the United Nations Conference on Environment & Development (Earth Summit) in Rio de Janeiro, Brazil, on 14 June 1992 (UN, 1992). Although *Agenda 21* was not a legally binding document, it was adopted by 182 governments and it was the first document of its kind to achieve international consensus. It

provided a basis for securing the sustainable future of the planet, from 1992 into the 21st century. It identified numerous environmental and developmental issues which threatened to bring about economic and ecological catastrophe and presented a strategy for transition to more sustainable development practices.

Based on *Agenda 21*, in 1996 an action plan entitled *Agenda 21 for the Travel and Tourism Industry: towards Environmentally Sustainable Development* has been developed by three International Organizations - the World Travel and Tourism Council, the World Tourism Organization and the Earth Council (UNWTO, 1997). That action plan became important basis for the operation of travel and tourism companies as well as for the conduct of governments, national tourism administrations, trade organizations and the travelling public.

The starting point of the *Agenda 21 for the Travel and Tourism Industry* is that the travel and tourism industry has a vested interest in protecting the natural resources and cultural heritage which are the core of its business. It has been stressed that this industry also has the means to do so; as one of the world's largest industries, it has the potential to bring about sustainable development of the communities and countries in which it operates. It has been stipulated that concerted action from governments, and all sectors of this industry, would be needed in order to realize this potential and to secure long-term future development.

The Agenda 21 for the Travel and Tourism Industry document sets the framework for sustainable development to be established by the travel and tourism industry. Guiding principles within that framework were inspired by the Rio Declaration on Environment and Development (UN, 1992):

- Travel and tourism industry should assist people in leading healthy and productive lives in harmony with nature
- Travel and tourism industry should contribute to the conservation, protection and restoration of the earth's ecosystem
- Travel and tourism industry should be based upon sustainable patterns of production and consumption
- Protectionism in trade in travel and tourism services should be halted or reversed
- Environmental protection should constitute an integral part of the tourism development process

- Tourism development issues should be handled with the participation of concerned citizens, with planning decisions being adopted at local level
- Nations shall warn one another of natural disasters that could affect tourists or tourist areas
- Travel and tourism industry should use its capacity to create employment for women and indigenous peoples to the fullest extent
- Tourism development should recognize and support the identity, culture and interests of indigenous peoples
- International laws protecting the environment should be respected by the travel and tourism industry.

When addressing to the participants of tourism activities, *The Agenda 21 for the Travel and Tourism Industry* made distinction between government departments, national tourism administrations and trade organizations on one hand and travel and tourism companies on the other.

For government departments, national tourism administrations and trade organizations, the primary goal set by *The Agenda 21 for the Travel and Tourism Industry* was to establish systems and procedures to incorporate sustainable development considerations at the core of their decision-making process and to identify actions to bring sustainable tourism development into being. In that sense, priority areas for action were stipulated:

- assessing the capacity of the existing regulatory, economic and voluntary framework to bring about sustainable tourism
- assessing the economic, social, cultural and environmental implications of the organization's operations
- training, education and public awareness
- planning for sustainable tourism development
- facilitating exchange of information, skills and technology relating to sustainable tourism between development and developing countries
- providing for the participation of all sectors of society
- designing of new tourism products with sustainability at their core as an integral part of the tourism development process
- measuring progress in achieving sustainable development at local level
- making partnerships for sustainable development.

For travel and tourism companies, the main goal was set to establish systems and procedures to incorporate sustainable development issues as

part of the core management function and to identify actions needed to bring sustainable tourism into being. The following priority areas for action were stipulated:

- waste minimization, reuse and recycling
- energy efficiency, conservation and management
- management of fresh water resources
- waste water management
- management of hazardous substances
- transport management with respect to sustainability
- sustainable land-use planning and management
- involving staff, customers, communities in environmental issues.

The *Agenda 21 for the Travel and Tourism Industry* paved way for a large number of international legal documents in line with major principles of the tourism sustainability. Among those documents, the most important was the *Global Code of Ethics for Tourism*.

Global Code of Ethics for Tourism

The *Global Code of Ethics for Tourism* (The Code) is a comprehensive set of principles designed to guide all participants in tourism. It has been considered as a fundamental international legal framework for responsible and sustainable tourism. The Code is aimed for responsible behavior of governments, travel and tourism industry, communities and tourists in their endeavor to maximize benefits from tourism activities while minimizing potentially negative impact of those activities on the environment, cultural heritage and societies across the globe.

International legal grounds for the creation of basic principles of the Code are numerous conventions and declarations that form the fundamentals of international law. Most important legal basis for the Code has been the

Universal Declaration of Human Rights dating from 1948.² The Code has been adopted in 1999 by the General Assembly of the World Tourism Organization (WTO). Two years later, it has been acknowledged by the United Nations. The Code is not legally binding. It is based on voluntary implementation mechanism (UN, 2001).

The implementation of ethical principles in travel and tourism industry has been regarded as one of the most important aspects of its operations (Alivuk & Petrevska, 2014). Ten articles of the Code set basic principles for ethical behavior in travel and tourism. Those principles cover economic, social, cultural and environmental components of travel and tourism and they are all calling for the awareness of the threats to sustainable development. As stipulated in *Article X*, those entities who decide to adhere to the principles of the Code may refer matters concerning the application and interpretation of those principles to the World Committee on Tourism Ethics (WCTE). Established in 2003, the World Committee on Tourism Ethics (WCTE) should function as an independent and impartial body under the auspices of the UNWTO, to promote primarily responsible and sustainable tourism. (Donyadide, 2010).

2 Those international conventions and declarations are: Universal Declaration of Human Rights of 10 December 1948; International Covenant on Economic, Social and Cultural Rights of 16 December 1966; International Covenant on Civil and Political Rights of 16 December 1966; Warsaw Convention on Air Transport of 12 October 1929; Chicago Convention on International Civil Aviation of 7 December 1944, and the Tokyo, The Hague and Montreal Conventions in relation thereto; Convention on Customs Facilities for Tourism of 4 July 1954 and related Protocol; Convention concerning the Protection of the World Cultural and Natural Heritage of 23 November 1972; Manila Declaration on World Tourism of 10 October 1980; Resolution of the Sixth General Assembly of WTO (Sofia) adopting the Tourism Bill of Rights and Tourist Code of 26 September 1985; Convention on the Rights of the Child of 20 November 1989; Resolution of the Ninth General Assembly of WTO (Buenos Aires) concerning in particular travel facilitation and the safety and security of tourists of 4 October 1991; Rio Declaration on the Environment and Development of 13 June 1992; General Agreement on Trade in Services of 15 April 1994; Convention on Biodiversity of 6 January 1995; Resolution of the Eleventh General Assembly of WTO (Cairo) on the prevention of organized sex tourism of 22 October 1995; Stockholm Declaration of 28 August 1996 against the Commercial Sexual Exploitation of Children; Manila Declaration on the Social Impact of Tourism of 22 May 1997; Conventions and recommendations adopted by the International Labour Organization in the area of collective conventions, prohibition of forced labour and child labour, defence of the rights of indigenous peoples, and equal treatment and non-discrimination in the work place (UNWTO, 2001).

Ethical grounds of the Code are set in *Article I*, *Article II*, *Article VII* and *Article VIII*.

Based on Article 13 of the Universal Declaration of Human Rights, *Article VIII* of the Code stipulates that tourists should enjoy the liberty of movements within their countries and from one State to another. The liberty of movements assumes access both to places of transit and places in which tourists wish to stay. It has been stressed that the liberty of movements assumes that people should be travelling without being subject to excessive formalities or discrimination and have access to all available forms of communication (Higgins-Desbiolles, 2006).

Article I is devoted to the principle of responsible tourism. The principle of responsible tourism is based on the philosophy that tourism should contribute to mutual understanding and respect between peoples and societies, taking into account diversity of their religious, philosophical and moral beliefs. Those diversities should be considered as the foundation and at the same time as the consequence of responsible tourism. Responsible tourism assumes that all tourist activities should be conducted “in harmony with the attributes and traditions of the host regions and countries and in respect for their laws, practices and customs” (UNWTO, 2001). At the same time, *Article I* envisages that host communities should respect the tourists who visit them and find out about their lifestyles, tastes and expectations. In that sense, it has been stressed that the responsibility for the provision of protection of tourists and their belongings lies on local public authorities.

The principle that tourism should be considered as a vehicle for individual and collective fulfilment is set in *Article II* of the Code. This principle is based on ethical attitude that tourism activities should be practiced with a sufficiently open mind. To understand the logic of open-minded approach, tourism has been considered as a privileged means of self-education about the legitimate differences between peoples and cultures. Legal grounds for open-minded approach in tourism are established in *Article VII* of the Code. This article deals with the universal right to tourism which stipulates that the right to tourism should be equally open to all world population. The right of every person is to have the possibility of access to the discovery and enjoyment of world natural and cultural resources. The universal right to tourism being understood as the right to rest and leisure, is guaranteed by Article 24 of the Universal Declaration of Human Rights and Article 7.d of the International

Covenant on Economic, Social and Cultural Rights (McCabe & Diekmann, 2015).

While ethical grounds of the Code are established in *Article I*, *Article II* and *Article VII* of the Code, *Article III*, *Article IV* and *Article V* deal with the social responsibility of the participants in tourism activities (Buzar, 2015). *Article III* is devoted to tourism as a factor of sustainable development. When considering tourism as an integral part of the concept of sustainable development, the starting point is that tourism activities should be conducted as to satisfying equitably the needs and aspirations not only of present but also of future generations. Thus, the importance of social responsibility has been pointed out to. Namely, *Article III* clearly defines sustainable tourism to be an integral part of the concept of sustainable development. Tourism is regarded in its dynamics, taking into account that it has been stipulated that all its participants should safeguard the natural environment in order to achieve sound and sustainable economic growth. It has been stressed that national, regional and local public authorities should give priority and encourage those forms of tourism development that respect the necessity for saving rare and precious resources, in particular water and energy. Also, it has been stressed that tourism should be developed in the manner that enables avoiding as much as possible the waste production. In order to give specific weight to the principle of integrality of tourism and sustainable development, *Article III* points out to the importance of the development of specific forms of tourism such as nature tourism and ecotourism. Those two forms of tourism have been recently recognized as being particularly acceptable in enriching and enhancing tourism growth in line with the principles of sustainable development (Dorobantu, 2012).

While *Article III* calls all participants in tourism activities for cautious attitude towards natural resources, *Article IV* calls them for preserving cultural heritage. Different forms of cultural heritage are considered as integral parts of world cultural resources. Starting premise is that all world cultural resources must be widely open to tourist visits. However, although it has been considered that cultural resources belong to the common heritage of mankind and thus every participant in tourism activities is responsible for their preservation, the communities in whose territories they are situated have particular obligations to them (Jamieson, 2000). In this respect, basic principles of tourism policies in preserving cultural heritage have been set. It has been stipulated that these policies should be conducted as to protect and pass on to future generations the artistic, archaeological and cultural heritage. It should be pointed out that *Article IV* calls for preserving and upgrading monuments, shrines and

museums as well as archaeological and historic sites. Also, special attention has been given to traditional cultural products, crafts and folklore. The importance of tourism policies in preserving these forms of traditional cultural heritage has been particularly stressed.

Principle that tourism should be beneficial activity for host countries and communities is set in *Article V* and *Article IX* of the Code. The creation of direct and indirect jobs resulting from tourism activities are seen as major economic and social benefits. Since new jobs depend on new investments, special attention is given to incorporating investment policy in the overall macroeconomic policy of sustainable development. This aspect of economic policy has been considered of crucial importance for meeting the goals of sustainable development (UNCTAD, 2015). In order to avoid possible conflicts of sustainability and economic growth induced by job creation in tourism, *Article V* of the Code points out to the need for investors to take into consideration the impact of their development projects on the environment and natural surroundings. Their social responsibility is to inform objectively local population on their future programmes and the foreseeable repercussions of their implementation. *Article IX* addresses major investors in tourist industry. Large multinational enterprises are asked not to exploit the dominant positions they frequently occupy and “to avoid becoming the vehicles of cultural and social models artificially imposed on the host communities” (The Code, 1999) In this sense, the principle of equitable distribution of the benefits to growth has been reaffirmed where multinational enterprises should involve themselves in local development in exchange for their freedom to invest and trade (Mihajlović & Krželj-Čolović, 2014).

Principles considering obligations of stakeholders in tourism industry are set in *Article VI* of the Code. As stakeholders, tourism professionals, public authorities and media are considered. Each of these groups of stakeholders are addressed to separately but also specific weight is given to their co-operation in providing security and safety, accident prevention, health protection and food safety of those who seek their services. When tourism professionals are concerned, they have an obligation to provide tourists with objective information on their places of destination and on the conditions of travel, hospitality and stays. The objectivity of information is asked for from media as well. The role of public authorities is particularly important in the event of informing local population about their destination faced with political, social, natural or health crisis (Senić & Marinković, 2016). It is important to mention that *Article VI* considers this role of public authorities to be not only their right but also their duty.

New international initiatives in legal regulation of tourism sustainability

After the *Global Code of Ethics for Tourism* has been adopted at the 56th Session of the United Nations in December 2001, numerous international resolutions and declarations on the sustainability and ethics in tourism emerged. They have all been based on the philosophy incorporated in the principles of the Code. Those new international initiatives in legal regulation of tourism sustainability have been the outcome of new challenges and threats imposed on tourism development in the world at the end of the 20th and the beginning of the 21st Centuries (Ljubojević, 2014).

From 2001 to 2015, important resolutions dealing with tourism sustainability have been adopted by the United Nations (UN). Three UN resolutions that are of particular importance have been the outcome of growing awareness of the importance of sustainable development in tourism that gained momentum in numerous international declarations and action programs. These new international legal initiatives were to a large extent the consequence of growing threats to the security of tourist worldwide. Numerous terrorist attacks, international armed conflicts and migration crises have seriously challenged the human rights in general and the rights for tourism in particular.

The first UN resolution which reaffirmed the importance of the implementation of the principles of the *Global Code for Ethics in Tourism* was adopted by the UN General Assembly on its 68th Plenary Meeting on 22 December 2005 (UN, 2005). The importance of the development of ecotourism was particularly stressed.³ This Resolution has been the

3 According to the UNWTO's definition, ecotourism refers to “all nature-based forms of tourism in which the main motivation of the tourists is the observation and appreciation of nature as well as the traditional cultures prevailing in natural areas; it contains educational and interpretation features. It is generally, but not exclusively organized by specialized tour operators for small groups. Service provider partners at the destinations tend to be small locally owned businesses. It minimizes negative impacts upon the natural and socio-cultural environment. It supports the maintenance of natural areas which are used as ecotourism attractions by: generating economic benefits for host communities, organizations and authorities managing natural areas with conservation purposes; providing alternative employment and income opportunities for local communities; increasing awareness towards the conservation of natural and cultural assets, both among locals and tourists” (UNWTO, 2002).

outcome of new international legal initiatives on the growing importance of sustainable development which emerged from 2000 to 2005.⁴

Then, on the 69th Plenary Meeting of the UN General Assembly held on 20 December 2010 another resolution reaffirming the importance of the implementation of the principles of the *Global Code for Ethics in Tourism* was adopted (UN, 2010). Based on *Millennium Development Goals*, this Resolution has particularly stressed the growing threat of climate changes and the need to halt the loss of biodiversity.⁵ Population in host communities has been urged to increase the benefits from tourism resources while enhancing the protection of ecologically sensitive areas and the natural heritage.

Finally, on 81st Plenary Meeting of the UN General Assembly held on 22 December 2015, the importance of the *Global Code of Ethics for Tourism* as an international legal grounds for the behavior of all participants in tourism activity has been stressed again (UN, 2015a). This international legal document reaffirmed the UN General Assembly Resolution no. 70/1 of 25 September 2015 entitled *Transforming our world: the 2030 Agenda for Sustainable Development*, in which a comprehensive, far-reaching and people-centered set of universal and transformative Sustainable Development Goals and targets was adopted (UN, 2015b).

Implementation of the principles of the *Global Code for Ethics in Tourism* has been considerable. According to the World Committee on Tourism Ethics (WCTE), from 2000 to 2015, 128 Member States of the United Nations World Tourism Organization (UNWTO) accepted

4 Amman Declaration on Peace through Tourism of 11 November 2000, the Johannesburg Declaration on Sustainable Developments and the Plan of Implementation of the World Summit on Sustainable Development of 4 September 2002, the Mauritius Declaration and the Mauritius Strategy for the Further Implementation of the Programme of Action for the Sustainable Development of Small Island Developing States of 14 January 2005 and the Brussels Declaration and the Programme of Action for the Least Developed Countries for the Decade 2001–2010 (UN, 2006)

5 On September 8, 2000, over the course of the United Nations “Millennium Summit” held in New York, USA, eight goals (MDG) were introduced and adopted by 189 nations. These eight goals were: to eradicate extreme poverty and hunger; to achieve universal primary education; to promote gender equality and empower women; to reduce child mortality; to improve maternal health; to combat HIV/AIDS, malaria, and other diseases; to ensure environmental sustainability; to establish a global partnership for development. These goals constituted an unprecedented plan in the global fight against poverty; their achievement was targeted to be by December 31, 2015 (UN, 2000).

formally and implemented the principles of the Code.⁶ However, it has to be pointed out to the fact that there are 29 Member States of the UNWTO that still have not accepted to implement the principles of the Code. One of the reasons for only partial application of the ethical principles of the Code could be found in its voluntary nature. In order to improve the implementation of the Code, WCTE, in consultation with UNWTO, has entrusted the Legal Adviser with the preparation of a proposal for converting the Code into a legally-binding international convention (UN, 2015a).

Based on the initiative of the World Committee on Tourism Ethics (WCTE), an intergovernmental Working Group composed of representatives of 36 UNWTO Member States has been appointed to convert the UNWTO Global Code of Ethics for Tourism into an international Convention. The draft text of the Convention on Tourism Ethics is to be presented to the 105th session of the UNWTO Executive Council, to be held on 11-12 May 2017 in Madrid, Spain. Final text of the Convention is to be taken for consideration and possible adoption to the 22nd UNWTO General Assembly, to take place in Chengdu, China, on 4-9 September 2017 (UNWTO, 2017). If approved, the *Convention on Tourism Ethics* would be the first international treaty of the UNWTO.

It has been envisaged that future Convention on Tourism Ethics would constitute a binding instrument for all UNWTO Member States. When explaining the importance of this new initiative, Taleb Rifai, UNWTO Secretary-General said that: “for UNWTO to have its first International Convention based on its cornerstone policy document would be of great significance, especially at a time when the uninterrupted growth of international tourist arrivals has reached a record of 1.2 billion in 2016,

6 Until 2015, the principles of the Code were implemented in 15 countries in Africa (Angola, Benin, Botswana, Cameroon, Congo, Ethiopia, Gabon, Gambia, Ghana, Morocco, Nigeria, Senegal, Sudan, Swaziland, Zambia), 14 countries in Americas (Argentina, Bahamas, Brazil, Colombia, Costa Rica, Dominican Republic, Ecuador, Haiti, Jamaica, Mexico, Nicaragua, Panama, Uruguay, Venezuela), four countries in Asia and Pacific (Brunei Darussalam, Indonesia, Japan, Myanmar), one country from South Asia (Maldives), 26 countries in Europe (Albania, Andorra, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Czech Republic, Finland, Flanders, Belgium, Georgia, Germany, Greece, Hungary, Israel, Netherlands, Portugal, Lithuania, Republic of Moldova, Romania, Serbia, Slovakia, Slovenia, Spain, Switzerland, The former Yugoslav Republic of Macedonia, Turkey and one country in Middle East (United Arab Emirates). (UN, 2015)

doubling the figures of tourism in 1999, year in which the Global Code of Ethics was adopted” (UNWTO, 2017).

Future *Convention on Tourism Ethics* (Convention) would have classical structure of an international treaty. The Preamble of its text has been inspired by the *Global Code of Ethics for Tourism*. Part I of the Convention explains the aim and scope of its provisions as well as the means of their implementation. The most important issues dealt with in the Convention are the Ethical Principles in Tourism that are established in Part II. The mandate, composition and functioning of the World Committee on Tourism Ethics, which is a subsidiary organ of the UNWTO General Assembly, regarding the implementation of the Convention is envisaged in Part III. Conference of States Parties is addressed to in Part IV and Final Provisions regulating procedures for signature, ratification, acceptance, approval and accession are featuring Part V. While the Convention should be understood as binding international legal instrument subject to ratification, the conciliation mechanism concerning its interpretation or application is of optional character. Thus, the *Optional Protocol* which has been annexed to the Convention should be considered as a separate instrument that States Parties to the Convention can decide to ratify or not.

Conclusion

Transforming the UNWTO *Global Code of Ethics* into an international convention represents a major step forward in ensuring that tourism development becomes a force for future preserving of natural and cultural resources in the world. While the written documents show clearly that the UNWTO Members States are in favor of this objective, their actual commitment will be tested in the legalization process of the Convention. If ratified by the majority of the UNWTO Member States, this Convention will be an example of how the tourism sector can lead in promoting a more inclusive and fairer world development model.

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RESOURCE POTENTIALS OF THE SUSTAINABLE TOURISM DEVELOPMENT IN THE MUNICIPALITY OF VRBAS

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Abstract

The aim of paper is to show that there are significant resource potentials on the territory of Vrbas Municipality which can contribute to the sustainable rural tourism development.

Authors especially analyze and research natural resources as the most important potentials for the improvement of the tourism offer, as well as cultural potentials.

When it comes to natural potentials, authors came to the conclusion that it is necessary to develop environmental awareness of local residents for the further sustainable tourism development of Vrbas, along with the improvement of tourism infrastructures.

When it comes to cultural potentials, bigger investments are necessary as well as the nurture of the cultural contents and manifestations, cultural heredity in the function of cultural awareness, identity and tourism offer.

For the development of tourism in the municipality of Vrbas, it is especially important to develop rural tourism because of the natural and cultural potentials of this area.

Key words: natural potentials, cultural potentials, sustainable development, rural tourism, environmental awareness, municipality of Vrbas.

JEL classification: O13, O18, Q01, Q57, Z32.

Introduction

Vrbas Municipality is located in Serbia, South Backa Region, on the territory of the Autonomous Province of Vojvodina. It is in the shape of a

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rectangular strip with the area of 376 km², near the Great Backa Canal. It has a very favourable geostrategic location since it is on the crossroads of important routes, the most important ones being the motorway E-75 and international railway Belgrade-Budapest-Vienna, which connect Serbia with Europe. It borders the municipalities of Kula, Mali Idoš, Srbobran, Temerin, Novi Sad, Bački Petrovac, Bačka Palanka and Odžaci.

Vrbas municipality consists of eight cadastre municipalities: Vrbas, Vrbas grad, Bačko Dobro Polje, Zmajev, Ravno Selo, Kucura, Savino Selo and Kosančić. The structure of land areas by the cadastre classification shows that 90.1% of soil in Vrbas municipality is fertile. The greatest percentage of the fertile soil is fields with 87%, while all the other fertile soil categories take only 3% of the territory and there is 10 % of infertile soil.

According to the 2011 census, the population of the municipality is 42,092, which is 3,760 residents less compared with the 2002 census. The age structure of the citizens has been continually worse in the last few decades, as a result of birth rate decrease, emigration of the younger citizens and the longer life expectancy. The educational structure of the citizens is as follows: almost 50% of the citizens have secondary school education (more precisely 48.7%), 24.9% of the citizens have primary school education only, 4.4% of the citizens have university degrees and more than 3.8% of the citizens have bachelor degree. Vrbas municipality is a multinational environment with the greatest number of Serbs, then Montenegrins, Rusyns, Hungarians, Ukrainians, Yugoslavs and Croats.

The territory of the municipality is covered by a very developed net of canals which belong to the Danube-Tisa-Danube hydro-system, with the Great Backa Canal being the biggest and the most important of them all. There are also four thermal springs on the territory of the municipality, in Vrbas, Zmajev, Backo Dobro Polje and Kucura. On the site of CFK "Drago Jovović" Vrb-1/H and Vrb-2/H it has been determined that the water can be used for bathing and as additional means in treating numerous chronic illnesses.

The area of the Vrbas municipality is characterized by the sharp continental climate with long, warm and dry summers, and cold and long winters. Spring and autumn seasons are not so prominent. The medium temperature is about 10.8°C, which is for 0.2°C less than the average temperature in Vojvodina (Opština Vrbas, 2015; Skupština opštine Vrbas, 2010).

Methodology

The basic presumption of the authors is that Vrbas municipality has important resource potentials for the sustainable development of tourism. Firstly, the municipality has realistic possibilities to improve sports and hunting, fishing, nautical, recreational, cultural and eco-tourism, but there are also possibilities to develop health, spa, research and educational tourism.

Another assumption is that in the previous period these tourism potentials were not adequately developed nor valorized. According to this, the main objective of the study is to show that the territory of Vrbas municipality has important resource potentials which can contribute to the development of the sustainable rural tourism of the local area. The authors put special emphasis on analyzing and researching the natural resources as the most important potentials for improving tourism offer as well as on the local cultural potentials.

The starting hypothesis is that it is necessary to overcome the current concept of unsustainable development in order to valorize the existing natural and cultural potentials of this Municipality. The authors critically discuss the risks of the current unsustainable development and suggest possible principles of the new concept of sustainable development.

Tourism trends in Vrbas municipality

When analyzing the accomplished tourism turnover and the number of overnights in the last ten years, it can be concluded that Vrbas municipality holds the best results of all the other municipalities in the South Backa Region, except for Novi Sad. The detailed review of the tourism trends in the Vrbas municipality for the ten-year period from 2005-2015 is shown in Table 1.

Table 1: *Tourism trends in the period 2005–2015 in Vrbas Municipality*

year:	Tourists			Overnights			Average no. of overnights	
	total:	domestic:	foreign:	total:	domestic:	foreign:	domestic:	foreign:
2005	5,086	4,188	898	14,593	12,518	2,075	3.0	2.3
2006	9,304	5,346	3,958	22,055	17,787	4,268	3.3	1.1
2007	10,186	4,445	5,741	19,354	12,457	6,897	2.8	1.2
2008	12,415	7,900	4,515	17,635	12,054	5,581	1.5	1.2
2009	7,520	5,555	1,965	11,226	8,770	2,456	1.6	1.2

2010	4,044	3,704	340	29,341	28,740	601	7.8	1.8
2011	4,914	3,995	919	12,951	11,577	1,374	2.9	1.5
2012	4,958	4,190	768	10,575	8,817	1,758	2.1	2.3
2013	3,561	2,795	768	7,539	5,694	1,845	2.0	2.4
2014	6,264	4,492	1,772	17,014	12,793	4,221	2.8	2.4
2015	6,728	5,523	1,205	23,163	21,118	2,045	3.8	1.7

Source: *Authors' calculation based on the: Republički zavod za statistiku. (2005-2015), Opštine u Srbiji.*

Based on the data on the tourism trends in the period from 2005-2015, it can be noticed that the results were better in 2007 and 2008 than in the other years. It can also be noticed that after the period of a sudden decrease in tourism trends which lasted from 2009 -2013, the years 2014 and 2015 show a slight increase with the tendency of the further growth which is expected in the following period.

The assumption for the further sustainable development of tourism in Vrbas municipality lies in its natural and cultural potentials. In order to provide a long-term tourism development, the costs of the tourism manufacture have to be quantitatively and qualitatively oriented towards the increase in the values and possibilities of adjusting the nature and culture. The interest of tourism economy is in the protection of cultural and natural resources which are the essence of its activities (Premović, Pejanović, 2016).

Protected natural resources as the most important natural potentials

The basic importance of the protected area is in preserving authentic ambience values and in protection of the healthy natural environment of the area. This is the way to provide for the sustainable development of these areas. Vrbas municipality has three protected natural resources. These are:

1. Jegrička Nature Park;
2. Čarnok Natural Monument and natural asset and
3. White Poplar Tree in Savino Selo.

Jegrička Nature Park encompasses the area of 144,200 ha, with the average width of 14,5km and is the longest autochthonous river in Backa. The Jegricka is the right tributary of the Tisa, and its riverbed was a system of linked swamps. The maintenance of the Jegricka Nature Park is entrusted to the JVP Vode Vojvodine Public Water Company. Of the total

protected area, 21% is in the Regime II, and the rest is in the Regime III of protection. The part of the Jegricka which runs through the territory of Vrbas municipality belongs to the latter. Jegricka Nature Park is rich in flora and fauna. The Jegricka is declared an area internationally important for the preservation of birds (IBA) and plants (IPA) and is a candidate for admission into the international list of Ramsar areas. The presence of otter is of the great importance, as a species from the world Red list of the vertebrates (Pokrajinski zavod za zaštitu prirode, 2012; Skupština opštine Vrbas, 2010).

Carnok Natural monument is a botanical site protected since 1986. It is within the Carnok archeological site which is protected as a cultural monument and encompasses only one cadastre parcel number 1320 in Backo Dobro Polje. The area around the archeological site is protected due to its great floral and vegetational importance of its plant cover, and is one of few preserved remains of relatively slightly changed autochthonous steppe vegetation in Vojvodina. The type of habitat where the protected area of Carnok is located is determined as a priority on the national and international level and specified as a priority for the protection within the NATURA 2000 ecological network. The specific steppe vegetation is preserved in the area of about three hectares. 62.2% of the total area is under degree of protection II, and 37.8 % is under degree of protection III. The whole area is state-owned. The status of the strictly protected species is given to the steppe lizard - *poddarcis taurica* (Pokrajinski zavod za zaštitu prirode, 2011; Skupština opštine Vrbas, 2010).

The White Poplar Tree Nature Monument is in the cadastre municipality of Savino Selo, on the cadastre parcel 1029 in Marsala Tita St, in front of the no. 19. White Poplar Tree has been under the protection since 1986, and is in the third category as an important natural asset upon the Book of Rules on Categorization of Protected Natural Assets. The White Poplar in Savino Selo, protected as a nature monument, is a rare sample of flora.

Beside these three natural assets which have been declared protected natural assets by the decisions of the responsible authorities, the Municipality also has other important natural assets which should be placed under a certain degree of protection. Because of their specific ambient and natural values, the following are also recognised as important tourism potential: Provalije, which is also called “the lungs of Vrbas” and artificial lakes in Zmajevu. Moreover, the important tourism potentials

can be accomplished through the revitalization of the environment and construction of tourism educational and recreational centres-bioparks in the settlement of Kosancic and the former brickyard in Savino Selo.

Apart from the realistic possibilities for further improvement of sports and hunting and fishing tourism which have an important deal in the accomplished tourism income of the municipality, Vrbas municipality has also predispositions for the development of health and spa tourism. In this sense, in the future it would be necessary to valorize the thermal spring in Zmajevo by building spa-resort centre in place of the former thermal bath in the centre of the settlement.

In order to accomplish sustainable tourism development of the Municipality and tourism turnover, it would be necessary to invest certain funds to improve the existing tourism infrastructure and build other necessary facilities. The beginning steps in this direction should be the construction of cadastre areal natural and work acquired municipal values, tourism signaling and recognizable tourism product of the Vrbas municipality.

One of the major weaknesses of the Municipality in the terms of tourism is the pollution of the Great Backa Canal which has multiple negative influences on the life quality and the natural environment of the local residents. Although the perennial project of cleaning and remediation of the Great Backa Canal was initiated in 2004, it is still the “Black ecological spot” on the map of Europe, which has a very negative influence on the sustainable tourism development of the Municipality.

Based on the analysis of the existing situation, applying the SWOT technique and researching the natural potentials for the sustainable tourism in Vrbas municipality, the authors have come to the conclusion that the further development of sustainable tourism in Vrbas municipality requires not only the investments in tourism infrastructure but also the development of ecological conscience, in the first place with the local residents.

The development of the ecological conscience and ecological culture of modern tourists, local residents, and of those employed in tourism has one of the key roles in protection and improvement of the environment and life quality. The more rational use and protection of the natural resources is possible only though the strengthening of the conscience on the

necessity of applying the basic ecological standards in operations and applying the concepts of the sustainable green economy in the Serbian tourism (Premović, Pejanović, 2016).

The current level of ecological conscience as well as practical activities in the area of environmental protection is not a satisfactory one (Pejanović, R., Njegovan, Z., 2011). The research results in the Vrbas municipality show that the local residents' ecological conscience degree is low, especially with the elder population. However, the authors find it encouraging that the ecological conscience of the younger population, school and pre-school age, is on the much higher level, especially in Zmajevo and Ravno Selo where Jegricka Nature Park is located. Recently, the students and pre-schoolers from the Municipality have been more and more active in various competitions, performances, art and literary competitions on the topic of the Jegricka and environment protection, which led to their positive attitude towards the nature and environment. It is this fact that confirms the starting points of the authors, which is that Vrbas has important potentials for the development of research, educational and eco tourism.

The fact that the sustainable tourism mostly depends on the geographic physiognomy of the rural areas (Premović, 2016) and that over 90% of the municipal territory is the rural areas makes the comparative advantages for the development of the sustainable tourism in Vrbas municipality obvious. So, the responsible treatment of the natural resources, development of the system of sustainable protection and preservation of the environment are the basic preconditions for the development of the rural tourism and sustainable tourism development of the Vrbas municipality in general.

The risks of the unsustainable local development

Previous concept of the 'unsustainable development' is based on the homo economicus paradigm, profit economy and the dominance of the company interests. On the other hand, agricultural development based on the abovementioned concept has led to the negative effects, which result in the problems of health safety of food, and the health safety of the residents. All of these have a negative impact on tourism, both on the national and local level. Vrbas municipality is an example of the high risks of the further unsustainable development. Therefore, the sustainable development is the key factor to the new concept of development.

Sustainable development means a new development philosophy based on the environment preservation, energy efficiency, food health safety, and social sustainability (Pejanović, 2016).

Growth and development are therefore, parts of a broad economic and social development concept, where development is seen as far more complex notion in comparison to the economic growth, because apart from quantitative increase in the production and other economic indicators it also implies the changes in the economy structure. For this reason, it is often pointed out that the creators of the growth theory speak the same language of mathematics, whereas the creators of development theory use the language of value judgments, and this should be kept in mind both on macro and micro levels of economy policy.

Sustainable development is the qualitative factor of the new concept of economy development, which is necessary on the local level, too. According to the recent OUN Secretary General, Ban-Ki-Mun, the sustainable development is the “Biggest challenge of today”. What is particularly worrying is the irresponsibility of the economy subjects, especially big companies – great polluters.

The previous growth and development paradigm, which has a long tradition and “rich” history (especially with the occurrence and development of capitalism) faces two basic civilization limitations: ecological and social determination.

Ecological destruction is a side effect of the previous/current development paradigm. So far, the environment has been considered a free asset (a nature gift), and was extensively used, which left numerous negative consequences. The key factor of the development’s social dimension limitations are the social inequalities, as a side effect of the previous development paradigm. These inequalities are related to the initial inequality in the possibilities which leads to the inequality in the results. Social limitation are reflected in the high unemployment rate, poverty of the great number of people, emigration of the young talented and educated people abroad or in big cities, in demographical problems (white plague), abandonment and emptying of the villages, especially by the young human resources. All these are very serious limitation to the development of the economy and society in general, both on the national and especially on the local level, which has negative effects on the tourism development, too.

It is, therefore, necessary to formulate the objectives on all the levels: national, provincial, regional and local. On the Vrbas municipality level, those objectives could start from accomplishing the economy development within the sustainable borders of natural resources. Local communities are entitled and obliged to develop the economy, as long as that development respects the borders and is ecologically sustainable.

The next objective could be improvement of the agricultural systems and increase of the incomes especially in the small family properties, through the improvement of the agricultural practice, rural infrastructure and the access to the food production resources. This objective confirms the key importance of the sustainable agriculture, along with the sustainable agro tourism, which relies on natural beauties, healthy and high-quality food.

The previous step should be followed by setting the limitations on the anthropogenic climate changes and providing sustainable energy. The purpose of this objective is to limit the emissions of the harmful gases with the greenhouse effects, in order to avoid the growing danger of climate changes. The important objective is to provide the services of ecosystem and biodiversity, as well as proper management over the land and other resources.

Management transformation should be seen as another objective of sustainable development. The public sector, companies and the others should choose a proper managing. A proper management as a means of providing the sustainable development includes transparency, responsibility, access to information, and participation and efforts in abolishing the corruption.

Another objective is to provide conditions for education of all children and young people regardless of the social status in order to prepare them for life. This obligatory objective has been known as “effective studying”, which means that the young people should be enabled to develop the skills they need to be productive and capable in their lives. Effective studying includes paying greater attention to the development in the early childhood (by the age of 6). Demographic policy which would encourage starting families and increase in birth rate is closely related to this objective as this is the means to stop the alarming trend of the white plague, present in the Republic of Serbia, especially on the local community levels, including Vrbas municipality, too.

Achieving the gender and other equalities and social involvement, as well as respecting the human rights of all the Vrbas municipality citizens is the next objective of the sustainable development.

The last but not the least important is the health and well-being of the people regardless of their age. It is important to establish and maintain good functioning of the general and high-quality health care in all life stages, for all the citizens, with the special emphasis on the primary health services.

The purpose of these objectives is to direct the development towards the trajectory of the sustainable development in a clear, concrete, measurable, concise, and understandable way. The local community government has to choose the new objectives of the sustainable development and determine operational agendas for their implementation. In this way, the preconditions for the healthy, sustainable economic and social development would be created, and they would also include tourism as an important segment of social and economic development.

The importance and potentials of culture

Apart from the natural resources, the culture development is also important for the development of tourism. Why is it important to study the national culture?

One part of the answer can be found in the thought of Lawrence Harkins who says "Underdevelopment is the state of mind". As a matter of fact, culture influences the behavior of the individuals and their contribution to the process of economical and social development, as well as their economical choices and making the business decisions. According to Ratko Bozovic, the sociologist, culture is a presumption to every thorough change in the society or the life of an individual. He considers that it is the culture that communicates to the world, not the actions of the world power seekers.

Therefore, cultural values can have positive or negative influence on the social and economical development. Every social-economical system becomes a specific "cultural capital". Veselin Vukotic, the economist, says that that economy development is a cultural process. The relation between cultural and economical development becomes important subject of discussion in European frameworks.

Studying national culture, “national character”, i.e. “social genotype” is of a great importance. A famous economist, a Nobel laureate Douglas North thinks that the “social genotype” of the former socialist countries has numerous instruments (“social syndromes”) which impede the affirmation of the modern market economy. Therefore, it is difficult to establish new institutions here, and to remove the old ones. It is due to the inertness of the “social genotype”, which greatly influences the slow transition and inhibits the efficiency of the reforms. The reasons for this are numerous: historical, geopolitical, religious, social-economic, etc. All these factors have their own expression in the national culture. Culture is an important development resource of the modern society (Pejanović, 2013).

The notion of culture in the narrow sense implies artistic creation, and in its broad sense it includes the total lifestyle of a national and social community. Cultural heritage includes material and non-material cultural heritage. Material is divided into immovable (culture monuments, archeological sites and sights) and movable (museum collections, archive collection, audiovisual and cinema collections, library collections). Immaterial cultural heritage implies oral tradition, folklore, crafts, mythology and rituals, festivals, and costumes.

Vrbas municipality has all these cultures. The sector of the cultural creation includes: theatre, opera, ballet, visual arts - painting, sculpture, drawing, graphic, and applied arts. Creative industries include: cinematography, radio, television, literary works and publishing, and music. Tradition is an organic part of every nation’s culture, which means that it uses the abundance of experience to establish the cultural patterns as the most important forms of the primary conscience and behavior culture.

However, cultural patterns are not a simple consequence of cultural tradition; the greatest influence is acquired right from the cultural past through the process of spontaneous and organized modeling. Vrbas municipality has a rich cultural heritage. The characteristic of a national culture is that it has a long tradition and that it changes very slowly, much slower than ideas. Without knowing the “deep layers and network of the national characteristics – conscious and unconscious, rational and irrational, constructive and destructive - it is difficult to understand the complex spiritual and cultural identity of a nation, which has grown out of those foundations”, says Žarko Trebješanin, the psychologist.

Vrbas has a very rich national culture. It is marked by a long history and continual colonization. The first is proved by the turbulent history of Vrbas.

The history of Vrbas goes back into the distant past. Although Vrbas is first mentioned in the written sources in 1387, thanks to the archeological excavations on the Carnok, Suvakov Salas and Polet brickyard sites, we have become familiar with many other things from its past. Carnok is a Celtic opidum (earth fortification) which was first a sales center, and later it gets a fortifying role, too. From the 4th century BC these areas were splashed by the waves of different peoples, brought here during the great migrations. The Avars remained longest, which is certified by the necropolis on the Polet brickyard site. The beginning of the 4th century is also the ending of the Avars dominance, but the control was overtaken by the Franks, and then Bulgarians. At the end of the 9th century, Ugrian tribes came to the Pannonia Plain. This is certified by the necropolis from the 10th century with their nomadic characteristics, and by the medieval settlements explored in this area. Although the year 1387 is taken as the year of Vrbas foundation, the town was mentioned early in 1213, when the name “Orbaspalotaja“ occurs as the seat of the two noblemen properties. According to the written sources this area was mainly settled with the Slavic people (Serbs), which fled from the settlement on several occasions due to wars, floods or diseases. The citizens were mostly mentioned in the tax books (Turkish books), tax book of the Sombor Nahiye (Sombor county) and the Great Segedin Sanjak from 1570. Also the Vienna Court Archive has some information about the inhabited villages and about the citizens from the census of the soldiers. The year 1720 is the year of great changes in ethnic ratio in Backa. Serbs moved to Russia and Banat, and the colonization of Rusyns, Germans and Hungarians began in this area. The Rusyns settled in Vrbas in 1745, in Kucura in 1763. The Germans started settling in 1784, while there is no precise information on the settling of the Hungarians, except that after the year 1890 they started settling Stari Vrbas on a greater scale. In the 19th century, due to the digging of the canal and construction of the railway Budapest–Subotica–Novi Sad, Vrbas became a big industrial, crafts and trade center. New primary, vocational schools and a grammar school were opened. That process directly influenced the strengthening of the newly formed civil class, which became the main carrier of the cultural, social and economical life. At the beginning of the 20th century, the workers gathered in the vocational unions, strikes occurred one after another, and World War II began in 1941. Less than four years later, on

the 20th October, Vrbas was liberated from the fascism. After the war, the city was settled by the citizens from Montenegro, Bosnia and Herzegovina and Kosovo and Metohija (organised colonization).

Migrations in Vojvodina brought the people from various parts of Europe. It contributed to the more versatile economy and cultural diversity.

The most important cultural and hysterical monuments in Vrbas are:

- Serbian Orthodox Church built in from 1730-1738,
- Evangelistic (Lutheran) Church built about 1824 after the settlement of the Germans in 1785,
- Vodice Chapel, a unique type of chapel specific for Vojvodina and Slavonia, built in 1793,
- Reformatory (Calvinist) Church built in the same period as Evangelistic,
- The construction of the Methodist Church began just before the World War I, and was completed in 1921,
- Žarko Zrenjanin Grammar School was founded in 1809 as a Latin school, and in the period to follow was renamed several times - Patron Real Gymnasia (1835), Patron Lower Gymnasia (1872), Communal Gymnasia (1893), Comprehensive Real Gymnasia (1921), and Real Mixed Gymnasia (1947),
- The Museum in Vrbas municipality was founded in 1968 and it changed several locations. Today, it is located in the old Municipal Building. The Museum collection includes several thousand museum exhibits, excluding the exhibits which are in the Vojvodina Museum. The most important exhibits include the ones found in Carnok, Polet Brickyard and Suvakov Salas. Of the great importance are the exhibits which marked the lifestyle of the people and nations through the history on the Vrbas municipality territory,
- The Monument to the engineer Jožefu Kiš (1748-1813) is located on the hill near the Vrbas hydro-junction (i.e. "Šlajz"). This monument is devoted to the memory of the Great Backa (Franc's) Canal designer, who wanted to be buried on Šlajz since it was the place from where the first probe works had started,
- Base Center or Bapina's Base is the most famous illegal base on the Vrbas municipality territory from the World War II period. It is located in 137 Milivoje Cobanski St. The frontal, residential part of the house contains the objects, photographs and other exhibits used by the illegals. In the rear part of the backyard, there is a separate small house, base, the place for the operation of the illegals. It is of

importance because it reflects the interior and exterior appearance of a Serbian country house from 19th century (According to: Opština Vrbas, 2017).

In the Vrbas municipality there are many different cultural events. The most popular are:

- The festival of the youth poetry, set up 40 years ago is the oldest and the most important cultural event in Vrbas municipality. It is also one of the most important poetry events in the country.
- The youth Palette is the biggest accompanying event to the Festival of the Youth Poetry and it gathers a dozen of the most talented young professional painters from all over the country selected by a famous art critics.
- Festival of Vojvodina folklore traditions was established 30 years ago, and was held in many Vojvodina municipalities. Upon the Decision of the Institute and Vrbas Municipality, the festival is to become a permanent event and will be held in Vrbas in September.
- Autumn Arts Salon was founded in 1968 and represents the oldest event of this kind in the Municipality. Salon is held in October or November and lasts for about twenty days.
- Kostelnik's Autumn is an inter-municipality musical and poetic event, a gathering of choirs organised by KDP "Karpati" and KC "Vrbas". This event takes place in November.
- The Night of Museums is a cultural event organised by museums and cultural institutions, during which museums are opened for the visitors from 6 pm to 2 am. The aim of this event is to present the museums and galleries in a funnier and unusual way. It takes place in May.
- Neven's Festival of Children-Poets has been taking place in Savino Selo since 1989. It has an international character and is recognized by the work with talented children and writers. Children authors compete with their poems and short lyrical stories in the Serbian language. Festival's publishing activity includes a special edition which is The first book of the most talented poet, i.e. poetess.
- Triangl Art Colony in Savino Selo takes place traditionally in May when it draws together a lot of outstanding and talented artists who in a three-day period create their paintings.
- "Kucurska žetva" (Kucura Harvest) is an event where Rusynian and Ukrainian folklore ensembles perform together with several ensembles of other national communities from Vojvodina. The aim of the festival is to preserve and nourish the folklore tradition of Rusyns and other national communities.

- Tamburitza Festival in Zmajevu is devoted to the Sava Vukosavljev, born in Zmajevu who is one of the most prominent personalities on the music scene of Vojvodina during the second half of the last century.
- “Fijakerijada” (Fiacre Festival) in Ravno Selo is a traditional cavalry event of parade and competitive character. It is held in July and August, in organization of Mustang Cavalry Club from Ravno Selo (Opština Vrbas, 2017).

Conclusion

The Vrbas municipality tourism resources are rich and versatile. They come from the prolific natural capital, specific for this Backa Plain, located in the very heart of Vojvodinian “Pannonia Sea”. They also come from the rich cultural heritage, built during the centuries, in the process of continual immigration and emigration, migrations and colonization. The process in which many cultures were and are mixed, with a great number of people who lived and live here and who left their mark in the form of specific Vojvodina cultural heritage, easily recognized in the European frameworks.

Unfortunately, however, all these potentials are unused with a huge tourism and development capital, which is unfortunately “dead”. Therefore, it is necessary to turn these comparative advantages into competitive ones, and these great possibilities into reality. This requires the change in the consciousness of the previous/current unsustainable development into a new concept of sustainable development, and also the change of the previous passive and inefficient economical policy into an active and successful development policy, on all the levels. The realization of this requires competent human resources, strong will and devotion, as well as desire to leave the vicious circle of underdevelopment, passivity, stagnancy and the lack of ambitiousness.

It is the qualitative, value conditions that with financial investments can initiate resource potentials of the tourism and any other development in the Vrbas municipality, for the benefit of all the citizens of this, once developed municipality.

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THE ROLE OF FOREIGN TOURISTS' FLOW IN THE SUSTAINABLE DEVELOPMENT OF ROMANIA AND BULGARIA

Marian Zaharia¹; Aniela Bălăcescu²

Abstract

Tourism is an important branch of sustainable development, and at least three elements go in favour of this assertion: revenue contributors to GDP, significant number of jobs it generates and the positive impact it induces in local communities. Tourism must be supported by a favorable legislative framework through the development of infrastructure, high quality services and incentive pricing policies. Given the fact that the number of overnight stays of foreign tourists in Bulgaria (a country with tourism potential relatively close to that of Romania) in August 2005 was 5 times higher than in Romania and the fact that this gap has continued to grow (in August 2014 the number of foreign overnight stays of tourists in Bulgaria was 8.26 times higher than in Romania), the paper examines the evolution and intensity of the flow of foreign tourists (implicitly of currency flows generated by them) and their impact on processes of convergence and divergence manifested in the transition processes.

Key Words: *sustainable development, foreigner tourist flow, ARIMA models*

JEL classification: *C10, C12, L83, Z30, Z31, Z32*

Introduction

Due to the relatively low investment required to launch a business and to the financial flows that it may attract, tourism is an industry that may involve an upward dynamic of economies in transition. At the same time, through the flows by which it is interconnected, tourism industry

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represents an aggregated social system (Bartelmus, 2003) with implications for both social welfare and sustainable development (Hamilton & Withagen, 2007; Popescu & Andrei, 2011) and the preservation of ecosystems (Common & Stagl, 2005). All this leads to an increasing focus on sustainable tourism (Aall, 2014; Lucchetti & Arcese, 2014) and on the educative ways in the spirit of its sustainable development (Hatipoglu et al., 2014).

On the other hand, the need for a new approach is highlighted (Moscardo & Murphy, 2014), as well as for redimensioning and decentralization in "policy frameworks and practices aiming towards sustainability" (Saarinen, 2014). It should be emphasized that globalization requires cultural and natural heritage for future generations, which makes it impossible to define and implement models in area of tourism, since each country has specific potential on which to base their strategies and methods (Muresan, 2009; Panyik & Zaharia, 2014).

From a practical standpoint, tourism was and is an important direction for action mostly for former communist countries that have adopted liberal economic and political models (Hall, 2004). Although, they gradually became EU28 members, the gap between them and developed countries from Western Europe continues to be significant, especially for Bulgaria and Romania.

Issues of tourism development have been addressed since the 1990s both in Bulgaria (Vodenska, 1992; Bachvarov, 1997) and Romania (Light & Dumbrăveanu, 1999). Also sustainable development aspects are matters of recent approaches with overview references (Stoilova, 2013; Ioneci, 2010) or analyzing various forms of tourism (Marinov, 2012; Andrei et al., 2014).

Although it has been eight years since the accession of Romania and Bulgaria to the EU28, in terms of real GDP (Gross Domestic Product) per capita at market prices, Romania and Bulgaria are on the last two positions in the EU28. In 2013, real GDP per capita in Romania and Bulgaria at market was €7,100 and €5,500, respectively (Eurostat). But on the other hand, the export of goods and services in Bulgaria was €3,900 per inhabitant, while in Romania it was only €3,000, being on the last position in this case. Policies on sustainable development of tourism, their results, and thus their contribution to GDP growth, seem to differentiate

the evolutions of the two countries and their convergence duration towards the average UE28.

Research methodology

In the time series analysis of the number of overnight stays of foreign tourists in Bulgaria and Romania in the period 2005-2014, we start from the general dynamic model applied to BONS time series (Bulgarian overnight series) and RONS (Romanian overnight series), as the achievements of some random processes, as (Oprescu, 2007):

$$y_t = f(y_{t-1}, y_{t-2}, \dots, t) + \varepsilon_t \quad (1)$$

where:

ε_t - is a random process of "white noise" type ($M(\varepsilon_t) = 0$ and $D(\varepsilon_t) = \sigma^2$), represented by the residual terms $y_t - f(\bullet)$ between the observed values and regression $f(\bullet)$.

\mathfrak{T} - series of time points ($\mathfrak{T} = \mathbf{N}$).

For identifying and analyzing the data series components and BONS and RONS data series model (1) was written highlighting trend component (Y_t), seasonal component (C_t) and residual component (ε_t):

$$y_t = Y_t + C_t + \varepsilon_t \quad (2)$$

where:

$$\varepsilon_t \xrightarrow{P} N(0, \sigma^2), \text{ cov}(\varepsilon_t, \varepsilon_{t+\tau}) = 0, (\forall) \tau > t.$$

The cyclical component is econometrically represented by:

$$C_t = a \cdot \cos \omega t + b \cdot \sin \omega t, \omega \neq 0 \quad (3)$$

In (3), $a, b \in \mathbf{R}$, ω is the oscillation frequency and the oscillation period is $T = \frac{2\pi}{\omega}$. To determine the parameters a and b the least squares method is used (Gogonea & Zaharia, 2008). Their expressions are:

$a = \frac{2}{n} \sum_{t=1}^n y_t \cos \omega t$ and $b = \frac{2}{n} \sum_{t=1}^n y_t \sin \omega t$. Taking them into account, the deseasonalisation series are obtained such as:

$$y_t^{\text{SA}} = Y_t + \varepsilon_t \quad (4)$$

The time series given by the model (4) were analyzed using ARIMA(p, d, q) models, where p is the order of the autoregressive component (AR), q is the order of the moving average component (MA), and d is the order of differentiation of the deseasonalisation time series.

The use of autoregressive models and mobile average is possible only if the time series analyzed are stationary, y_t^{SA} considering stationary series if the mean $E[y_t^{SA}]$ does not depend on t , $\text{Var}[y_t^{SA}]$ is a positive number, finite and independent from t and covariance $\text{Cov}[y_t^{SA}, y_s^{SA}]$ does not depend on t and s (Gogonea & Zaharia, 2008; Pfaff, 2008). To test the stationarity analysis Augmented Dickey-Fuller statistic test was used (Dickey & Fuller, 1979; Elder & Kennedy, 2001). IF Null Hypothesis: BONS_COR has a unit root is accepted, y_t^{SA} series must be stationarized. One widely used method is differentiation.

$$\nabla^d y_t^{SA} = (1-L)^d y_t^{SA} \quad (5)$$

here $\nabla^d y_t^{SA}$ where is the series of differences of order d of y_t^{SA} series and L is the delay operator ($Ly_t = y_{t-1}$, $L^2 y_t = y_{t-2}$, ..., $L^p y_t = y_{t-p}$). If the series is stationary (has no unit root) then $d=0$.

The general form of ARMA(p,q) is:

$$y_t = \varphi_0 + \sum_{i=1}^p \varphi_i y_{t-i} + \varepsilon_t + \sum_{i=1}^q \theta_i \varepsilon_{t-i} \quad (6)$$

where $\varepsilon_t \sim N(0, \sigma_\varepsilon^2)$ is a stationary series, $M(\varepsilon_t) = 0$, $M(\varepsilon_t^2) = \sigma^2$ and $\text{cov}(\varepsilon_t, \varepsilon_i) = 0 \forall t \neq i$, $\varphi_i \in \mathbb{R}, i = \overline{0, p}$ and $\theta_i \in \mathbb{R}, i = \overline{1, q}$ are model parameters.

If time series y_t is not stationary, then it will be transformed according to (5), the model ARMA (p,q) becoming an autoregressive integrated moving average model ARIMA (p,d,q).

The determination of parameters of time series models analyzed was carried by using least squares method. In the obtained model hypotheses of least squares were tested. For this, we used the following tests Jarque-Bera normality test (Jarque & Bera, 1987), Durbin-Watson statistic

(Verbeek, 2012) and ARCH test - autoregressive conditional heteroskedasticity test (Engle, 1982).

The data series used are nights spent at tourism accommodation establishments - monthly data (Eurostat) and initially covering the period January 2005 - August 2014, and in the second part of the paper in the period January 2005 - November 2013. Statistic packages used for data analysis were EViews SPSS (Jaba & Grama, 2004) and Excel (Oprea & Zaharia, 2011).

Results and Discussion

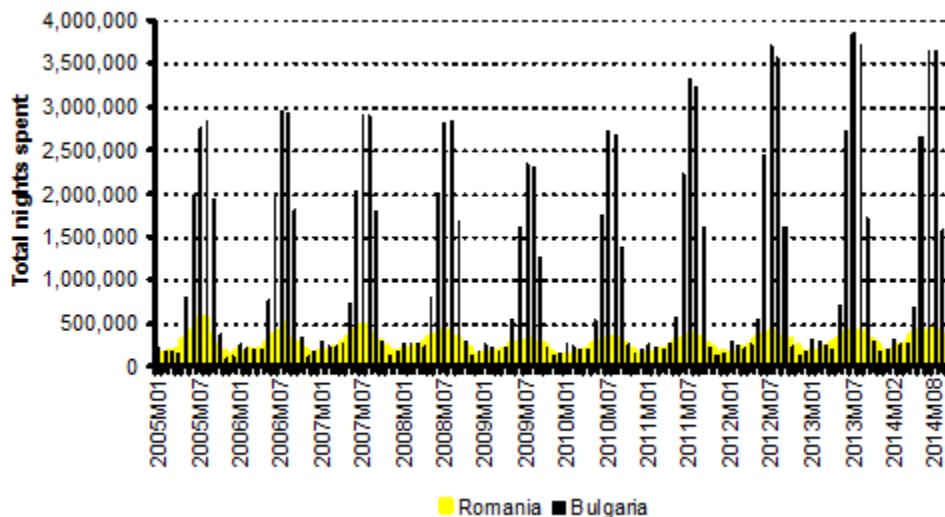
General characteristics of foreign tourists flows

Both in Romania and Bulgaria, the flows of foreign tourists are characterized by high seasonality with annual periodicity, with peaks in July and August and minimum number of visits in November (Bulgaria) or in winter months (Romania). However, the amplitudes of the oscillations recorded by the number of overnight stays of foreign tourists from the two countries significantly differ (Fig. 1).

The ratio between the minimum and maximum number of foreign tourists in Bulgaria in 2005 was 28.23, extremes recorded in August and November respectively, and in 2013 was 22.19, extremes recorded in July and November. In Romania in 2005 the ratio between the minimum and maximum number of foreign tourists was 3.87, extremes recorded in August and December respectively, and in 2013 this ratio was 2.36 extremes recorded in August and February respectively. Seasonality of overnight stays of foreign tourists in Romania is much less obvious than that in Bulgaria.

Although apparently it can be considered a positive aspect in that there is a continuity that does not put a particular strain on their activities in the tourism industry, there is a low annual average level of overnight stays of foreign tourists in Romania, which in 2013 was approximately 289 thousand overnights, while in Bulgaria the average was of 1.197 thousand overnight stays (by 4.14 times more).

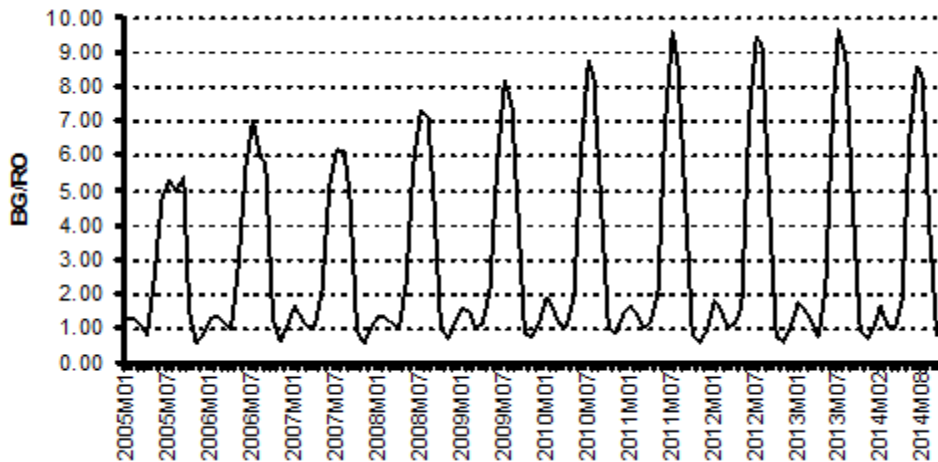
Figure 1: *Dynamics of foreign tourists flows in Bulgaria and Romania, 2005 – 2014*



Source: *own construction based on (Eurostat)*

An image that highlights the difference between the two countries in terms of the number of overnight stays of foreign tourists is given by the ratio between the number of overnight stays of foreign tourists in Bulgaria and Romania during 2005 - 2014, shown in Fig. 2. As can be seen, the number of overnight stays of foreigner tourists in Bulgaria, in the summer months starts from 5.37 times higher in September 2005, reaching 9.65 times higher in July 2013. It is true that in July 2014 the ratio between the number of overnight stays of foreign tourists in the two countries dropped to 8.63 times but this decrease is caused primarily by reduction of around 194,000 overnight stays in Bulgaria, and to a lesser extent by the increase of approximately 25 thousand of overnight stays in Romania in the same month of 2014 as compared to 2013.

Figure 2: *Developments of the ratio between the number of overnight stays of foreign tourists in Bulgaria and Romania, 2005 - 2014*



Source: *own construction based on (Eurostat)*

Finally, a comparative analysis of developments presented in Fig. 1 and 2 leads to the conclusion that the economic crisis triggered in 2009 influenced the number of overnight stays of foreign tourists both in Bulgaria in July 2009 where it fell by 17% as compared to the same period of 2008 and in Romania where in August 2009 the number of overnight stays of foreign tourists decreased by 10% compared to August 2008.

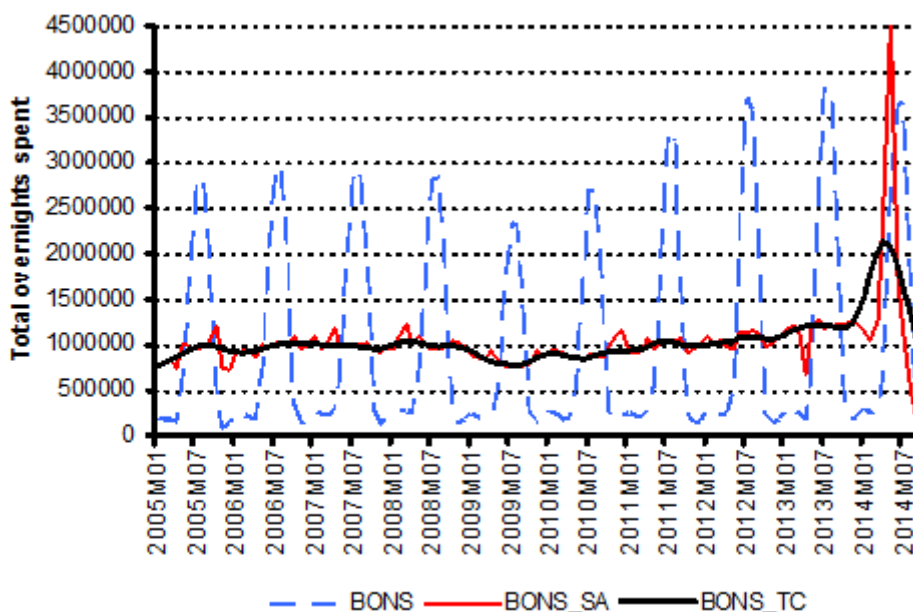
Time series analysis

In order to highlight the significant differences between the developments in the number of overnight stays of foreign tourists in Bulgaria and Romania during 2005 – 2014, we analyzed BONS (Bulgarian overnight series) and RONS (Romanian overnight series) time series represented in Fig. 1. Based on them, their corresponding dynamic models were identified and their characteristics were analyzed.

BONS time series corresponding to the evolution in the number of overnight stays of foreign tourists in Bulgaria in the period analyzed (Fig. 3) is the result of the composition of at least three components: seasonality component, trend component and irregular component.

The features of seasonal component have been highlighted above. After its elimination, BONS_SA series (final seasonality Adjusted series) was obtained. However, as can be seen from Fig. 3, BONS_SA series in May 2014 recorded a significant irregularity. While attempting to remove it by adjusting BONS_SA with BONS_IR (final irregular component), BONS_TC (final cycle trend) was obtained where the irregularity, although reduced, continues to be important. To avoid its influence on the analysis of the evolution of overnight stays of foreigners in Bulgaria BONS_COR subseries (overnights spent corrected) was selected comprising the period between January 2005 and November 2013.

Figure 3: *The final trend cycle (BONS_TC) of Bulgarian overnights spent series (BONS) by eliminating seasonality and irregular component*



Source: *author`s own computation*

To test the stationarity of BONS_COR series Augmented Dickey-Fuller statistic test was used. The results of the testing are presented in Table 1.

Table 1: *Testing the stationarity of BONS_COR series*

Null Hypothesis: BONS_COR has a unit root		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-0.079729	0.9479
Test critical values:	1% level	-3.496346	
	5% level	-2.890327	

Source: *author`s own computation*

Since Prob. = 0.9479 is much higher than the chosen threshold of significance it results that the null hypothesis is accepted: BONS_COR series is not stationary. Consequently, D_ONS_COR series was built which is 1st difference of BONS_COR. In its case Prob. = 0.007 (Table 2), the null hypothesis being rejected.

Table 2: *Testing the stationarity of BONS_COR series*

Null Hypothesis: D_BONS_COR has a unit root		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		4.322172	0.0007
Test critical values:	1% level	-3.496346	
	5% level	-2.890327	

Source: *author`s own computation*

Among the tested models for analysis of D_BONS_COR series ARIMA (2,1,1) autoregression model was chosen. Its characteristics are shown in Table 3. Given that Prob (F-statistic) = 0.00 < 0.05, it results that the model is valid. Also, given that the values probabilities corresponding to T-Statistical are less than 0.05, it follows that the coefficients of the variables AR (1), AR (2) and MA (1) are statistically significant. Constant C is not statistically significant (Prob. = 0.1398 > 0.05). But this does not influence the dynamic characteristics of the model.

Table 3: *Testing the validity of ARIMA(2,1,1) for D_BONS_COR series*

Dependent Variable: D_BONS_COR		Method: Least Squares		
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	3424.724	2300.529	1.488668	0.1398
AR(1)	1.482289	0.065570	22.60616	0.0000
AR(2)	-0.755462	0.065176	-11.59102	0.0000

MA(1)	0.975998	0.009879	98.79241	0.0000
R-squared	0.967544	Akaike info criterion	19.03272	
Adjusted R-squared	0.966560	F-statistic	983.7482	
Durbin-Watson stat	1.949703	Prob(F-statistic)	0.000000	

Source: *author`s own computation*

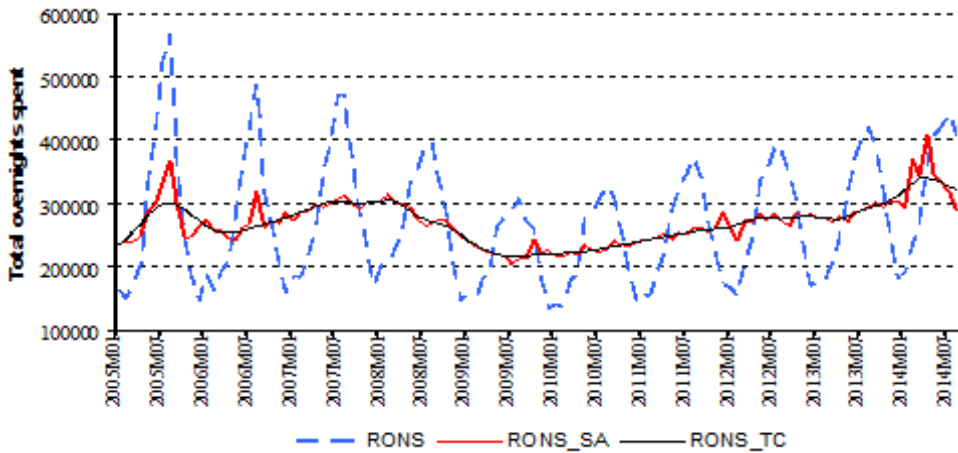
In order to decide whether to accept or reject the obtained model, the hypotheses of least squares were tested. The assumption of the normal distribution of residuals was checked by Jarque-Bera test normality test that is equivalent to 1.528182 and which corresponds to a probability of 0.465757 much higher than the chosen threshold of significance ($\alpha=0.05$). Therefore, the null hypothesis is accepted: residuals have a normal distribution.

Testing the hypothesis regarding autocorrelation of residues was performed with Durbin-Watson statistic. Considering that the Durbin-Watson statistic is 1.949703, a value belonging to the interval (1.74, 2.26) corresponding to the chosen significance threshold and the number of independent variables in the model, it results that the null hypothesis is accepted: the residual variable is not autocorrelated.

Finally, after applying ARCH test, it resulted F-statistic = 1.219286, value corresponding to probability 0.272151 greater than the significance threshold. It follows that in this case the null hypothesis is accepted Residues series is: homoscedastic.

In Romania RONS time series, corresponding to the evolution in the number of overnight stays of foreign tourists in the period analyzed (Figure 4), is also the result of the composition of the three main components: seasonality component, trend component and irregular component. Fig. 4 presents together the RONS series RONS_SA series (final seasonality adjusted series), as well as RONS_TC series (final trend cycle) obtained from it after removing the irregular component.

Figure 4: *The final trend cycle (RONS_TC) of overnights spent Romanian series (BONS) by eliminating seasonality and irregular component.*



Source: *author`s own computation*

Since none of RONS_TC series is stationary, D_RONS_TC was generated which is 1st difference of RONS_TC. With this prob. = 0.0004 < 0.05, null hypothesis is rejected. D_RONS_TC series is stationary which permits the continuation of the process for producing a new ARIMA(n,1,p) model, where n and p are to be identified.

Table 4: *Testing the stationarity of D_RONS_TC series*

Null Hypothesis: D_BONS_COR has a unit root	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-4.501951	0.0004
Test critical values:		
	1% level	-3.490210
	5% level	-2.887665

Source: *author`s own computation*

Among the tested models, for the analysis of D_RONS series ARIMA(3,1,1) autoregressive model was chosen. Its characteristics are shown in Table 5. Since Prob (F-statistic) = 0.00 < 0.05, it follows that the model is valid. Also, given that the values of probabilities corresponding to t-Statistical are less than 0.05, it follows that the coefficients of the variables AR (1), AR (2) AR (3) and MA (1) are statistically significant. Constant C is not statistically significant (Prob. = 0.9168 > 0.05), not influencing the dynamic characteristics of the model obtained.

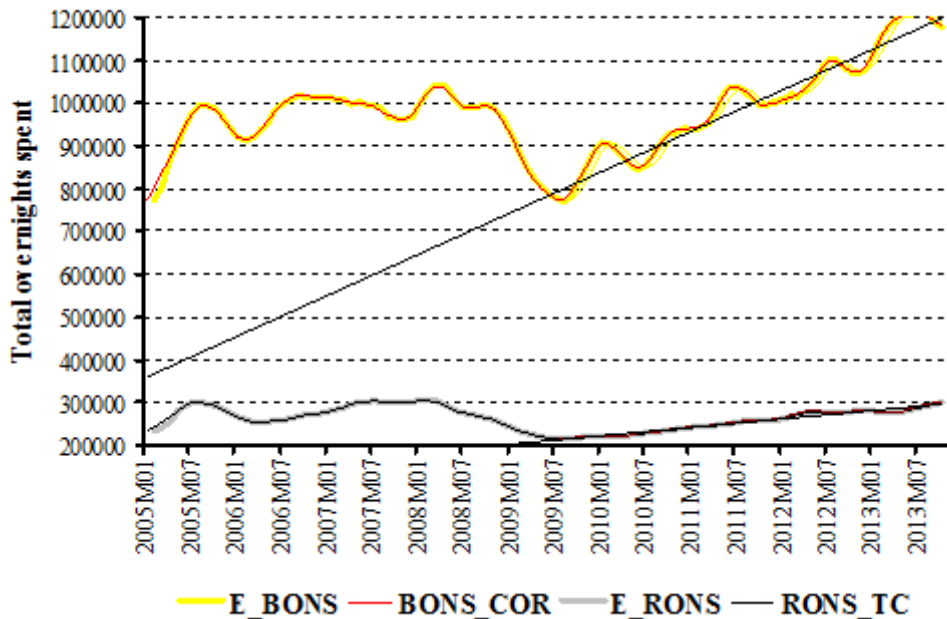
Table 5: *Testing the validity of ARIMA (3,1,1) model for D_RONS_COR series*

Dependent Variable: D_BONS_COR		Method: Least Squares		
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-112.5904	1074.637	-0.104771	0.9168
AR(1)	2.198029	0.090010	24.41994	0.0000
AR(2)	-1.842025	0.160385	-11.48502	0.0000
AR(3)	0.580380	0.087188	6.656678	0.0000
MA(1)	0.530637	0.096542	5.496434	0.0000
R-squared	0.989209	Akaike info criterion		15.14051
Adjusted R-squared	0.988806	F-statistic		2452.225
Durbin-Watson stat	1.901495	Prob(F-statistic)		0.000000

Source: *author`s own computation*

Regarding the checking of the hypotheses of the least squares, the assumption of the normal distribution of residuals was also checked with Jarque-Bera test that is equivalent to 1.110926, which corresponds to a probability of 0.573806 greater than the chosen threshold of significance. Therefore, the null hypothesis is accepted: residues have a normal repartition. The value of 1.901495 of Durbin-Watson statistic test leads to the conclusion of accepting the null hypothesis: the residual variable is not autocorrelated. Also, after applying ARCH test resulted F-statistic = 0.028903, a value corresponding to the probability of 0.865319 more than threshold of significance. It follows that even in this case the null hypothesis is accepted: the residues series is homoscedastic.

Figure 5: *Initial data series and series of data obtained by static estimation, 2005-2013*



Source: *author`s own computation*

The data series obtained after removing seasonality and components and of irregular component BONS_COR (Bulgarian overnight spent series - Corrected series) and RONS_TC (overnight spent Romanian series - trend cycle), and E_BONS series (Estimate Bulgarian overnight spent series) and E_RONS (Estimate Romanian overnight spent series), estimates using identified models are shown in Fig.5.

After the shock of the crisis triggered in 2009, in both countries there is a process of reviving the tourism industry in terms of overnight stays of foreign tourists. Although the trends are positive, there are significant differences between the expected developments, as evidenced by their graphs (Figure 5). Thus, while the number of overnight stays of foreign tourists in accommodation establishments in Bulgaria increases by about 7,950 nights per month, in Romania the average monthly increase of overnight stays is of only 1,670, which is 4.76 times lower. From this point of view, the two countries have divergent evolutions.

Although, in 2014, Bulgaria recorded a slight decline in the number of overnight stays of foreign tourists, Romania continued to remain on an upward trend. Romanian tourism, in terms of overnight stays of foreign tourists would need a few decades to reach the level of Bulgaria.

On the other hand, compared with the average rate of increase in the number of overnight stays of foreign tourists at UE28 level, there is a convergence process. Thus, during 2010 – 2014, the number of overnight stays of foreign tourists recorded in August of each year at the UE28 increased by an average rate of 5.46%. In Romania, in August, the average rate recorded during the same period was 7.46% and 9.70% in Bulgaria. If we consider that the average rate of overnight stays of domestic tourists recorded in August, during the analyzed period in Romania (2.50%) and Bulgaria (6.89%) also recorded higher values than the UE28 average values of August (0.5%) it follows that tourism in the two countries is a factor of their convergence to the European average.

Conclusions

Between sustainable development and tourism development there are significant connections, tourism being both a factor of social, economic and multicultural development, but also an industry with environmental implications.

In the context of sustainable development and environmental protection policies adopted at European level, these two issues are not only conflicting but can even have mutual support leading to a harmonious development, to the enhancement of natural and human heritage of each region of development, but preserving their specificity.

In the extensive processes of social and economic development and of convergence processes in UE28, Romania and Bulgaria have started on a relatively similar position and unfortunately still continue to be in the second half of the rankings in the EU28. The policies implemented by their governments in tourism development and necessary infrastructure determined different developments, Bulgaria is significantly outpacing Romania.

Although both countries border the Black Sea and have both natural and human similar patrimonies allowing all forms of tourism development, from the point of view of foreign tourists flows who have benefited from

accommodation in the past decade there are significant differences. This is emphasized by the econometric models analyzed and which, although describe upward trends, highlight divergent developments. Both average increases and average rates in the number of overnight stays of foreign tourists in these countries show that, at least in the near future, Bulgaria will continue to depart from Romania.

Flows of foreign exchange inflows that came to Bulgaria, determined by flows of foreign tourists in August of the period analyzed were 8 times higher. It should be also pointed out that, except in April and November, and sometimes October in all other months foreign exchange inflows are falling due to the number of foreign tourists in Bulgaria being higher than that in Romania. The contribution of tourism to national income and domestic product is significantly higher in Bulgaria than in Romania, and therefore the contribution of tourism to their sustainable development.

Analyzing foreign tourists flow developments in the two countries compared to their average evolutions in UE28, the emphasized fact is that their growth rates are higher than the European average. This highlights the convergence processes to the European average in both countries with the observation that the process is faster in the case of Bulgaria. On the other hand, taking into account that the average rate recorded by domestic tourists' overnight stays are also higher than the European average, it can be concluded that tourism is a lever for sustainable development.

Flows of foreign tourists and foreign exchange inflows generated by them, flows entering the economy of any country are considered to be important levers of economic and social growth. The way of attracting and their flow depend not only on the natural and anthropogenic heritage, but also on the policies adopted especially by developing countries. Their efficiency are factors that accelerate or slow the transition processes.

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SUSTAINABLE TOURISM FOR SUSTAINABLE DEVELOPMENT – GENDER PERSPECTIVE REVISITED

Jovana Čikić¹;

Abstract

Sociological researches of sustainable development overcome its narrow environmental orientation and focus on economic and socio-cultural dimensions. The later refers to the inter/intra-generational and international access to (in)tangible social and cultural resources. Various stakeholders use both types of the resources, in accordance to specific accessibility regimes. Such regimes are influenced by multiple factors, including gender. As contemporary authors speak of sustainable tourism as a part of sustainable social development strategies, we have analyzed needs and obstacles in insisting on and achieving gender equality as one of the pillars of sustainable tourism. We have based our analysis on the relevant references. The aim is to examine are there gendered differences: a) in roles and positions in development of sustainable tourism industry and b) in sustainable tourism benefits. Results could provide an answer whether sustainable tourism could contribute to general gender equality and sustainability.

Key Words: *community development, culture, gender, sustainable tourism, sustainable development*

JEL classification: Z32

Introduction

Since 1990s, sustainable development became one of the most referable scientific paradigms, but also political concepts. The very idea originated from the need to address growing environmental issues. Nevertheless, as environmental issues are socially determined, it has been noted that the

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new concept could be an umbrella paradigm for various social, economic, and cultural issues. Thus, we usually perceived sustainable development as three pillared. Also, its vast definition made sustainable development receptive for various contexts – from highly developed to underdeveloped countries, from global to local communities, from pre-transitional to post-transitional phases of development, from societies of centre to the societies of periphery. As a result, it was no surprise that sustainable development has become very interesting to the policy makers. It has affirmed mainstream solutions for social development: a) leaning on gradual changes in contemporary production and consumption patterns, b) emphasizing neoliberal concept of self-resourcing and participation, c) balancing between national, regional and local levels of decision-making and policy practicing and d) proclaiming solidarity, security, equality and well-being as basic social values.

Gender is one of the main issues in sustainable development research and practice. Sustainability aims to address gender (in)equalities as an aspect of social (dis)parities. Gender inequalities are essential to understand causes of underdevelopment. Also, gender equalities are one of the main goals and outcomes of sustainable development. According to the Agenda 2030 (UN, 2015), all of the 17 sustainable development goals and 169 targets are aimed to “achieve gender equality and the empowerment of all women and girls. They are integrated and indivisible and balance the three dimensions of sustainable development: the economic, social and environmental” (p. 1). All three pillars of sustainability explore limits and opportunities for gender equality.

Tourism is one of many issues wearing sustainability coat. Interest in sustainable tourism has emerged as negative impacts of tourism industry became more evident. It replaced carrying capacity concept which has lacked both consistent theoretical postulates and empirical background. During the last three decades, references, organizations, journals, policy measures and practices on sustainability overwhelmed tourism industry, aiming to make it more long-term (inter-generationally) feasible and in line with the solutions for the main social problems such as poverty, uneven development, hunger, exploitation, environmental protection, etc. According to UNEP/UNWTO (2005), sustainable tourism is defined as tourism “that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities” (p. 11-12).

Recent studies have shown increased interest in researching gender in tourism. Mostly, researches of gender issues aim to address roles and positions of women within tourism industry. However, such perspective could be perceived as simplification of gender analysis as it often forgets masculinity, disabling systematic insight into the male-female relations within tourism system. However, due to the complexity of the gender analysis, we have hereby focused on roles and positions of women in development of sustainable tourism, comparing them to men`s whenever possible. We also have aimed to examine are there gendered differences in sustainable tourism benefits. Thus, by analyzing relevant references, we have tried to answer is sustainable tourism gendered and whether it could contribute to general gender equality and sustainability.

(Sustainable) development from the community and gender perspectives

By the end of the 1960`s and beginning of the 1970`s it was obvious that environmental issues have increased to become threat to the global development. First comprehensive effort to analyze social causes and consequences of environmental problems was report *Limits of Growth of the Club of Rome* (Meadows et al., 1972). Their quite pessimistic prognosis and proposed model of self-restrained limited growth were an inspiration for the series of forthcoming authors to analyze relations between social, economic and environmental developmental goals. In the 1980`s, two major concepts have emerged - theory of ecological modernization and sustainable development. Both of the concepts have emphasized cooperation between economy and environmental protection in terms of ecologization of economy and economization of ecology (Leroy & Tatenhove, 2000). Also, concepts have easily become very popular as they argue gradual social reforms in order to achieve balance between environmental capacity and social requests (Čikić, 2012). Concept of sustainable development emerged as a strategy for enabling resource management in order to increase long-term well-being and wealth. Sustainable development can be interpreted in two ways (Bridger & Luloff, 1999). First, as constrained economic growth - such perception inclines to the theory of ecological modernization focusing on “utility maximization by adding ecological considerations” (p. 378). Second, as environmental resources maintenance, by challenging current production and consumption patterns in order to place “protection of natural resources ... on equal footing with economic considerations” (p. 379). Authors that have argued for sustainable development have also

emphasized that social development cannot be equated with the economic growth as it comprises of economic, but also cultural, institutional, political, environmental, intergenerational and gender dimensions. Thus, concept of sustainable development has a broader impact on different research issues and policies. Regardless the level of practice (from global to local), sustainability is usually linked to the community as a relevant social and spatial framework in researching and achieving it. Community has a growing importance in sustainability analysis and planning as it enables “participation, empowerment and local activism” (Wartburton, 2009, p. 3) which are crucial for eradication of poverty, strengthening social justice and environmental protection. Even though there is often confusion about meaning of the community, it usually refers to the spatial and social entity of organized social functions relevant to its survival and development. It also implies individuals and groups that identify themselves based on community’s characteristics and cooperate in order to achieve common goods. Sustainable community implies certain level of social vitality and resilience in order to face structural and functional challenges throughout integrative and holistic approaches and solutions. According to Kline (1995; cited by: Bridger & Luloff, 1999), sustainable community is an: “ability of a community to utilize its natural, human, and technological resources to ensure that all members of present and future generations can attain a high degree of health and well-being, economic security, and a say in shaping their future while maintaining the integrity of the ecological systems on which all life and production depends” (p. 381).

Three pillars of the sustainable community are: healthy environment, growing economy and social well-being (Power, 2004). The latest “arises from a sense of security, belonging, familiarity, support, neighborliness, cohesion and integration of different social groups” (Power, 2004, p. 7). It also implies certain level of social capital at disposal of community members which enables them to take part in achieving and preserving sustainability. According to Roseland (2012), “decision-making in a sustainable community stems from a rich civic life and shared information among community members. A sustainable community resembles a living system in which human, natural and economic elements are interdependent and draw strength from each other” (p. 27).

In practical terms, linking sustainability to the community enables better understanding of what sustainability means – it facilitates problems’ perception, identification of resources and coordination of activities to be

undertaken. More importantly, sustainability - community relation allows strengthening stakeholders' networks, thus "creating climate much more conducive to the kind of long-term political mobilization" (Bridger & Lullof, 1999, p. 380). Nonetheless, creation of such networks is not an easy task. Communities are consisted of heterogeneous individual, group and institutional stakeholders. They differ in number, roles, statuses, power, information, level of organization, possession of human, financial, social capitals. Gender regime is one of the criteria to be taken into the consideration when analyzing ability of stakeholders to participate in networks and community life.

In section III, chapter 24 of the Agenda 21 (1992), women have been recognized as one of the nine major stakeholders in accomplishing sustainability. Their participation in decision-making is considered not only a basic human right, but precondition of social development overall. In Agenda 2030 (UN, 2015), gender equality is set up as a stand-alone goal, but also all other 16 goals of sustainable development have been gendered. Nevertheless, the issue of gender and development has been raised prior to the sustainability. Since 1970`s, concepts of WID (Women in development), WAD (Women and development) and GAD (Gender and development) have questioned equal gendered positions within development processes, but also equal gendered benefits from it (Collier, 1988). WID concept has insisted on improvement of women's social status by enabling them to take part in global economic reproduction. An important boost for women's recognition in research of development was Ester Boserup's book (1970) "Women's Role in Economic Development" in which was proven how specialization in division of labor development weakens the value of women's works. The ideas and conclusions have made quite an impact. The key solution for improvement of women's social status was an improvement of female participation in labor market and their mutual cooperation. Such would have facilitated women to acquire adequate resources and to utilize them more efficiently. Within WID concept, equality is regarded both as intra-household and inter-household issue and its achieving requires an application of wide range of policies (Collier, 1988). WAD concept has emerged in the middle of the 1970s as a critic of WID. The main issue in the concept is relation between patriarchal gender regime and capitalist production. The main difference between WAD and WID is in the perception of women's participation in development – WAD insists on women's continual contribution to the reproduction. However, patriarchal gender regime blocks women's access to both development resources and benefits. Also,

patriarchal gender regime obstructs visibility of women's involvement in development. GAD emerged in the 1980s and it made a significant step forward introducing gender into developmental perspective. It focuses on the gendered participation and benefits from the development. According to GAD concept, there are "socially constructed basis of differences between men and women" and development policies and practice should focus on "the need to challenge existing gender roles and relations" (Reeves & Baden, 2000, p. 3). Furthermore, GAD postulates that gender inequalities are not only visible in economy, but in all other forms of social life, from personal, intimate relations to participation in policy making. Within GAD, women are not perceived *per se* as a research or policy issue - GAD focuses on relations between women and man, where women are seen as oppressed. GAD approach is focused on gendered availability of different power sources and power relations that make members of a certain gender more or less active in development processes: "women are a disadvantaged group compared with men; women and men have differing needs due to their different roles and responsibilities, and in particular their unequal access to and control over resources; women's position of inferiority and subordination is an obstacle to development because it limits the chances and opportunities of half of the world's population" (FAO, 2011, p. 19).

Simultaneously with WID and prior to the actual establishing of sustainable development concept, new debate has appeared – Women, environment and development (WED). It was inspired by the issue of women's participation in environmental management, especially in forestry and agriculture (Tiondi, 2000) whereas women "were portrayed as environmental managers whose involvement was crucial to the achievement of sustainable development" (p. 1). This especially refers to the developing countries/communities. Starting point in WED is gendered division of labor. It explains women's roles, duties and expectation, their access to natural resources, their knowledge about environment and interest in sustainable management of natural resources. According to Sachs (1997), women have respectable knowledge about environment, but it is often underappreciated by official development agencies. According to Tiondi (2000), WED focus have changed over time – "In the early 1980s, women were commonly portrayed as the primary victims of environmental degradation. The degradation of natural resources was seen as an undermining factor in women's ability to perform their sustenance roles and also increased the cost of both their time and energy. In the late 1980s, women came to be seen less as victims and more as

efficient environmental managers and conservers of natural resources... The guiding principles for policy, as formulated by WED, were that women should be incorporated fully into development program activities. The aims of this approach were to ensure that women became direct beneficiaries and that sustainable development projects were not undermined by the exclusion of women, the primary agents of environmental resource management” (p. 6).

WED debate is often linked to the GED (Gender, environment and development) debate. According to GED, control over and use of environmental resources depends on gender regimes. Also, gender regimes determine the accessibility of other resources significant for achieving social status, participation in decision-making, risk of social exclusion and availability of development benefits.

All of the presented concepts have influence gender sensitivity of the sustainability concept. Within the concept, gender aspect has become crucial for addressing the issue of responsibility and efficiency. According to Wart and Koparanova (2012), gender aspect of sustainable development applies to “allocation of resources between women and men” (p. 7), both in intra-generational and inter-generational perspective. Nevertheless, there are gender differences in overcoming obstacles for sustainability and in achieving benefits of sustainable development. Identification of gender gaps is the main step forward sustainability as “by identifying the areas in which women continue to be disadvantaged, it is possible to recognize where empowering measures are most needed” (p. 11). This especially refers to the social sustainability as it is “most politically-sensitive of the three dimensions and thus the hardest to address” (Stevens, 2010, p. 3).

Sustainable tourism in/and sustainable development

Research and also practice of tourism have not long been immune to the “charms” of sustainable development. The concept came as a “prince in the shining armor” in the moment when serious critics of the mass tourism and its negative impacts have emerged among scientists, decision-makers, employees in tourism industry, tourists. Incorporation of the sustainability principles into tourism research and practice has been recognized useful not only for overcoming negative and unwanted consequences of tourism development on environment or its insufficient

economic and social benefits, but for expanding new tourism industry horizons, in terms of new destinations and/or new types of tourism offers.

Definitions of sustainable tourism are various and countless. However, all of them emphasize certain points, synthesized by Faulkner (2001): “safeguards and enhances to natural and cultural assets of the destination; safeguard and enhances the resident population’s quality of life and life opportunities; satisfies the needs and expectations of the tourist market; is economically viable and achieves a return on investment for tourism operators; and achieves equity in the distribution of costs and benefits of tourism between different segments of the community and between the current and future generations. That is, outcomes are considered beyond the relatively short term horizon... and ensure that both inter and intra generational equity is taken into account” (p. 343-344).

The idea of sustainable tourism is often linked to the concept of community development for two main reasons. First, the community is usually the most acceptable layer in researching and achieving sustainability as it enables thorough identification of development issues, but also available resources and stakeholders. In addition, community is quite enough to make possible the analysis of complex sustainability issues. Second, community can be regarded as a tourism destination unit with local population (both recipient and non-recipient), businesses and government as main stakeholders in tourism planning.

Even though useful (to some point), sustainability paradigm in tourism development has often been perceived without necessary critical approach. Liu (2003) has enumerated six major weaknesses of sustainable tourism literature – from devoting excessive attention to resources, their conservation to the lack of appropriate interest in non-economic benefits from tourism. Liu (2003) have also argued that “no due attention has yet been paid to intra-generational equity” (p. 461) which refers to the “fairness of benefits and costs distribution among stakeholders groups of tourism development” (p. 461). Sharpley (2000) have argued similar, emphasizing that “within the context of equity, the concept of sustainable tourism development is both weak and contradictory” (p. 10). In order to correct such limitations, researchers of (social) sustainability in tourism development have been applying stakeholder theory. According to it, tourism system includes various stakeholders whose participation is precondition for system’s sustainability. Poudel, Nyaupane and Budruk (2016) have advocated that relations between stakeholders are “complex

and dynamic as the roles of stakeholders are site-specific, varying in type and extent with time, resources and leadership” (p. 467). According to UNWTO (2005), stakeholders in tourism development include vast list of social agents such as national, regional and local governments, tourism enterprises and employees, tourism educators, tourists, (non)recipient local population on tourism destinations, etc. They are not homogeneous, but differ in possession of available resources and capitals, level of organization, number, power, etc. Such features have shaped power relations between stakeholders, influencing chances for monopolization of benefits. Besides aforementioned, there are several other important division criteria that influence stakeholders` capacity to make decisions and gain benefit from it – gender is one of them.

Gender perspective in (sustainable) tourism development

Even though tourism experience is “grounded in and influenced by our collective understanding of the social construction of gender” (Hall et al., 2003, p. 7), gender issue is of recent interest in analyzing (sustainable) tourism development. First papers on gender issues in tourism have not been published until the 1980’s. Thus, it is no surprise that Figueroa-Domecq et al. (2015) have argued gender-blindness in “development, volume and quality of tourism research” (p. 89).

Table1: *Papers published on gender issues in tourism in relevant scientific journals (in 2015)*

Journal	Total No. of papers	Papers published before 2000 (a), in %	Papers published after 2000 (b), in %	Papers published after 2010 (c), in %	Ratio (c)/(b)
Tourism Management (IF 3.140)	853	14.2	85.8	57.1	0.665
Journal of Sustainable Tourism (IF 2.480)	319	6.6	93.4	63.3	0.667
Annals of Tourism Research (IF 2.275)	656	30.2	69.8	39.9	0.572
Journal of Travel and Tourism Marketing (IF 1.741)	536	3.4	96.6	61.0	0.631
Current Issues in Tourism (IF 1.733)	316	1.9	98.1	76.9	0.784

Source: *web sites of selected journals*

Brief analysis of the selected scientific journals on tourism has shown poor interest in gender issues until 2000 (Tab. 1.), with the exception of one journal. *Annals of Tourism Research* dedicated the whole issue (No. 2, Vol. 22, 1995) of 17 papers to the gender – tourism relations and proved to be more gender sensitive. Data have also shown increased interest in gender issues in tourism in the last decade, since majority of the papers has been published since 2010. The similar has been concluded by Figueroa-Domecq et al. (2015). According to bibliometric analysis, the authors have argued “tourism gender research to be marginal”, both in fields of tourism and gender expertise (p. 96).

Attention to gender perspective in (sustainable) tourism research has been drawn from the analyses of the stakeholders` roles within tourism system and their positions within stakeholders` networks. Such have implied different possessions and practices of power in mutual relations, routed in typical gender regimes. “Discovery” of gendered roles, statuses and relations in (sustainable) tourism development has coincided with intensified use of the social context and social categories in explanation of tourism.

Research of gender issues in tourism relies on a basic assumption – all activities within tourism system and between tourism system and other social, economic, cultural, environmental (sub)systems are performed and constructed in gendered society. Thus, there is no role, position, activity or process within tourism system that is immune to specific gender relations. Such relations are represented in a particular gender regime/contract which is spatially and temporally determined. Gender regime implies gendered roles, positions, expectation, criteria of evaluation constructed by gender. The scope of tourism system indicates the span of gender regime to be taken into the consideration. The research of gender in (sustainable) tourism development raises one crucial question: is (sustainable) tourism enough gender sensitive to identify and promote gender equality as a development goal? The answer lies in multiple layers gender – (sustainable) tourism relations. If we apply stakeholder theory in researching gender - (sustainable) tourism relations, than we start our analysis with men and women as main actors in gender cluster. Such cluster is intersected with other clusters in tourism system – tourists/consumers cluster, tourism employees` cluster, local non-recipient population`s cluster, decision-making cluster.

Gender perspective in tourists cluster is focused on the analysis of gendered abilities to travel. It is closely linked to the ability of being mobile. In the era of general mobility, gender determined opportunities to travel are often overlooked. Nevertheless, to be a traveler/tourist has its gendered roots, especially when observed in historical dimension. According to the Robinson (1990; cited by: Richter, 2005), “until the sixteenth century to be a woman, travel and remain respectable one had to be generally either a queen or a pilgrim” (p. 427). Why women were denied the right to travel either for business or pleasure? The answer is in the gender regime characteristics. In traditional societies, gender regimes are dominantly patriarchal, with strict division of gendered roles and corresponding statuses. Women’s dominant social roles were mainly expressive – they were above all (self)recognized as mothers and spouses. Private sphere (family, household) was women’s social space. On the other side, men’s roles have been perceived as instrumental. Men were breadwinners; they represented family members and family before the society. Men’s activities were orientated towards public sphere and public spaces, where ability to be mobile was necessary, desirable and often a matter of prestige. Changes in gender regimes in modern and postmodern societies towards more egalitarian ones have modified gendered ability to travel. Nevertheless, until recently women have not been recognized as a specific group of tourist. Jucan and Jucan (2013) have argued raising influence of women as tourists because they have been “more involved in household spending decisions” (p. 441). Also, women have been become more independent as customers, purchasing goods and using services not only to complete family/household needs, but in order to fulfill their own desires. Such has influenced not only marketing in tourism, but also design of destination image and personality (Beerli & Martín, 2004), type of tourism offer (Anderson & Littrell, 1996), destination choice (Meng & Uysal, 2008), etc.

Second major issue regarding gender – (sustainable) tourism relation is focused on tourism employees’ cluster. According to the UNWTO (2011), gender differences among employees in tourism industry are still significant as “women in tourism are still underpaid, under-utilized, under-educated, and underrepresented” (p. ii). Gendered disparities in employment within tourism industry (hospitality sector, in general) are consequences of the gender regimes” characteristics –they imply subordination of female to male labor. “A key structural concern with gender disparity in HCT (hotels, catering, tourism – N.A.) is that of the significant horizontal and vertical gender segregation of the labour market

within the sector. Women and men are placed in different occupations – women are employed as servers, cleaners, travel agency sales persons, tour guides, (90 per cent of the people in these occupations are women), whereas men are employed as bartenders, porters, gardeners,” maintenance and construction workers. As we will demonstrate, vertically, the typical “gender pyramid” is prevalent - lower levels and occupations with few career development opportunities being dominated by women and key managerial positions being dominated by men”. (Baum, 2013 p. 7-8)

Gendered segregation in tourism labor reflects dichotomy unpaid/female – paid/male labor. It also suggest persistence of traditional labor division whereas women are more involved in doing family/household activities, which makes for them more difficult to balance private and public sphere. Also, dichotomy unpaid/female – paid/male labor implies that women are usually engaged in job position/sector that corresponds with their unpaid household work. Women are more than men engaged in seasonal, poorly paid and part-time jobs with a little or no prospects (Čikić & Jovanović, 2015). That makes them more vulnerable and more exposed to the risk of poverty and social exclusion.

Peeters and Ateljević (2009) argued that female entrepreneurship in (sustainable) tourism is a neglected issue. Also, they wrote that majority of the studies on women entrepreneurs in (sustainable) tourism focus on “positions of women entrepreneurs in the tourism sector that could also be regarded as an extension of traditional domestic roles” (p. 80). However, within policy documents sustainable tourism is often recognized as a new marketing niche, suitable for enhancing women`s entrepreneurial potentials. This especially refers to the women in less developed areas (e.g. remote or rural areas). Analyzing farm tourism in Sweden, Pettersson and Cassel (2014) concluded that women became entrepreneurs in tourism for personal, economic and social reasons, often interconnected. Comparing characteristics of men`s and women`s motivation for entrepreneurship in tourism, McGehee et al., (2007) argued several similar features such as “desire for additional income, to fully utilize existing resources, and to educate the consumers” (p. 288), but also one major difference concerning “consistently higher ranking of all the possible motivations for agri-tourism by women than men” (p. 288) which indicated higher motivation for tourism entrepreneurship among women. However, women more than men face challenges in their entrepreneurial endeavors (Bakas, 2014). There is no consensus on the

consequences of female entrepreneurship in (sustainable) tourism development. The opinions range from optimistic to pessimistic. First ones argue multiple benefits of female entrepreneurship in (sustainable) tourism – greater financial independence of women (Hull & Milne, 1998), lower risks of financial exclusion, strengthening women’s social capital, improvement of livelihoods (Getz & Carlsen, 2000). Others are more skeptical about benefits, arguing that female entrepreneurship in (sustainable) tourism is often linked with the inner family/community tensions (Ireland, 1993). Pettersson and Cassel (2014) concluded that even though female entrepreneurship in farm tourism transforms space from “*masculinity*” into “places for a female connoted service production” (p. 499), gendered labor division on farms was “not substantially changed by the women starting tourism businesses” (p. 499).

Development of tourism (even sustainable one) is accompanied by both benefits, but also environmental, economic, cultural, social risks. Researchers have developed instruments to measure perception of potential tourism impacts on community (Lankford, 1994). We might question is there gendered difference in perception of benefits or risks from sustainable tourism development? Such can be assumed in accordance with the gendered exposure to development benefits and risks. Gendered variations in perception of sustainable tourism development’s outcomes might derived from different gendered positions to influence development processes and to control their effects. Two major groups are formed on the issue. First one (seems to be dominant) consists of the researchers that have proven no gendered difference in local population’s perceptions of tourism development impact (Andereck et al., 2005; Andriotis & Vaughan, 2003). Second one point out gender as a significant variable in formation of residents’ perceptions (Mason & Cheyne, 2000). For example, Petrzalka et al. (2005) argued that gender does make a difference in perception of tourism development impact and, consequently, in attitudes towards (rural) tourism development strategies as gender influence occupational identity and perception of rural ideology.

Even though women are majority among tourism industry’s employees, survey of the 78 companies in tourism industry (Equality in Tourism, 2013) has shown that women made up only “15.8% of all board members... In 21 of the companies and professional associations surveyed there was not a single female board member” (p. 3). Gender gap at the decision-making level in tourism industry corresponds not only

with the low participation of women in decision-making in general, but also their specific position on tourism labor market. Also, perception of women as more hospitable than men makes them more suitable for frontline positions in tourism industry (Ritcher, 2005) and keeps them away from the management duties. Ferguson (2009) argued that there are two types of gender - tourism development policy relations - implicit (“gender-blind”) and explicit (“gender-aware”). However, gender-aware tourism development policies “does not necessarily lead to gender equality and women’s empowerment” (Ferguson, 2009, p. 15).

Process of making gender visible and accountable in decision-making in tourism corresponds with the intention to develop, promote and practice responsible tourism, through achieving local empowerment and social cohesion. There are several ways for achieving gender responsible and sustainable tourism (GRT, 2013): promotion of women’s engagement in the tourism, support to the rights of female employees, enabling women to have access to various opportunities in tourism development (education, information, financial capital, market), battle against gender-based exploitation, equal benefits from tourism, support female leadership, etc. All of those could be covered by gender mainstreaming as a main instrument of setting the agenda in making sustainable tourism more gender sensitive.

Conclusion

Like any other social phenomenon, sustainable tourism development is gendered. It is a matter of structure and culture. For the sake of development of sustainable tourism, it is crucial to acknowledge its gender dimension. Public recognition of gender dimension in sustainable tourism development among relevant policy makers, practitioners and researchers enables overcoming the gaps and constraints towards achieving equality and improving quality of life.

As we have shown, there are significant gender gaps in various clusters of (sustainable) tourism system – from cluster of employees to the cluster of decision makers. However, we have to agree that there are unquestionable benefits of women’s engagement in the tourism/hospitality industry. Gendered sustainable tourism facilitates not only provision of economic benefits for women engaged in the tourism industry, but their general empowerment. The foundation of the process of women’s empowerment lies in gender mainstreaming and gender budgeting. Allocation of

resources in terms of making them equally available for women (as for men), along with the networking, are crucial for: a) improvement of female social entrepreneurship in tourism and b) enhancing gender equality and sustainability. As Chant wrote, employment in tourism enables women to act “by themselves, for themselves, to demand fairer treatment in the workplace, the home, and in wider society” (Chant 1997, p. 164-5; according to: Ferguson, 2009, p. 12).

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TRADITIONAL ETHNOBOTANICAL KNOWLEDGE IN 21TH CENTURY AS AN IMPORTANT ELEMENT OF SUSTAINABLE TOURISM

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Abstract

The concept of ethnobotany represents the study of plants used, conserved and managed by the local people. It deals with local people knowledge of a particular use of plants in gastronomic, medical, religious, and other purposes. In this paper, special attention will be paid to the use of traditional ethnobotany knowledge in local gastronomy and its effect to tourism development.

In the last 10 years, different studies were conducted in terms of collecting as much information as possible about the relationship between traditional use of plants with gastronomic offer and the increase of tourism development. The idea of this study is to record the traditional food and local plant resources of a particular interest for sustainable small-scale eco- or rural tourism activities.

Ethnobotany is a rapidly growing scientific topic and it is predominantly linked to economic botany: on the one hand to determine the potential economic value of various plants and, on the other, to make a link with a relatively new aspect of eco-tourism market.

Key words: *ethnobotany, gastronomy, ecotourism, sustainable development*

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Introduction

Ethnobotany is scientific discipline which describes dynamic relationship between people and plants in terms of wild or semi-wild plant used,

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conservation, management and local people. Ethnobotanists aim at documenting, describing and explaining complex correlation between cultures and plants, focusing primarily on the way plants are used, perceived and managed by human societies. This includes the use of plants for food, clothing, currency, rituals, medicines, dyes, construction and cosmetics. Moreover, it emphasizes the links between conservation and management, thus bringing about the human role of biodiversity (Hanazaki et al., 2013).

There has been a long tradition in plant use since the beginning of the emergence of human civilization till now. Also, there are numerous reasons for studying this discipline. Nowadays, ethnobotany is becoming a scientific discipline in a rising (Prospecting ethnobotany in tourism industry, 2008). The possible reasons for that concern the threat to traditional cultures and their knowledge of plant uses and relationships. On the international scale, over the last three decades of the past century, researches were focused on the need to catalogue knowledge of plants in a race with the fast disappearing natural resources. Reviewing scientific articles, it is evident now that there is a close correlation between the destruction of ecosystems and the decrease of biological diversity as well as cultural loss with indigenous knowledge at the global plan. Maybe specific reasons of this phenomenon vary from the country to country, but, in general, traditional knowledge is being lost throughout the world. Nevertheless, there are similar trends that follow this issue regarding the gap between traditional knowledge transfer among generations, depopulation of rural areas, urbanization and modern life-style. Many ethnobotanists ventured to faraway places to catalogue all the plants and indigenous knowledge (Lanier, 2013).

Today's tourism is broad and, if properly managed, it can have positive effects on local communities. We have seen many good examples of ecotourism and its benefits (Kostic & Lukovic, 2016). Tourism could be driving force for local communities, especially ecotourism activities based on botany tours, ethnobotany applied knowledge in preparing traditional food, medicine, artifact, fodder or other useful concepts. The lack of knowledge and little or no input in its implementation could cause bad management of both environment and biocultural diversity (Prospecting ethnobotany in tourism industry, 2008).

Following world trends in this issue, we conducted a research on ethnobotanical knowledge in several villages in Golija Mountain, with

special attention to the use of plants in local gastronomy. The study was segmented and it also included the activity of investigating the village ID card.

Plant resources and their traditional use

Taking into account the Republic of Serbia as multiethnic country, with diverse nationality impacts and long historical influence of different conquerors, it can be said to have established very interesting culture and tradition in plant use. In general, Serbian culture may have been influenced by the Paleo-Balkan people. Modern Serbia is a rural country, where rural areas cover about 85% of the territory with 41% of the total population (Dajić et al., 2014). Rural area represents one of great potentials in natural resources richness (biodiversity, cultural heritage and ethnobotanical knowledge). In spite of the general globalization trends that strongly jeopardize the agrobiodiversity and the state of genetic resources in Serbia, there is still awareness about the necessity for conservation of indigenous (traditional) knowledge about the uses of plants and preservation of autochthonous and/or old plant varieties, as well as biodiversity in general (Dajić et al., 2014).

In Serbian folk traditions, hundreds of plants were used for ages as foods, beverages, medicines, natural dyes, natural additives, and food preservatives, for textile and fibers, shelter and fuel, as well as for traditional customs, religious purposes, and magical rites. The most intrigue plants are the ones used in folk medicine or superstition rituals (Čajkanović, 1994). The history of health culture of the Balkan nations is very complex and interesting, considering the rich cultural and historical past, especially with regard to the strong influences of the Oriental East as well as those of the developed West. The beginnings of using plants for medical purposes officially started in old medieval Serbia related to the Monasteries of Studenica and Hilandar and the first several scriptures (Dajić et al. 2014). One of the most important documents that is kept safe and bears witness to the beginnings of medicine at the territory of Serbia is “The Proceedings of Hodoš,” the oldest Serbian codex of secular medicine from the fourteenth century which notified the use of various herbs such as (caraway - *Carum carvi*, aloe - *Aloe vera*, thyme - *Thymus vulgaris*, flax seeds - *Linum usitatissimum*, and coriander - *Coriandrum sativum*) (Katić, 1990a). Another medieval paper on Serbian medicine that should be mentioned includes The Sorcery Book from Dečani. In the era of the Nemanjić rulers at the beginning of the

fourteenth century, the first pharmacy was founded. The art of healing, cultivating medicinal herbs, and making remedies was connected to medieval monasteries. The basis of the therapy consisted of 16 holy medicinal herbs (Katić, 1990b).

Old Serbian people were familiar with numerous plant species. As the most widely available and important medicines, herbs played a big role during the Ottoman rule, which is highlighted in the epic poetry of Kosovo and post-Kosovo cycles (Parojčić & Stupar, 2003). Herbs were attributed miraculous and healing properties. The most used or mentioned species are wormwood (*Artemisia absinthium*) and common centaury (*Centaureum erythraea*) to heal fever, garlic (*Allium sativum*) as an anthelmintic, the castor oil plant (*Ricinus communis*) and devil's turnip (*Bryonia alba*) were used for cleansing, while hellebore (*Helleborus odoratus*) and European wild ginger (*Asarum europaeum*) were used as emetics. Sea squill (*Urginea maritima*), asparagus (*Asparagus officinalis*), parsley (*Petroselinum crispum*), and celery (*Apium graveolens*) were used as diuretics, while oak (*Quercus* spp.) and pomegranate (*Punica granatum*) were used as astringents (Tucakov, 1997).

With regards to food, the great variety in Serbia's cuisine originates from its geographical, national, and cultural diversity, and the jigsaw of centuries of population changes. Influences on Serbian cuisine have been rich and varied - it first began as a mixture of Greek, Bulgarian, Turkish, and Hungarian cooking. Historians say that medieval Serbian cuisine mainly consisted of milk, dairy products, and vegetables. Not a lot of bread was eaten, but when it was, the rich ate wheat bread, while the poor ate bread made from oats and rye. The considerable genetic diversity of traditional varieties of crops is the most immediately useful and economically valuable part of global biodiversity. Although traditional farming systems are considered as an important part of indigenous rural culture and agrobiodiversity, many indigenous local populations of agricultural plants have been replaced by high-yielding varieties and hybrids. Several crop species in Serbia are autochthonous, such as certain cereals, forage grasses, legumes, and some vegetables (Dajić et al., 2014). Today, old/primitive varieties and local/autochthonous populations (landraces) of cereals and maize could be found only on the farmer's fields in marginal agricultural regions and/or in mountain regions. One of the most interesting autochthonous wheat landraces is the "spelta," or the "krupnik." "Spelta" (*Triticum spelta* L., syn. *Triticum aestivum* ssp. *spelta* (L.) Thell). Besides wheat, there are reports on the long tradition of rye,

barley, and oat cultivation in Serbia. Barley was used for the production of homemade beer and yeas. Besides wheat, vegetable are also great autochthon potential with several authentic representatives such as valuable domestic populations of onion (“Kupusinski jabučar,” “Kupusinski crni/crveni”) that can still be found, or local populations of cabbage are well known in Serbia: “Futoški,” “Srpski melez,” “Varaždinski,” “Golubarac,” “Kačar,” “Katunski,” etc. Old local growers of pepper, tomato cultivars (e.g., “Trešnjari,” “Pečki jabučar,” and “Zlatni plod Timoka”). Fruit species are very widely used by Serbs and in very different ways; this includes consumption of fresh fruits, compote, juices and syrups, fruit tee, “slatko,” jam, marmalade, etc. Some popular wild species include different berries (blueberry, blackberry, strawberry, raspberry, etc.), rosehip, hawthorn, dogberry, and some others, which are all readily used as traditional food and/or medicine (Bošnjaković et al., 2012). The most appreciated and consumed fruits in Serbia are apple, plum, and pear. Among the old traditional recipes for special winter fruit preserves (“zimnica”) is the sweet drink “Vodnjika,” which is prepared from pears (variety “Takiš”) and wild apples (Zagorac, 2010).

The research of the relationship of ethnobotany and tourism development

Tourism as one of leading economy activities is continually developing and achieves significant economy effects. The existing analysis and predictions of tourism development indicate that, as opposed to mass tourism, there is a demand for rural area what gives reasons for rural tourism development and more specific types such as eco-tourism (Štetić, 2009). The recent survey in tourism shows that involving local communities with their attributes is important, and significantly it becomes the crucial issue in sustainable tourism agenda. Local people should receive the impact from tourism business, and their environment can be conserved in order to enhance the destination competitiveness. It is relevant with global mandates to implement sustainable tourism. The sustainable tourism argues that tourism development should involve three balanced aspects, i.e. economic, environmental and social. Sustainable tourism has been tested in numerous countries in numerous sites, including rural areas, as well. In rural areas, the attempt to implement sustainable tourism has been done through optimizing human and its surrounding resources into tourism planning and development (Bjeljac, 2004).

Optimization of rural resources is the crucial key for sustainable tourism destination. Natural resources as one of the principal component of rural landscapes have significant value in tourism destination sustainability. The use of natural resources is a traditional system where local people collect crops meadow - woody plant species for their own purpose. Plant collecting is manifestation from indigenous knowledge in managing daily activities (Ramirez, 2007). Plant resources have many functions such as source of food, fodder, medicaments, etc. Sustainable use is also important in biodiversity conservation (Kostić & Petrović, 2015). Ethnobotanical survey is widely applied to understanding plant diversity, especially plant diversity and structure in perspectives of human culture. Ethnobotany provides significant tools to describe the unique characteristics of local landscapes, known as cultural landscapes, which area important in tourism. Ethnobotanical studies of traditional plant use have been conducted in many developing countries in order to collect the basic data for rural development. The uses of ethnobotanical survey for tourism destination sustainability, however, are rarely implemented (*Getachew, 2013*).

As sustainable development represents one of the basic principles of social development, sustainable tourism development of Golija-Studenica Biosphere Reserve makes possible the development of the concept which includes a balanced economic, social and cultural development without compromising the environment. In such a way, we enable future generations to use resources in the same or even higher degree compared to the existing one.

Case study: plants in gastronomy of Golija-Studenica Biosphere Reserve

Tourism, as one of leading economy branches is developing from day to day achieving thus significant economic results. In recent times, this development has led to new forms of tourism, adjusted to the needs and wishes of each and every tourist. The existing analysis and predictions of tourism development indicate that as opposed to mass tourism, there is an increasing demand directed towards untouched areas which give the reasons for the development of rural and eco-tourism (Agenda 21, poglavlje 14., održiva poljoprivreda i ruralni razvoj (SARD)).

The development and promotion of rural tourism to generate multiple benefits for both a rural area and tourism in Serbia in general. The

development of tourism in rural areas positively affects the nature conservation and protection, as well as the protection from degradation of rural houses and farms and finally that of culture (Putri et al., 2016). As sustainable development is one of the basic principles of social development, the sustainable development of tourism at Golija-Studenica Biosphere Reserve enables the only possible development of the concept which includes an equal economic, social and cultural development. Generally speaking, the main principle of Biosphere Reserves operation is balanced economy, social, cultural, which are pillars of sustainable development with an active participation of local community without degrading the environment, with special attention to the possibility of natural resources use at the same level now as that in the future.

Ethnobotanical studies reveal, document and assess the value and the unique importance of traditional knowledge and the high number of varieties maintained by small-scale farmers, as is shared in a case study from the villages in Golija-Studenica Biosphere Reserve, conducted an ethnobotanical assessment of the inter- and intraspecific diversity of plants managed by traditional people in several villages in the municipality of Rudno. They revealed traditional plant collecting for more than 100 species, and estimated that more than 20% of total species are noted in this region. Local farmers were able to point out several factors that contribute to a reduction in plant diversity, including restrictive environmental laws, rural exodus, an increase in unsustainable tourism, and the overall change of livelihood activities of traditional people. Interdisciplinary techniques, including methods that combine the areas of geography, biology and anthropology, are useful for learning about the local management of plant resources. Qualitative research methods have a wide use in ethnobotany, including semi-structured interviews, participant observation and a variety of participatory tools. Participatory tools of visualization and triangulation are used to increase the reliability of the study being conducted, and to enhance the active role of traditional people and their partner communities in the research process. If applied in an appropriate manner, and if the ethnobotanists are professional in their facilitation, the tools can enhance the knowledge of both the scientists and traditional people. The knowledge and experience of local people are not only documented, but are also discussed and included in joint plans concerning the management and conservation of local resources. The research now serves to increase awareness of traditional knowledge and biodiversity; to foster an understanding of the local situation and the need for joint actions; and to define strategies for

the development of community-based institutions for managing biological resources and associated traditional knowledge. In this context, participatory learning and action research (PLAR) is a prominent methodology that can help to meet this challenge. In PLAR, researchers and communities drive the research in a participatory way, while being guided by the initial demands of the communities. It is valued because of its reiterative structure, which involves several learning cycles, and works with stratified groups of stakeholders in an effort to link scientific and local knowledge systems. In addition, it is valued for its long record in supporting natural resource management. A key factor concerning participation in the research is the way in which the tools are applied. However, the most important factor is the relationship between researcher, community and stakeholders in the design, implementation and evaluation of the research; and this is relevant not only to ethnobotany, but to any other study in which scientists work with local and traditional communities (Hanazaki et al., 2013).

By using the basic principles of (PLAR / PRA) methodology, a systematic and extensive analysis of the situation of the village was established. The analysis of the economic, agricultural and socio-cultural aspects of the local community provided the basis for the creation of options for improving the situation and pointed to possible measures that should be taken regarding this issue. In the preparation of *ID cards* of Rudno village, PLAR methodology was used which considered the analysis of the situation of the village, an active evaluation and participatory rural assessment (Vukadinović, 2009).

The application of the map of resources provided an insight into the natural potential for the existence and development of certain branches of economy that the village has and the attitude of locals towards that. The map reflects the spatial structure of a typical Golija mountain village in which households are spread throughout the territory. Rudno is at the crossroads of regional roads: Usce - Studenica - Rudno, Brvenik - Gradac - Mineral and Mineral - Virgo - Ivanjica. All parts of the village and surrounding hamlets are connected by unpaved roads, the only regional road covered in asphalt being the one from the direction of Brvenik to the village center. 15 km to north of the village there is the monastery of Studenica; the village is located 13 km northeast of Ušće, and 100 km north-east the regional center of Kraljevo and 34 km southeast of Raska. On the western side, the Village borders Deviči (the village of Ivanjica municipality), on the south side it borders Binići and Gradac (the villages

of Raska Municipality), while the rest of the villages belong to the Municipality of Kraljevo. Near the railway station Brvenik (24 km). The local community Rudno is divided into three hamlets: Bzovik, Reka and Dražiniće. In the northwest under Radocelo springs Brevina river which flows through the village and into the River of Studenica. In the southern part of the village there is the spring of the Vrelo River which flows into the Gradačka River, and then in the Ibar. Throughout the western part of the village passes the river of Izubra which runs into the Studenica River. On the territory of the Village there are about 50 springs of drinking water (Petrović & Milutinović, 2012).

Households inhabiting large part of the village are located mainly on larger plots area. The yards mainly consist of the area covered in gardens, pastures and fields. The central part of the village is enclosed by conifer forests with very small belt of deciduous forests. Marginal parts of the village are also surrounded by dense conifer with what the northwestern part of the border village towards Radočelo belted by beech forest that crossing the meadows, pastures and fields. The village has significant resources of natural meadows and pastures (V, VI and VII-class of soil quality). This data refers to the potential for the development of mountain cattle and sheep, by which inhabitants of the Rudno were aware in the past, as evidenced by the data obtained by other PRA methods (time line).

If we look back only on the floristic features of this area, the presence of more than 700 plant species is evident. Special importance in the flora is endemic and relict species and species of importance in everyday use (medicines and aromatic plants). Among the preserved natural values of the area, special attention should be paid to the rare stands of mountain maple (*Acer Heldreichii*). According to the Regulation on the protection of natural rarities, many plant species are under protection. There is a list of plans whose collecting is allowed on limited or sustainable way. These characteristics represent strengths for eco-tourism development (traditional gastronomy based on plants, herbal tours, etc.).

Figure 1 and 2: *Map of the Republic of Serbia and Golija-Studentica Biosphere Reserve*



Source: <https://www.381info.com/autokartasrbije.php>; www.ivanjica.rs

As a contribution to the first survey conducted during 2010-2011, we conducted classical ethnobotanical research in 2013-2014 as added value to this research. The latter research was conducted in the area of the mentioned villages of Rudno Municipality. The questionnaire contained 7 groups of questions related to general information about the local community, collecting natural resources, medicinal plants and their uses, nutrition and treatment, the use of plant resources for other purposes, forest fruits and berries and mushrooms in the local gastronomy.

Table 1: *Review of the most used medicinal plants in Serbian tradition (Adapted from Dajic et al., 2014)*

Latin binomial and family	Folk name in Serbian/English	Traditional use - folk use in food products
<i>Alchemilla vulgaris</i> L. Rosaceae	Virak/lady's mantle	Mixed with honey for different diseases or prepared as tea
<i>Angelica archangelica</i> L. Apiaceae	Angelika/garden angelica	Has a positive effect on digestive tract, digestion, better appetite
<i>Asarum europaeum</i> L. Aristolochiaceae	Kopitnjak/European wild ginger	Roots prepared as beverage in the treatment of alcoholism
<i>Betula pendula</i> Roth. Betulaceae	Breza/silver birch	Prepared as juice/siryp or tea
<i>Carum carvi</i> L. Apiaceae	Kim/caraway	The most used spice for food preparation
<i>Cichorium intybus</i> L. Asteraceae	Plavocvet/chicory	Used instead of coffee, today used as tea
<i>Cornus mas</i>	Dren/cornelian cherry	Used for juice, tea, cookies,

L. Cornaceae		jam, sauce, etc.
<i>Crataegus monogyna</i> Jacq. (Rosaceae)	Glog/hawthorn	Usually used as spice
<i>Gentiana lutea</i> L. Gentianaceae	Lincura/great yellow gentian	Addition to traditional brandy (rakija)
<i>Hypericum perforatum</i> L. Hypericaceae	Kantarion/tipton's weed	Most used for tea, oil
<i>Juniperus communis</i> L. Cupressaceae	Kleka/common juniper	Rakija, dry fruits for tea or addition to meat, sauce
<i>Ononis spinosa</i> L. Fabaceae	Zečiji trn/rest harrow	Used as addition to the so called "green" bread or other dough
<i>Origanum vulgare</i> L. Lamiaceae	Vranilova trava/oregano	
<i>Plantago lanceolata</i> L. Plantaginaceae	Bokvica/ribwort plantain	
<i>Plantago major</i> L. Plantaginaceae	Bokvica/broadleaf plantain	
<i>Prunus spinosa</i> L. Rosaceae	Trnjina/Blackthorn	Most used for preparing jam, juice, tea or addition to different souces
<i>Rosa canina</i> L. Rosaceae	Šipak/dog rose	Health beverage as tea, juice or prepared as jam or souce
<i>Rosmarinus officinalis</i> L. Lamiaceae	Ruzmarin/rosemary	Used as spice
<i>Rubus fruticosus</i> L. Rosaceae	Kupina/blackberry	Used for juice, syrup, jam, slatko, souce, addition to cakes
<i>Sambucus nigra</i> L. Adoxaceae	Zova/elderberry	Delicious syrup
<i>Taraxacum officinale</i> F.H. Wigg Asteraceae	Maslačak/dandelion	Used fresh as salad, or as jam, honey
<i>Teucrium chamaedrys</i> L. Lamiaceae	Podubica/wall germander	Spice in "green bread", tea
<i>Teucrium montanum</i> L. Lamiaceae	Trava iva/germander	
<i>Thymus serpyllum</i> L. Lamiaceae	Majčina dušica/wild thym	
<i>Urtica dioica</i> L. Urticaceae	Kopriva/nettle	Used in dough, tea, syrup, "gibanica"
<i>Vaccinium myrtillus</i> L. Ericaceae	Borovnica/blueberry	The most used for syrup, jam, slatko, sauce, addition to different types of food

Source: (Dajic et al. 2015)

Besides meadows plants used for cooking and preparing traditional food, we know that different types of autochthonous species of fruit, vegetables or cereals are used in daily Golijska kitchens. Due to the fact that the area is mostly mountainous in character and traditionally is a livestock place, the most known products are made of milk or meat, where the highlight of gastronomic offer is considered to be prosciutto and kajmak with different herbal spices. It is also worth to mention dough products made of buckwheat such as bread (*Serb.* pogača), pancakes (*Serb.* uštipci), and pie (*Serb.* gibanica) (Zagorac, 2010). Buckwheat is the seed of the plant *Fagopyrum esculentum*, which belongs to the family Polygonaceae. Although one might think that buckwheat is grains, it is not so. While the cuisine considered buckwheat as cereal because of its nutritional value, botanically it belongs to the category of green leafy vegetables, and it is sometimes included into fruit. Buckwheat flowers are highly aromatic, which attracts bees that use them to make a special type of honey, which has a dark color, strong aroma and special healing properties. Buckwheat is often used as a substitute for rice, prepared as porridge or used as flour.

Table 2: *As very authentic food and beverage of this area, subjects listed several interesting gastronomic specialties which contain local plants*

Food/beverage	Used plant
<i>Serb.</i> Slatko (sweet fruit syrup similar to jam)	Prepared with cold well water saved from various tame and wild fruit (plum, grape, quince, wild and tame, strawberries, cherries, blackberries, etc.)
Coffee	Made of roasted barley
Rakija	Plums, apples, pears, quinces, apricots, grapes, brandy (brandy angry), cooked brandy, honey brandy, gentian
Wine	Made of grape, raspberry, sometimes with the addition of danewort, caraway, cloves
<i>Serb.</i> vodnjika	Fermented various fruits, or medicinal plants tea, or beverage made of honey).
Bread	Made of wheat flour: saved for fire: cake in the ashes (<i>serb.</i> Crepulja, sac)
<i>Serb.</i> Uštipci	Prepared of rye, barley, buckwheat and wheat flour.
Pone	Made of corn flour with the addition of wild herbs, nettle, and other herbal spices
Pies (<i>serb.</i> gibanica)	Sweet pies, fruit and other: <i>serb.</i> Jabučara- apple pie, prunes pie, cucurbits, plum jam, pancakes, donuts, compote made of various kinds of dried fruit (prunes, pears, apples)
Thick soups	With nettles, cabbage and nettle, potato soup, with onions, leeks, turnips, etc.

Source: *Original by authors*

The strong link between biodiversity and tradition related to the gastronomy represents the very foundation of the human experience and contributes in a variety of ways to the well-being of humans and their surroundings. The study of the complex interactions between human societies, food, and their environment is defined as gastronomic ethnobiology and in recent times it is considered as important pillar for fostering food security and especially food sovereignty. In the ethnobiological approach linked to food, in order to consider the entire dimension of socio-ecological systems, the focus must be not only on “natural” environments, but also on place-related history, culture, and philosophy, as well as the spiritual aspect, which occurs behind this diversity. Simply, the *holistic* nature of food socio-ecological systems shape what we nowadays call gastronomy (Pieroni et al., 2016). On the other hand, folk/traditional knowledge systems are reemerging as a priority concern at the global level, as they are increasingly being recognized as constituting not only the tangible but especially the intangible heritage. Local communities are experiencing a loss of folk/traditional knowledge and values, which goes hand in hand with a decline in cultural diversity and the dilution of a true sense of community. This process of impoverishment of the social dimension of diversity and social cohesion is reflected in the present global food system which, based on the idea that local, small-scale agriculture must also serve the global market, transforms food into a mere commodity and compels people to conform to a single way of producing and consuming it (Pieroni & Giusti, 2009).

Conclusion

Ethnobotanical research studies carried out in response to specific requests from traditional people seeking the support of scientists create opportunities for ethnobotanists to embed their research within the larger context of conservation and development. In this sense, researchers can contribute vital elements in the design of community-based management plans required for the establishment of sustainable development reserves. Those following more constructive or participatory paradigms in ethnobotany seek and develop expertise that contributes to the emancipation and empowerment of traditional people in a larger context of biodiversity conservation.

The tradition plants which grown in this area in mountainous landscapes improve visual appearance, and therefore have the ability of improving

people psychology and mentality. It is especially important in tourism destination planning. The abundance of fruit plant and vegetable provides opportunities for gastronomy products to sell, especially to the visitor who comes to a rural area as a tourist. Throughout the world, it is common to sell traditional gastronomy products to tourist. Tourists are also interested in buying handmade products. Some rural communities in Golija-Studenica Biosphere Reserve still practice the gathering of wild herbs, which was and partially their daily diet for seasonal months each year. Future studies could not only confirm the vast richness and complexity of this food biodiversity, but they can also propose gastronomic and educational frameworks for re-instilling traditional knowledge on wild food plants as well as sustaining small-scale (farmers) offer, through which the neglected wild herbs of mountain cuisines can continue to be sustainably gathered and traded (such as *Teucrium montanum*, *Vaccinium myrtillus*, *Urtica dioica*, *Teucrium chamaedrys*, *Sambucus nigra*, *Rosa canina*, *Origanum vulgare*, *Cornus mas*, *Carum carvi*).

The awareness of the need for developing and preserving gastronomic culture is not sufficient or at least not equally developed in all parts of Serbia. Tourism, environment and gastronomy cannot be separated. As a traditional element of cultural heritage, gastronomy is a major tourism activity in the sense that food contributes to the quality of rest and the overall tourism experience. Gastronomy certainly holds a favorable position in the tourism demand.

Traditional food and medical herbs from local sites were recorded in the upper part of Golija Mountain. Analytical comparisons with other ethnobotanical studies previously carried out in other parts of the Republic of Serbia help improve questionnaire and contribute to the local tradition knowledge to be saved because traditional knowledge has been heavily degraded. We hope that this relatively young scientific discipline will be widely spread and that it would contribute to the protection of our cultural or natural heritage for future generations.

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SUSTAINABLE TOURISM AND ECOTOURISM: AN INQUIRY INTO THEORETIC TIES WITH SUSTAINABLE DEVELOPMENT

Olja Munitlak Ivanović¹; Petar Mitić²;

Abstract

Sustainable development is a prerequisite for long-term economic, ecological and social development at the global level. This places the topic of this paper in the centre of an international debate on development. The role and importance of tourism can be observed primarily through economic and environmental sustainability, while respecting the social and cultural aspects of sustainability as well. Due to the above-mentioned, it is not possible to discuss sustainable tourism or ecotourism without taking into consideration the principles of sustainable development. In the first part of the paper, authors discuss the characteristics of sustainable development as the basis of sustainable tourism. Further on, the relationship between sustainable tourism and ecotourism is investigated, accompanied with a detailed analysis of the characteristics and importance of ecotourism in terms of sustainable development. The authors used descriptive and comparative analysis of the domestic and international literature and various documents, scientific papers and reports.

Key Words: *sustainable development, sustainable tourism, ecotourism, environment*

JEL classification: *Q01, Z32*

Introduction

Rapid development of technology, economy, industry, etc., has led to further development of tourism and emergence of its new forms. Tourism has experienced a boom globally, as a result of higher living standard,

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excess of free time and development of different forms of transport (Gržinić & Vitasović, 2007). Such a sudden and unplanned tourism development has left negative consequences such as degradation of environment, mainly generated by the uncontrolled use of non renewable resources. “Environmental degradation is among the most serious problems confronting modern societies, and greenhouse gas (GHG) emissions, mainly containing carbon dioxide (CO₂), represent the principal cause of climate change” (Mitić et al., 2017). Thus, the intensive development of the tourism industry is not in accordance with the concept of sustainable development, which, in its essence, is a prerequisite of modern, global and balanced economic development.

Tourism, as all other activities, will not be able to survive if economic development is not sustainable. All components of sustainability must necessarily be integrated into all forms of development, especially in the technological and economic development because in these areas the pace of development is the fastest (Munitlak Ivanović, 2007). Sustainable development has three pillars: economic, environmental and institutional. Due to the development of mass tourism that has begun to influence the environment, the need for sustainable tourism development arose. The World Tourism Organization (UNWTO) has declared 2017 as The International Year of Sustainable Tourism for Development. Principles governing the UNWTO are in line with the ambitious 17 Sustainable Development Goals (SDGs) set by 2030 Agenda for Sustainable Development. Sustainable tourism is, therefore, especially directed towards the realization of the 8th, 12th and 14th goal (World Tourism Organization, 2017).

Ecotourism and sustainable tourism are not the same notions, although both belong to the new forms of tourism that are characterized by responsible behavior of tourists with no adverse impact on the environment. Sustainable tourism development is the basis of all the alternative and new forms of tourism: ecotourism, green tourism, urban tourism, coastal tourism and tourism based on nature (Stojanović, 2011).

Sustainable development characteristics as the basis for sustainable tourism

The concept of sustainability in all areas originated as an idea – a vision that such an approach could evolve into a concept or strategy. This applies to the concepts of sustainable development, sustainable tourism

and ecotourism as well. As a concept, sustainable development is defined by a development strategy for the protection of living resources. International Union for the Conservation of Nature and Natural Resources in 1980 set the goal as "achieving sustainable development through the protection of living resources" (Lele, 1994, p. 607). The most cited and widely accepted definition of sustainable development was adopted at the 42nd session of the UN General Assembly, from the report entitled "Our Common Future"-Brundtland report. This report provides the essence of sustainable development and defines it as: "development which meets the needs of current generations without compromising the ability of future generations to meet their own needs" (Report of the World Commission on Environment and Development: Our Common Future, 1987, p. 16-17). A similar understanding of sustainable development in 1972 was provided by The Club of Rome. However, this report, known as The Limits to Growth, has not been accepted by economists and did not leave a mark in the international economic and environmental policy. The main objection to The Limits to Growth was related to the assumption that this document should serve as a proposal for strengthening and highlighting the role of redistribution. On the other hand, Our Common Future was seen as politically and economically acceptable continuation of economic growth (Munitlak Ivanović, 2015).

This definition of the concept of sustainable development has rapidly been adopted by many countries. In this context, a detailed and comprehensive action plan for the implementation of sustainable development in the XXI century was created and approved. Agenda 21 was defined by the UN Conference on Environment and Development in Rio de Janeiro in 1992. Before Our Common Future report defined the concept of sustainability, Reppeto gave a very similar definition that was based on intergenerational equality of opportunity. This is one of the first definitions of sustainable development that emphasizes the importance of current decisions in light of negative impacts on the standard of living for future generations (Reppeto, 1985).

A similar opinion is shared by Robert Solow in dealing with this concept in the 90s. Solow emphasized the importance of the moral duty of the current generation, stressing that such a position should be viewed in a more general sense, rather than an individual one. He notes that the natural resources and the environment cannot be left unchanged for future generations. However, to achieve intergenerational equity, sustainability

should aim at preserving the ability of future generations to have at least the same quality of life (Solow, 1992).

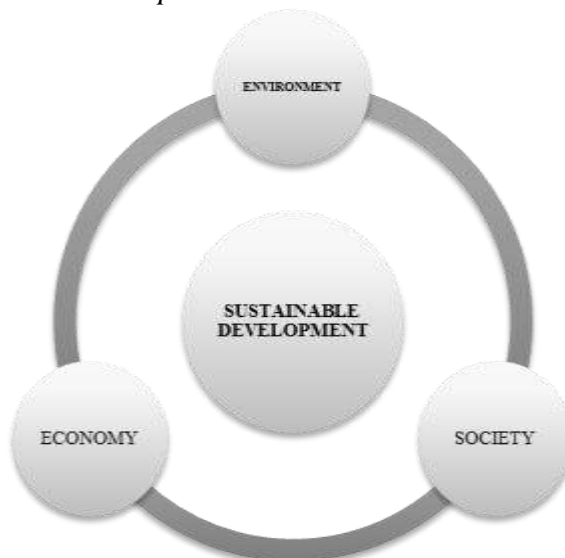
Different perceptions of the essence of sustainable development are more complex when a model of the economy that is sustainable in all segments is needed. One of these segments is certainly tourism.

These definitions of sustainable development are general and a need for more specific and measurable goals and precise tools for implementation are evident. Otherwise, the concept of sustainability is a phrase with no real stronghold in everyday life. Many countries have created and adopted strategies related to sustainable development. However, adequate implementation of the precise principle of sustainable development in most countries is lacking (Munitlak Ivanović, 2016).

As mentioned, sustainable development is set on three pillars (Figure 1), and it could be stated that sustainable tourism is part of all three pillars:

7. Economics (as a service),
8. Ecology (sustainable tourism requires a clean environment) and
9. Institutional (requires the application of adequate international and national regulations that will ensure there is a sustainable, green or ecotourism).

Figure 1: *Sustainable development*



Source: *Authors*.

Sustainable tourism is based on the sustainable development guidelines, and therefore, is also based on three principles:

1. Economic sustainability provides a continuous process of tourism industry development, based on the economic efficiency and at the same time guided by the principles of management and conservation of natural and other resources;
2. Environmental sustainability provides parallel development of tourism, maintenance of biological resources and environmental processes while preserving biodiversity;
3. Socio-cultural sustainability ensures the continuity of tourism development while maintaining cultural and local values (McIntyre, G., et al., 1993).

As a complex economic, environmental and socio-cultural phenomenon, sustainable tourism directly depends on the implementation of the principle of sustainable development because uncontrolled economic development pollutes and devastates tourism resources (original setting of a certain location, clean, pure and healthy natural environment, etc.). According to Krippendorf (1986), this behavior is the result of non-compliance with nature because tourism "swallows land, nature and cultural heritage, as a new colonizer and destroyer of the environment" (p.114).

The concept of sustainable tourism has several definitions, but the authors have selected two interpretations. World Tourism Organization defines sustainable tourism similarly to the definition from the Brundtland Commission. According to UNWTO, sustainable tourism industry satisfies demand needs of tourists and tourist destinations and the development of the tourism market, with respect to intergenerational equity (UNWTO, 2017).

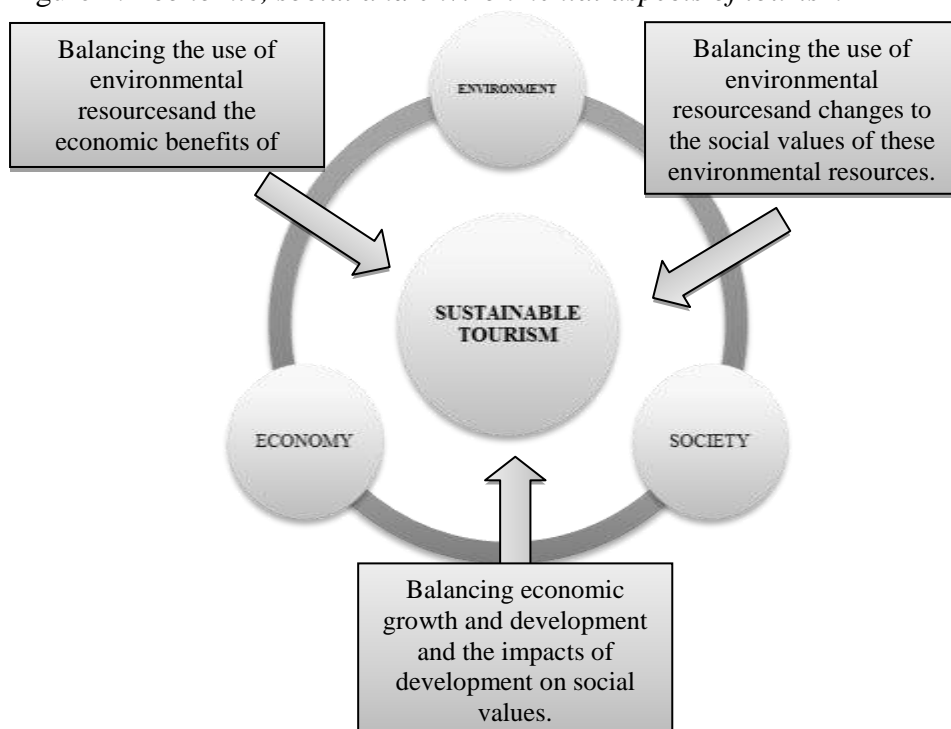
Somewhat more specific definition of sustainable tourism was given by Jovičić (2002): "Sustainable tourism entails an integrated and complex development of tourism which insures simultaneous realization of heterogeneous goals - none of which can become dominant over the other, and they are:

1. Achievement of economic profit,
2. Preserving social integrity and local communities,
3. The affirmation of cultural identity of the receptive field,
4. Environmental protection,
5. The optimal satisfaction of tourism needs" (p.10).

It is interesting that Jovičić (2002) points out that this and other definitions are not precise enough because sustainable tourism is subject to continuous changes. The European Commission concluded the same in the "Green paper of Tourism". This document indicates the necessity of interaction between economic activities and sustainable development with emphasis on the interaction between economy and ecology (Hrabovski Tomić, 2008). Figure 2 shows the relationship between sustainable tourism in relation to the economic, social and environmental aspects. The figure vividly presents the relationship between sustainable development and tourism activities. In other words, sustainable tourism should be accepted as an important way of realization of sustainable development goals. The main forms of sustainability that are important for sustainable development through sustainable tourism are:

1. Economic sustainability
2. Social and cultural sustainability
3. Environmental sustainability (Popescu, et al., 2001)

Figure 2: *Economic, social and environmental aspects of tourism*



Source: Dredge, D. and Jenkins, J. (2008) 'Tourism Planning and Policy', Wiley & Sons, Australia, Milton.

Sustainable development is essential for tourism, as pace of growth in tourism has positive economic effects and contributes to the implementation and achieving sustainable development goals. This indicates a strong relationship between sustainable tourism and sustainable development in the following:

- Interaction: there is a strong interaction between demand for tourism, local communities and the environment.
- Awareness: tourism strongly influences awareness of tourists about differences between customs, cultures, nations, state of the environment; all this is reflected in the forming awareness about living in accordance with sustainable development.
- Dependence: tourism industry depends on the attractive natural areas, authentic and historical cities whose natural environment is not compromised (Ivanovic et al., 2016)

Some authors have presented a more detailed classification of sustainable tourism (Zamfir & Corbos, 2015), in which case the division of sustainable tourism looks as follows:

1. Socio-cultural dimension
 - a. Respecting local communities
 - b. Improving the quality of life of local communities
 - c. Promoting inter- and intra-generational equity
 - d. Ensuring stakeholders participation in decision making
 - e. Ensuring a satisfying and rewarding experience for the client
 - f. Improving understanding among tourist and locals
 - g. Promoting scientific research
2. Economic dimension
 - a. Finding new sources of income (diversification of the economy)
 - b. Boosting economic activity and growth in rural areas
 - c. Insuring outside investment in infrastructure
 - d. Supporting local economies
 - e. Increasing employment opportunities
 - f. Increasing market for the local producers
3. Environmental dimension
 - a. Respecting ecological limits
 - b. Promoting scientific research
 - c. Managing natural areas
 - d. Maintaining and enhancing natural and cultural heritage
 - e. Reducing over-consumption and waste

In depth analysis of tourism's contribution to the Sustainable Development Goals was presented in the Tourism and Sustainable Development Goals paper by UNWTO, which the authors summarized in Table 1.

Table 1. *Tourism's contribution to the Sustainable Development Goals*

Sustainable Development Goals	Tourism's contribution to the Sustainable Development Goals
1. End poverty in all its forms everywhere	Tourism can foster economic growth and development by providing income through job creation. It promotes entrepreneurship and SMEs, while empowering less favoured groups (particularly women and youth).
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Tourism can promote the production, use and sale of local produce in tourist destinations. This can contribute to the local produce integration in the tourism value chain. Additionally agro-tourism can complement traditional agricultural activities.
3. Ensure healthy lives and promote well-being for all at all ages	Tourism's contribution to economic growth and development can have a domino effect on well-being and health (e.g. Tax income from tourism can be reinvested in health care and services).
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Tourism can provide incentives to invest in education and vocational training. This can be accomplished through cross-border certifications and standards. This can especially ameliorate the position of less favoured groups from Goal 1.
5. Achieve gender equality and empower all women and girls	Tourism can empower women through providing jobs and income-generating opportunities. It can be used as a modus for women to unlock their full potential.
6. Ensure availability and sustainable management of water and sanitation for all	Tourism can play a pivotal role in achieving adequate levels of hygiene and sanitation for all by providing water access and security.
7. Ensure access to affordable, reliable, sustainable and modern energy for all	Tourism can support reduction of GHG emissions, climate change mitigation and can contribute to new energy solutions in urban and remote areas by promoting high quality long-term investments in sustainable energy sources.

8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	By giving access to decent work opportunities tourism can benefit from professional development as stated in Target 8.9: “By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products”.
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	Tourism can motivate governments to upgrade their infrastructure and modernize their industries, making them more resource-efficient and clean. This could attract more tourists and other foreign investments.
10. Reduce inequality within and among countries	Tourism can contribute to community development through urban and rural renewal and development. This can reduce regional imbalances and give communities the opportunity to prosper in their place of origin. Tourism assists and enables developing countries to take part in the global economy.
11. Make cities and human settlements inclusive, safe, resilient and sustainable	Tourism has the potential to advance urban infrastructure and accessibility, promote regeneration of areas in decay and preserve cultural and natural heritage.
12. Ensure sustainable consumption and production patterns	If the tourism sector accepts sustainable consumption and production (SCP) practices, it can play a pivotal role in a global effort towards accepting sustainability.
13. Take urgent action to combat climate change and its impacts	By lowering energy consumption and transitioning to renewable energy sources (in the transport and accommodation sector especially), tourism can help combat climate change and its impacts.
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	Coastal and maritime tourism rely on healthy marine ecosystems. Conserving and preserving delicate marine ecosystems support tourism development and promote the blue economy.
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss	“Majestic landscapes, pristine forests, rich biodiversity, and natural heritage sites are often main reasons why tourists visit a destination. Sustainable tourism can play a major role, not only in conserving and preserving biodiversity, but also in respecting terrestrial ecosystems, owing to its efforts towards the reduction of waste and

	consumption, the conservation of native flora and fauna, and its awareness rising activities”.
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	Tourism can lay the foundation for more peaceful societies and preventing violence and conflicts. Tourism sector can foster multicultural and multi-faith tolerance as it relays on vast number of encounters between people of diverse backgrounds.
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development	Tourism has the ability to “strengthen private/public partnerships and engage multiple stakeholders – international, national, regional and local – to work together to achieve the SDGs and other common goals”.

Source: *UNWTO, Tourism and Sustainable Development Goals*, available online: <http://www.e-unwto.org/doi/pdf/10.18111/9789284417254>

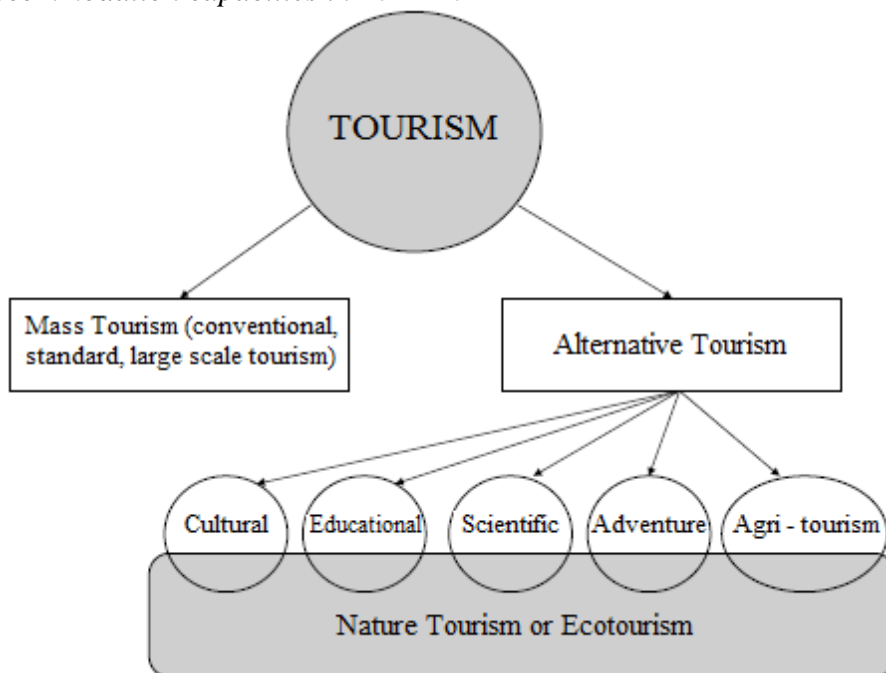
The relationship between sustainable and ecological tourism

It is essential to make a distinction between the concept of sustainable and ecological tourism. The concept of sustainable tourism is broader because it includes various forms of tourism activities, ways of doing business and can be applied to various forms of tourism whereas ecotourism refers only to one segment of tourism. Notwithstanding the above-mentioned, both are characterized by responsibility, which is not detrimental to the environment and that is still an alternative (Stojanović, 2011).

The tasks of ecological tourism can be outlined as: respecting the needs of the local community through the respect for its culture and customs, meeting the needs of tourists without endangering the environment and all this in a way to follow modern trends in tourism.

On the other hand, sustainable tourism could be put in relation to any form of tourism development, as these forms should jeopardize neither nature nor resources. Figure 2 shows that ecotourism includes in itself the elements of cultural, educational, scientific, adventure, agricultural and other types of alternative tourism.

Figure 2: *The percentage of rooms in the structure of hotel accommodation capacities in 2011-2012*



Source: *Mieczkowski, Z. (1995). Environmental issues of tourism and recreation, University Press of America.*

As sustainable development, ecotourism was initially an idea rather than a concept. Principles and guidelines for ecotourism on international and national levels have begun to gradually develop in the last decade of the XX century within the The International Ecotourism Society (TIES).

Characteristics and significance of ecological tourism in terms of sustainable development

The International Ecotourism Society (TIES) is a nonprofit organization whose activities are aimed at promoting ecotourism. It was founded in 1990 and currently has 120 member countries that are represented by experts in various fields. TIES nourishes multidisciplinary approach to ecotourism and defines it as a socially responsible travel through nature, which improves the welfare of local residents and does not destroy the environment (TIES Overview, 2017).

A defined set of terms on which ecotourism is based:

1. Ecological environment - a tourist destination must be a protected ecosystem, national park or unregulated "wild" natural environment.
2. Ecotourists - tourists that expect experience in the nature and a close relationship with local customs, culture, and/or complete cessation of contact with everyday accelerated pace life. As for the size of the group, they usually range from 2 to 15 people.
3. Protection of the environment - such ecological environment characteristic for the development of ecotourism necessarily needs to be actively protected and monitored. This area should be characterized by protected natural, architectural or cultural monuments.
4. Ecological activity - this type of activities implies casual relaxation, study of geology, flora and fauna, but also socializing with local people and buying local products.
5. Ecological transport - ecotourists should use the adequate means of transport that do not endanger the ecosystem. Depending on the offer, ecotourists may use bicycles, boats, cars driven on battery, local trains, domestic animals (horses and donkeys) or walk.
6. Environmental contacts - in order to achieve as close social contact, ecotourists need to establish different forms of communication in order to inform themselves about the local culture and customs. In the case of a language barrier, the help of a guide is necessary.
7. Ecological information - in order to fully enjoy the area, ecotourists should be prepared for the site they are visiting. On the other hand, local residents should prepare a better picture of the environment and about themselves for the tourists (Meier, 2004).

Evolution, certification and guidelines of ecological tourism, based on the tenet of sustainable development, put it in a special place in the tourism industry. Discussions and adopted documents from numerous conferences over the years led to a general consensus which components make ecotourism:

1. Contribution to the preservation of biodiversity
2. Maintaining the well-being of the local population whose living space is an ecological tourist destination
3. Acquiring new and continuous experiences on the basis of spread of ecological tourism
4. Responsibility of eco tourists, ecotourism and the tourism industry as a whole
5. Orientation towards small tourist groups
6. Minimal consumption of non-renewable resources

7. Encourage the development of entrepreneurial ventures and establishment of family businesses to provide services to ecotourism, especially in rural areas (Epler Wood, 2016).

Conclusion

The rapid development of technology has caused harmonious growth of the global economy and all activities. In order to prevent further devastation of the environment and natural resources the concept of sustainable development has been created. Regardless of the declarative acceptance by international institutions, this concept, which essentially has social and intergenerational justice, has not brought the expected results. Aided by Agenda 21, the Millennium Development Goals (MDGs), Sustainable Development Goals (SDGs), the Paris Agreement and many other international documents, this concept should provide better results than the existing ones. This paper analyzes the relationship of sustainable development and the development of sustainable, ecological and green tourism.

There are many definitions of sustainable tourism and ecotourism. All definitions of sustainable tourism emphasize that this form of tourism does not endanger natural resources, respects the principle of intergenerational justice and necessity of positive connections in the development of tourism industry, tourists, the environment and local communities.

Ecotourism and sustainable forms of tourism are similar but not the same. Ecotourism has somewhat different tasks: to satisfy the interests of ecotourists without the devastation of the environment, and with respect for the local community and its culture and customs, provided that it is organized in a modern way.

Sustainable tourism is a broader concept. It summarizes the different types of projects and business enterprises, various tourist activities and should be applicable to all new so-called alternative forms of tourism. On the other hand, ecotourism refers only to one segment of tourism.

It could be said that ecotourism is a subsystem of sustainable tourism, which includes a more modern format, so called "Green tourism". Both are based on nature. Despite potential lack of awareness of tourists, they have individual and selective approaches to free time they want to spend

in a healthy environment, without compromising the welfare of the local population and at the same time learning about local way of life, culture, customs, etc. This is the essence of ecological tourism - features are in absolute compliance with the principles of sustainable economic, environmental and social development. Ecological tourism is in complete accordance with the concept of sustainable development.

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SOIL EROSION, CHANGES OF LAND USE AND MIGRATION TRENDS - IMPACT ON TOURISM DEVELOPMENT

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Abstract

Sustainable tourism can be simply defined as `tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities`. Sustainability principles refer to the environmental, economic, and socio-cultural aspects of tourism development. A suitable balance must be established between these three dimensions to guarantee its long-term sustainability (UNEP and UNWTO, 2005). The paper presents a comparative analysis of ecological and sociodemographic components: land use changes, intensity of erosion, population, household and settlement size (in the area of Vranje Valley in the period from 1953 to 2016). According to the erosion maps produced using the erosion potential method by prof. Gavrilović, the mean coefficient of erosion (Z_{mean}) of the study area amounted to 0.76 (intensive erosion processes) in 1953, while it was 0.34 (slight erosion processes) in 2016. Along with erosion control works, the observed changes have caused a decrease in the intensity of erosion in the last 60 years.

Keywords: intensity of erosion, land use, socio-demographic factors, sustainable tourism, Vranje Valley

JEL classification: Q₂₄, Q₂₅, R₁₄, R₂₀

Introduction

Soil erosion is considered to be one of the most common forms of land degradation that can greatly affect the environment. In recent years,

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erosion has been increasingly recognized as a threat that causes loss of soil, water quality deterioration and many other adverse effects. Since prevention is the best way to address these problems, planning, conservation and management of degraded areas are of vital importance (Perović et al. 2016). Human-induced erosion typically occurs in the regions with intensive agricultural production and other human activities such as mining and construction or intensive deforestation. The planning of soil conservation measures requires knowledge of the factors that cause the loss of soil. It makes the first step in the soil erosion control (Perovic et al. 2013).

The region of Vranje Valley was the central point from which the highest intensity erosion processes developed during the 1950s. Devastating torrential streams endangered human lives, as well as the Belgrade-Skopje-Thessaloniki motorway and railway, plough land, etc (Braunović, 2013). The study of the change in the intensity of erosion processes revealed the causes of its abatement in the period 1953-2016.

The pattern of land use, accompanied with the study of weather and climate conditions, topography, geological composition, bedrock and distribution of the observed erosion processes, was one of the key factors in the identification and mapping of erosion process. By using land and other natural resources for the purpose of social and economic development, man may either disturb and endanger the naturally-established balance or preserve and improve it. Therefore, the land use, as a significant anthropogenic factor of erosion, represents the focal interest of the study. The paper presents the study of the change in land use in the region of Vranje Valley in the period from 1953 to 2016 and the ways socio-demographic changes affected the intensity of erosion processes.

Study area

Vranje Valley is situated in the south-east of Serbia. In administrative terms, the Vranje Valley region belongs to the municipalities of Vladičin Han, Surdulica, Vranje and Bujanovac. It is 45 km in length stretching from Vladičin Han to Bujanovac in the NE-SW direction (Figures 1 & 2). It is averagely 5km in width, but its form is mostly indefinite. In the north, it reaches its maximum width in the area between Vladičin Han and Surdulica (15 km), whereas in the south the maximum width is between Gornji Vrtoškoš and the village of Klenike (20 km). It covers an area of 1,302.16 km². Torrential watersheds account for 1,240.45 km² (95%) of

the total surface area, whereas the remaining 61.71 km² represent the area beyond the watershed (built up area of Surdulica, Vranje and Bujanovac, the road network and watercourses). The brim consists of older rocks, but the bed is covered with neogene sediments (Braunović & Ratknić, 2012a).

Figure 1: *Study area*



Source: *Original*

Figure 2: *Map of municipalities and cadastral municipalities*

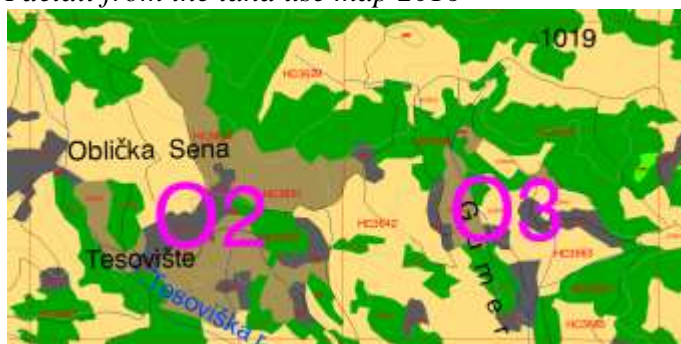


Methodology

The available topographic maps, field mapping data and satellite images of the study area were processed in order to define the land use pattern in 2012. The structure of the area was determined by using homogeneous plots, within which productive and non-productive areas were identified. Productive areas comprised forests, degraded forests, meadows and pastures, degraded meadows and pastures, high-mountain meadows and pastures, plough land, vineyards, orchards, house yards and gardens. Non-productive areas included gullies, rocky grounds, gravel, road networks, waterways and the construction zone of settlements. Based on the above-mentioned categories, there are 4100 homogenous plots within the study area. This classification was then used to draw up a digital map of land use that formed the basis for the mapping of erosion (Figure 3). We studied the state of erosion in two reference periods: in 1953 and in 2012.

The 1953 coefficient of erosion was determined according to the available digitalized map of erosion. The values of Z erosion coefficient were calculated by Prof Gavrilović's methodology (Gavrilović, 1972) using land survey data (mapping of excessive and intensive erosion processes), data on bedrock, soil, climate and distribution of vegetation for each homogeneous plot. The intensity and spatial distribution of erosion processes were determined in 2012 based on a 1:50 000 digital map of erosion (Braunović, 2013). The map was further improved in 2016 with the results of field research and the data from thematic maps (topographic, geological, soil, land use, etc.) and satellite images. Regarding the socio-demographic context, we studied the changes in the population trends, household numbers and population density based on the available census data for the period from 1948 to 2011 (Ratknić & Braunović, 2013). Data were collected and analyzed for 165 settlements (Statistical Office of the Republic of Serbia, 2014a; Statistical Office of the Republic of Serbia, 2014b). We further studied and determined the number and the size of settlements, population by municipalities as well as the changes in the population size of the settlements with the altitude.

Figure 3: A detail from the land use map 2016



Source: *Original*

Results and discussion

The length of the South Morava's main stream in the Vladičin Han–Bujanovac section is 47 km (Table 1). The hydrographic network is well-developed, with 73 tributaries flowing into the South Morava in this section: 36 torrential tributaries on the right bank and 37 on the left bank (rivers, streams, gullies and dry watercourses). The largest tributary of the South Morava in this area is the Vrla River with 217.76 km² of watershed area.

Table 1: *Hydrographic and topographic characteristics*

Parameter	Vranje Valley
Watershed surface area - F (km ²)	1302.16
Main stream length - L (km)	47.00
Watershed circumference (km)	189.96
Most upstream point of the main stream - K_v (m a.s.l.)	394.5
Most downstream point of the main stream - K_u (m a.s.l.)	324.0
Stream winding coefficient - K_k	0.80
Number of stream tributaries - B_r	73
Average slope in the section - I_p (%)	0.15
Mean area width- S_s (km)	27.76
Total length of hydrographic network- ΣL (km)	572.50
Hydrographic network density - G (km·km ⁻²)	0.47
Watershed asymmetry coefficient - a	0.64
Highest watershed altitude (m a.s.l.)	1,923.00
Mean watershed altitude - N_{sr} (m a.s.l.)	804.30
Mean watershed altitude difference - D (m)	480.30

Source: *Original*

The second largest watershed tributary is the Vranjsko Banjska River. The remaining two rivers, belonging to the class of tributaries with the surface area over 100 km² are the Kozarska and Trnovačka River. The tributaries with the watershed area of 50-100 km² are the Džepska, Jelašnička, Korbevačka, Tibuška, Trnovačka and Krševića Rivers.

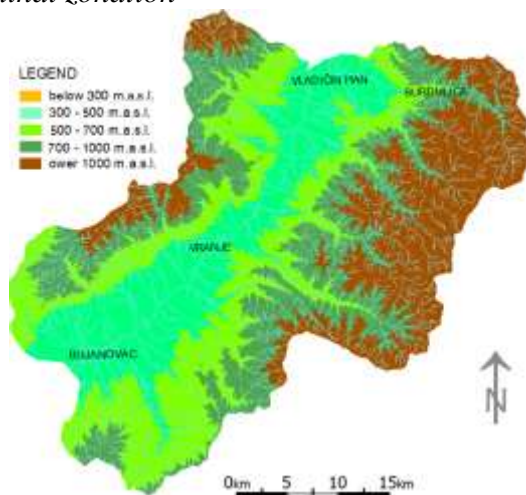
Figure 4: *The Map of hydrographic network*



Source: *Original*

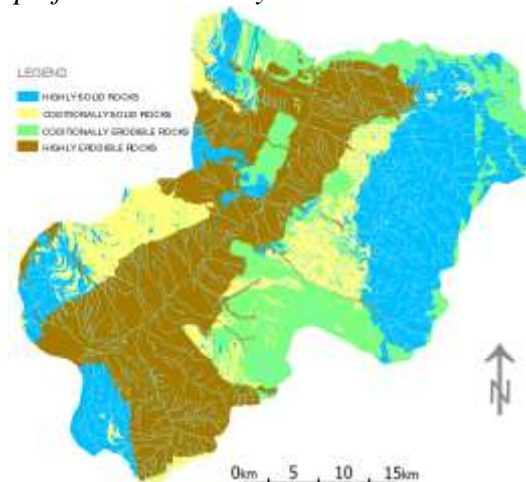
There are 15 watershed tributaries with the watershed area of 20-50 km², the largest among which are Preobraženska, Trebešinska and Jovačka River (Figure 4). The slope inclinations of the watershed tributaries are significantly above the average and range from 3 to 20 % (Figure 5). All tributaries in the watershed area have typical torrent characteristics: developed spring areas, large slopes in the upper and central streams, lower stream slopes of 1-3 %, with clearly distinct or highly developed fans.

Figure 5: *Altitudinal zonation*



Source: *Original*

Figure 6: *The map of rock erodibility*



Source: *Original*

The research area is at 300 to 1923 meters above sea level, with each altitude zone (300-500, 500-700, 700-1000 and >1000 m a.s.l.) covering 25% of the surface area.

Natural characteristics of the area (climate, topography, soil, bedrock, developed hydrographic network, degraded forests) favor the development of erosion processes (Braunović, 2013). Highly solid rocks account for 23%, conditionally solid rocks for 12%, conditionally erodible for 25%, and highly erodible for 40% of the total area. The areas potentially at risk of erosion exceed the stable areas, and account for about 65% of the area of Vranje Valley (Figure 6).

The land use pattern for 1953 was defined based on the available data from 'The record of torrents of the South Morava River's right and left tributaries in the Vladičin Han-Bujanovac section, The Register of torrent watersheds and slopes', 1964. By means of synthesizing the above-mentioned data, it was determined that forests accounted for 33.19%, plough land for 32.80%, meadows and pastures for 7.39%, orchards for 1.46%, house yards and gardens for 0.43 % of the total watershed surface area, that is, productive areas constituted 75.27% of the study area. In 1953, barren land accounted for 22.38% of the watershed, that is, over 1/5 of the study area (Braunović & Ratknić, 2012b). When the share of the areas denoted by the term 'outside the watershed area' (built up areas, asphalted roads and watercourses) is added to the barren land share in the total surface area, it may be concluded that non-productive areas occupied 24.73% or one quarter of the Vranje Valley surface area (Table 2).

Table 2: *Land use in Vranje Valley (1953)*

Land use	Surface area ha	Representation %
Forests	43,225	33.19
Meadow and pastures	9,623	7.39
Plough land	42,715	32.80
Orchards	1,896	1.46
House yards and gardens	560	0.43
Productive areas	98,019	75.27
Barren land	29,138	22.38
Outside the watershed area	3,059	2.35
Non-productive areas	32,197	24.73
Total	130,216	100.00

Source: *Braunović, 2013*

In 2016, the productive area in the region of Vranje Valley accounted for 96% of the study area. Forests covered 47% of the area, whereas degraded forests, located around the settlements, accounted for 3.6% (oak stands). Tree pruning for animal fodder was still practiced, although in small areas. Meadows and pastures covered 21% of the area, 5% of which were degraded pastures, while high mountain meadows and pastures constituted 9%. Plough land covered 21% of the area, and it stretched along the South Morava River and the lower streams of its larger tributaries (Figure 7). Very small areas of plough land were found on higher altitudes and steep slopes. Non-productive areas accounted for 3.8% of the total surface area (Table 3). Barren land was recorded on 307 ha, 53ha of which were covered with gullies (Žuta voda, the Trnovačka river basin, the Muhovska river, the surroundings of Veliki Trnovac).

Table 3: *Land use in Vranje Valley (2016)*

Land use	Surface area (ha)	Share (%)
Forests	58,456.61	96.41
Degraded forests	2,177.52	3.59
Forests	60,634.13	46.56
Meadow and pastures	23,828.97	85.75
Degraded pastures	1,358.08	4.89
High mountain meadows and pastures	2,601.88	9.36
Meadows and pastures	27,788.93	21.34
Plough land	28,069.24	21.55
Vineyards	1,121.67	0.86
Orchards	2,001.01	1.54
House yards and gardens	5,669.73	4.35
Productive areas	125,284.71	96.20
Settlements (built up area)	3,052.93	2.34
Gullies	52.99	0.04
Rocky grounds	208.31	0.17
Gravel	45.68	0.04
Road network and watercourses	1,572.00	1.21
Non-productive areas	4,931.91	3.80
Total	130,216.62	100.00

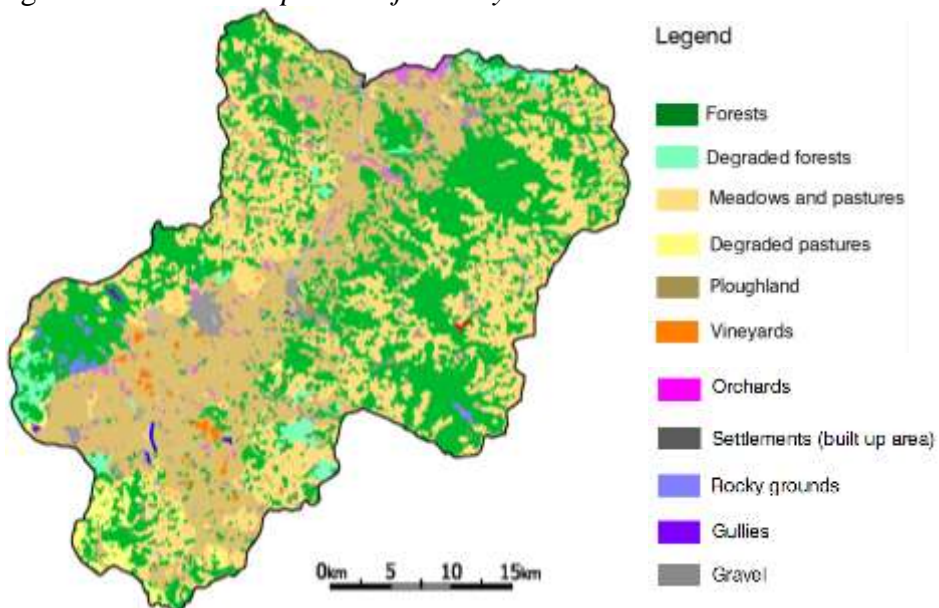
Source: *Original*

The share of plough land in the study area decreased in the period from 1953 to 2016. In comparison to 1953, forests recorded an increase of 13.4%, resulting in the present afforestation level of 46%. Non-productive

areas decreased by nearly 21% in the same period. The share of plough land in the total surface area decreased, i.e. plough land was abandoned and naturally 'transferred' to the category of meadows and pastures, the share of which increased by 14%.

Based on the land use map drawn up in 2012, it can be determined that the productive area constitutes 96.20%, whereas the non-productive area accounts for 3.8% of the Vranje Valley region. In addition to its primary purpose, the land use map was used as the basis for drawing up of an erosion map. Vranje Valley comprises 165 cadastral municipalities (Surdulica 22, Vladičin Han 30, Vranje 80 and Bujanovac 33). The last census data (2011) for Bujanovac could not be used because they were given at the level of the whole municipality. According to the 2002 census (Table 4), the area had a population of 151,670. Vranje (population of 73,944), Surdulica (10,888), Vladičin Han (8,030), Vranjska Banja (5,347) and Bujanovac (12,011 - 2002 data) have the status of urban settlements. Urban settlements have 110,220 inhabitants, which makes about 67% of the total population. A total of 19,597 inhabitants live in 11 rural settlements with a population over 1,000.

Figure 7: Land use map – Vranje Valley 2016



Source: *Original*

Table 4: *Population by census years and municipalities*

Municipality	Number of CM	Population by census years							
		1948	1953	1961	1971	1981	1991	2002	2011
Surdulica	22	15132	17901	17591	18109	19624	20395	19256	18380
Vladičin Han	30	15345	16001	15738	16218	17776	19196	19086	17687
Vranje	80	48388	51173	54841	63160	75571	80778	84004	99532
Bujanovac	33	20841	22185	23630	26915	29929	33137	29324	-
Total	165	99706	107260	111800	124402	142900	153506	151670	135599

The study settlements were classified according to their population in 5 categories:

1. Villages with a population below 100 (with an increase from 4 villages with 336 inhabitants in 1953 to 65 villages with 2,761 inhabitants in 2011).
2. Villages with a population from 101 to 300 (with a decrease from 50 villages with 10,452 inhabitants in 1953 to 38 villages with 6,541 inhabitants in 2011).
3. Settlements with a population from 301 to 500 (with a decrease from 47 settlements with 18,797 inhabitants in 1953 to 22 settlements with 8,779 inhabitants in 2011).
4. Medium-sized settlements with a population from 501 to 1000 (with a decrease from 44 settlements with 30,334 inhabitants in 1953 to 24 settlements with 17,025 inhabitants in 2011).
5. Large rural and urban settlements with a population over 1000 (with a decrease from 20 settlements with 47,428 inhabitants in 1953 to 16 settlements with 129,817 inhabitants in 2011) (Table 5).

Figure 8: *The village of Kaćarci, 2016*



Source: *Original*

Table 5: *Changes in the population and settlement number*

Population	1953		1971		2011	
	Number of settlements	Population	Number of settlements	Population	Number of settlements	Population
Municipality of Vladičin Han						
below100	0	0	0	0	11	507
101-300	9	2122	12	2360	9	1519
301-500	7	2668	8	3529	3	1096
501-1000	12	8305	8	5308	3	2388
> 1000	2	2906	2	5021	4	12177
Total	30	16001	30	16218	30	17687
Municipality of Surdulica						
below 100	0	0	0	0	11	466
101-300	2	380	6	1108	3	556
301-500	8	3388	9	3254	1	390
501-1000	6	3879	7	4611	3	2254
> 1000	6	10254	3	9136	4	14714
Total	22	17901	22	18109	22	18380
Municipality of Vranje						
below 100	2	166	5	396	36	1446
101-300	29	6066	36	7402	15	2369
301-500	22	8690	17	6665	13	5326
501-1000	19	12689	16	10663	11	7600
> 1000	8	23649	6	38034	5	82791
Total	80	51260	80	63160	80	99532
Municipality of Bujanovac						
below 100	2	170	2	164	7	342
101-300	10	1884	10	1818	11	2097
301-500	10	4051	9	3310	5	1967
501-1000	7	5461	7	4763	7	4783
> 1000	4	10619	5	16860	3	20135
Total	33	22185	33	26915	26	29324
VRANJE VALLEY						
below 100	4	336	7	560	65	2761
101-300	50	10452	64	12688	38	6541
301-500	47	18797	43	16758	22	8779
501-1000	44	30334	38	25345	24	17025
> 1000	20	47428	16	69051	16	129817
Total	165	107347	168	124402	165	164923

Source: *Original*

In 1948, a total of 49% of the population in the municipality of Surdulica lived in the altitude zones of 300-500 m (19%) and 500-700 m (30%), while 51% of the population lived in the zones of 700-1000 m (32%) and over 1000 m (19%). In 1971, the population was still increasing in the zones of 300-700 m, but decreasing in the settlements over 700 m a.s.l.

According to the 2002 census, the largest population growth compared to 1948 was recorded in the zone of 500-700 m (2.43 times), and the largest population decrease in the zone above 1000 m (as much as 12.4 times). According to population projections for 2021, the zone above 1000 meters above sea level will be depopulated (Braunović & Ratknić, 2010).

The aim of the study was to determine the changes in the number and size of the settlements and the reducing trend in the population per municipality. Table 5 clearly shows a reducing trend in the population number and in the number of larger settlements (over 300) and an increasing trend in the number of settlements with the population below 300, especially below 100. The total number of inhabitants in the settlements with a population below 100 has increased with the increase in the number of settlements of this size.

The settlements with the population over 1,000 inhabitants have also recorded an increase in the number of inhabitants (urban areas).

Table 6. Altitudinal distribution of settlements and population

Altitude zones (m a.s.l.)	Number of settlements	Population							
		1948	1953	1961	1971	1981	1991	2002	2011
below 100	1	11252	13465	17999	28613	44094	51215	55052	73944
300-500	72	48075	50492	51948	56093	63088	71127	69021	40924
500-700	38	17160	18584	18782	19301	20530	20429	19095	14300
700-1000	35	14260	15058	13865	12338	9985	7631	6620	4755
>1000	19	8959	9661	9206	8057	5203	3104	1882	1136
Total	165	99706	107260	111800	124402	142900	153506	151670	-

Source: Original

Table 7. Population size of the settlements by altitude

Altitude	Population below 100			101-300			301-500			501-1000			more than 1000		
	1953	1971	2011	1953	1971	2011	1953	1971	2011	1953	1971	2011	1953	1971	2011
< 300	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1
300-500	0	0	8	18	22	18	18	17	16	26	22	18	10	11	12
500-700	2	3	18	17	20	11	8	6	4	7	7	3	4	2	2
700-1000	2	2	21	9	16	9	16	11	2	6	5	2	2	1	1
> 1000	1	2	18	5	5	0	5	8	1	6	3	0	2	1	0
Total	5	7	65	49	63	38	47	42	23	45	37	23	19	16	16

Source: Original

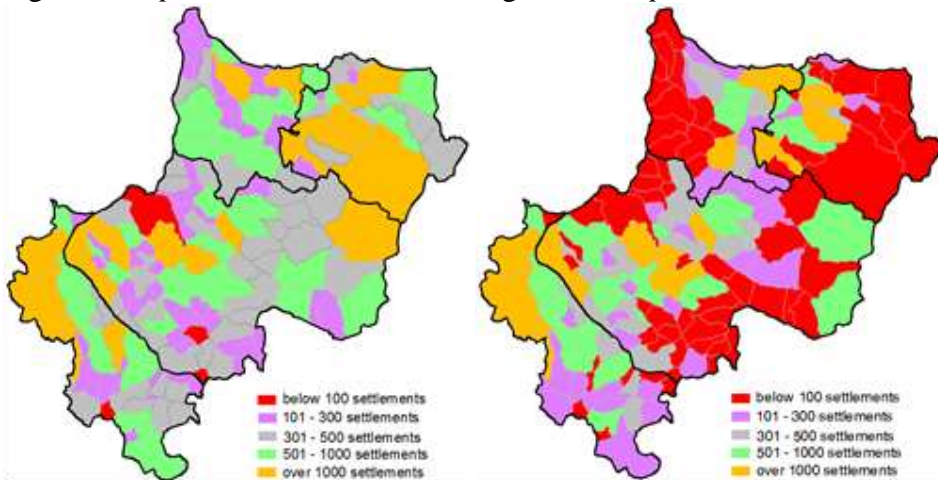
Most of the settlements are located in the altitude zone of 300-500 m (72 settlements), followed by the zone of 500-700 m (38 settlements) and 700-1000 (35 settlements). There are 19 settlements in the altitude zone

over 1000 m, and 1 in the zone below 300 m. Altitudinal distribution of settlements and population is shown in Table 6.

Population size of settlements by altitude zones explains the strong settlement depopulation and fragmentation both in space and in time. There is an obvious decrease in the number of settlements with a population of 301-500. They accounted for 43% in 1953, 35% in 1971 and 22% in 2011 (Table 7) of the total number.

Figure 9: *Population in 1953*

Figure 10: *Population in 2011*



The population reduction occurs in all altitude zones, but it is strongest in the zones over 1000 m, 700-1000 m and 500-700 m. Further reduction occurs in the number of settlements with a population of 501-1000 which accounted for 42% of the total number of settlements in 1953, 38% in 1971 and 20% in 2011. Here again the reduction occurs in all altitude zones and it is most pronounced in the zones above 500 m. The reduction in the number of settlements with a population over 1,000 is slightly less pronounced, except in the zone above 1000 m which had 2 settlements in 1953 and none in 2011 and in the zone of 700-1000 m which had 2 settlements of this size in 1953 and 1 in 2011 (Figure 9 & 10).

On the other hand, there is a significant increase in the number of small settlements. The most significant increase is in the number of settlements with a population below 100. There were 5 settlements with less than 100 inhabitants in 1953, 7 in 1971, and even 65 in 2011. The most significant changes occur in the altitude zones over 700 m.

The state of erosion in 1953 and 2016

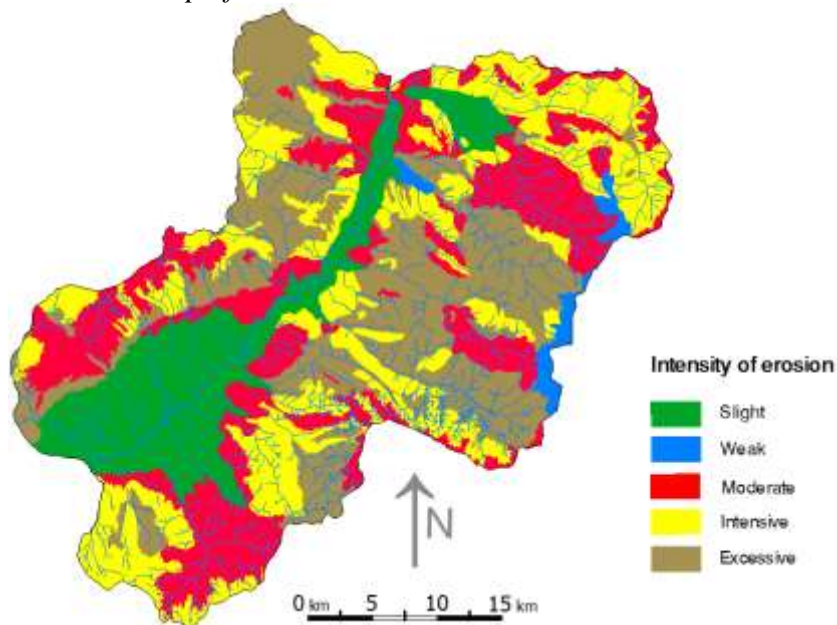
The conducted digitization and measurements of the area under the represented categories of erosion (based on the 1953 erosion map of Vranje Valley) revealed that the study area was affected by erosion processes of all intensities of destructiveness - from weak surface erosion on gentle slopes to excessive surface and deep erosion on steeper terrains. The review of the areas by the intensity of erosion in 1953 is given in Table 8. According to the mean coefficient of erosion, the catchment was generally affected by intensive processes of erosion (Table 8; Figure 11).

Table 8: *The areas by the intensity of erosion in 1953 and 2016*

Categories of destructiveness	Intensity of erosion	Z_{mean}	Share in the total area			
			1953		2016	
			(km ²)	%	(km ²)	%
I	Excessive	1.25	355.44	28.44	3.11	0,25
II	Intensive	0.85	411.90	31.45	15.44	1,24
III	Moderate	0.55	306.43	25.51	115.34	9,30
IV	Weak	0.30	19.50	1.87	657.25	52,98
V	Slight	0.10	209.04	12.73	449.32	36,22
Total		0,76	1302.16	100.00	129180.7	100.00

Source: *Original*

Figure 11: *The map of erosion in 1953*

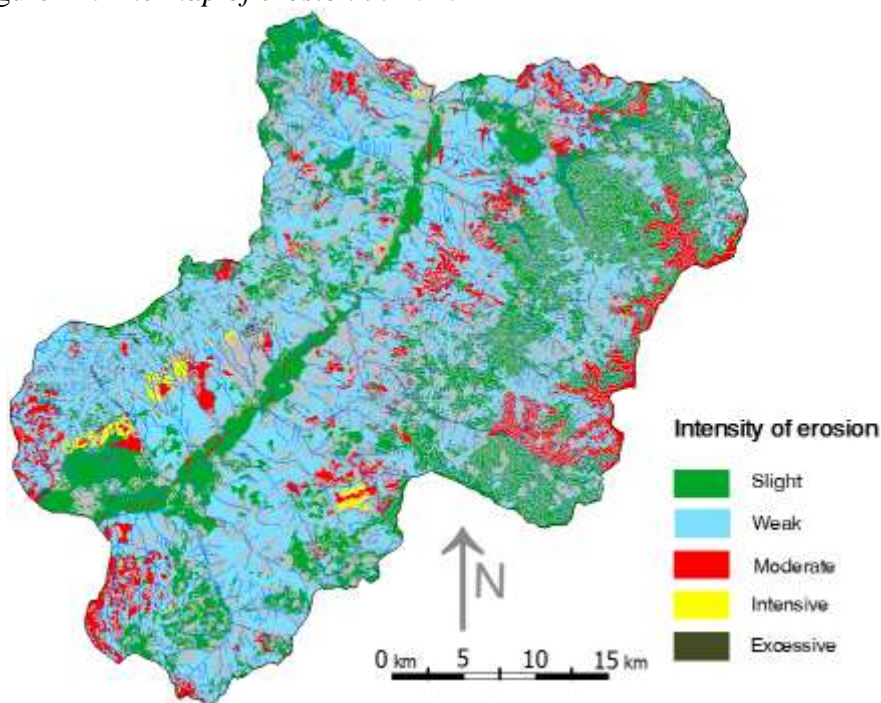


Source: *Original*

Erosion processes of different intensity affected 1240.45 km² (95.26%) of the Vranje Valley surface area in 2016, while there was no erosion on 61.71 km² (4.74%). The mean coefficient of erosion in the area of Vranje Valley is $Z_{\text{mean}}=0.34$, confirming the prevailing effects of weak erosion processes (Table 8; Figure 12). The coefficient of erosion in this area ranges from $Z_{\text{mean}} = 0.29$ (part of the immediate basin of South Morava River basin which belongs to Vranje Valley) to $Z_{\text{mean}} = 0.84$ (Tibuška River Basin).

This area has recently experienced an increase in the number of forest fires, 98% of which have been directly or indirectly related to human activity. The fire-affected sites in the areas susceptible to erosion can increase the risk of soil loss and flooding due to the absence of vegetation cover and changes in the soil structure (Ratknić & Braunović, 2015).

Figure 12: *The map of erosion in 2016*



Source: *Original*

Apart from forest fires, landslides, *etc.*, road erosion (dirt roads in the hilly and mountainous areas) also occurs and calls for direct and indirect involvement of people (paving, protection, maintenance, proper use, *etc.*).

Figure 13: *Road map(Vranje Valley)*



Source: *Original*

Figure 14: *Landslide and damaged road*



Photo: *The Basin Vranjsko banjska rivers 2015*

Conclusions

Indirect anthropogenic impacts (depopulation and population ageing) have resulted from the industrialization and urbanization of the area. Depopulation of rural settlements has reduced the share of arable land, meadows and pastures. It has further decreased the number of livestock and turned large areas into the grass. Non-productive areas decreased by 2.17% in the same period, while the forests increased by 17.6%. Direct human impact - changes in land use, effectively implemented erosion control works and the prevention measures applied in the period from 1955-to 1990, together with the above factors, have reduced the intensity of erosion in this area. The changes have been most pronounced in the zones above 600 m a.s.l., which is the zone of intensive village depopulation.

The conditions are still suitable for the development of erosion processes: non-resistant and impermeable bedrock, great altitude differences, frequent short and heavy rains, forest fires, degraded vegetation cover, tree pruning for fodder, irrational use of agricultural land, unfinished erosion control works, *etc.*

When planning the development of this impoverished part of Serbia through tourism, one should primarily preserve the stability of the ecosystem, increase the share of protected areas under different protection regimes, invest in the road network and use the agricultural and forest land in a sustainable manner.

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ANALYSIS OF THE OPINIONS IN THE AUDIT REPORTS OF COMPANIES IN THE HOSPITALITY SECTOR: ACCOMMODATION AND CATERING SERVICE

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Abstract

Audit reports are a way of reassuring a user of financial statements, based on the auditor's opinion, on the truthfulness and objectivity of the financial statements. The research subject of this paper is the analysis of the opinions expressed in the audit reports of companies that belong to the service sector of accommodation and food, and within the context of the sectoral classification I-accommodation and catering, and are listed on the Belgrade Stock Exchange. The aim is to show the structure of audit opinions presented in the sector of accommodation and catering, in order to draw conclusions regarding the development of auditors' opinions. Also, based on the subject of research and analysis of the results, more research questions are opened regarding the future research directions and possibilities of perceiving the audit opinions development.

Keywords: *auditor's opinion, audit reports, accommodation and catering*
JEL classification: *M42, L83*

Introduction

Financial information is used to meet the needs of enterprises for decision-making, as well as for financial reporting purposes (Mitrović et al., 2015). Plant or internal calculation is not subject to the legal regulation, except for the information provided to financial accounting and therefore its organization and content are largely subordinate to the internal needs of enterprise management at different levels of the management structure (Knežević & Mitrović, 2015).

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The financial statements of companies represent the object of audit. According to the Audit Law (Official Gazette no. 62/2013), the audit is mandatory for regular annual financial statements of large and medium-sized legal entities classified in accordance with the law governing accounting, public companies in accordance with the law governing the capital market irrespective of their size, as well as of all legal entities, or entrepreneurs whose business turnover realized in the preceding business year exceeds EUR 4.400.000 in RSD equivalent (statutory audit). The criteria of classification of legal entities, according to the Accounting Law (Official Gazette No. 62/2013), according to which legal entities are classified into micro, small, medium and large, depending on the average number of employees, operating income and average value of the business assets established at the date of preparation of regular annual financial statement of the fiscal year, is shown in Table 1. The criteria for classification of companies according to the size are fulfilled if 2 out of 3 conditions are met.

Table 1: *Classification criteria of legal entities*

Criteria*	Micro	Small	Medium	Large
Average number of employees	up to 10	10 – 50	50-250	over 250
Operating income	up to EUR 700.000	EUR 700.000 - 8.800.000	EUR 8.800.000 – 35.000.000	over EUR 35.000.000
The average value of operating assets	up to EUR 350.000	EUR 350.000 - 4.400.000	EUR 4.400.000 - 17.500.000	over EUR 17.500.000

Source: *Made by the authors on the basis of the Accounting Law (Official Gazette No. 62/2013)*

The aim of the audit is to give an independent opinion on the accuracy of accounts of the company and thus provide assurance that the realized profit is reasonable, or "true and fair" through a review of the company performance (Mitrović & Knežević, 2016: 158).

In the audit of financial statements, the auditor checks the truthfulness and objectivity of the financial statements of the company. The audit of financial statements is a form of confirmation in which the auditor issues

a written report, which expresses an opinion on whether the financial statements contain material misstatements. Also, the audit of financial statements involves obtaining and evaluating evidence on financial operations of an entity, in order to determine the degree of implementation of legal regulations and accounting standards. The role of auditor in ensuring the quality of financial reporting is also in line with the opinion of the audit, which provides reasonable assurance that the financial statements are prepared in accordance with legal regulations (DeFond & Zhang, 2014).

The audit provides an objective assessment of whether the funds are responsibly and efficiently managed and reduces the risk in the relations between the interested parties (Knežević et al., 2016a). When we talk about the revision in the public sector, the audit may be viewed as³:

- *System audit*: analysis and evaluation of quality, adequacy, reliability and efficiency of the internal control mechanisms and procedures of the user of assets.
- *Financial audit*: analysis and evaluation of controls that ensure the accuracy and completeness of accounting data and financial statements.
- *Performance audit*: analysis and evaluation of the use and exploitation of resources in an economical, efficient and effective manner in order to achieve the objectives of beneficiaries of funds, as well as the evaluation of justifiability and appropriateness of these objectives.
- *Information technologies audit*: analysis and evaluation methods, procedures and use of electronic information systems related to safety, confidentiality, integrity and availability of information and information systems, as a means for achieving the objectives of the user of resources.
- *Compliance audit*: analysis and assessment of operational compliance of the user of the funds with laws, regulations, internal policies and provisions of the contract.

This paper presents theoretical explanations of audit reports, with a focus on practices used in the Republic of Serbia. In addition to theoretical

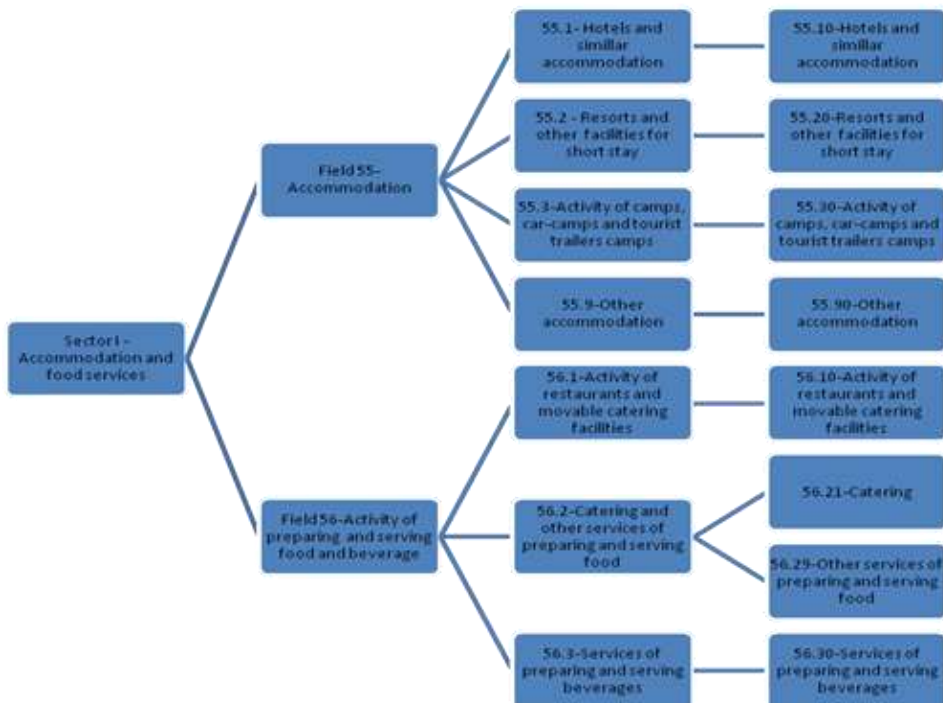
3 See: Pravilnik o zajedničkim kriterijumima za organizovanje i standardima i metodološkim uputstvima za postupanje interne revizije u javnom sektoru, "Službeni glasnik RS", br. 82/07, 99/2011. (http://demo.paragraf.rs/combined/Old/t/t2013_12/t12_0133.htm)

postulates, the paper analyzes the opinions of audit reports from the hospitality sector companies belonging to the sector of accommodation and food service, and in the context of the sectoral classification I-accommodation and catering, and which are listed on the Belgrade Stock Exchange.

The classification of activities (Statistical Office of the Republic of Serbia) defines the sectors, fields, branches and fields of activities with the industry codes. The sector I- Accommodation and food service includes the provision of accommodation services for short-stay of visitors and other travelers, as well as the preparation of complete meals and drinks for immediate consumption. This sector does not include accommodation for a longer period, in the capacity of the base of residence, as well as the preparation of food and beverages which are not intended for direct consumption or are sold through independent distribution channels, i.e. through wholesale or retail trade. Section I includes areas 55-Accommodation and 56-Activity of preparing and serving food and beverage, which in turn include multiple branches and groups, as shown in Figure 1.

The area of accommodation includes services of accommodation for short-stay of visitors and other travelers, as well as providing accommodation services for a longer period to students, pupils, workers and others. Some accommodation units may provide only accommodation while other provide a combination of services for accommodation, meals and/or recreational services. The field of activity of preparing and serving food and beverages includes the preparation of complete meals and drinks for consumption on site, either in a traditional restaurants, self-service restaurants or restaurant with “take away” service, in a permanent or movable kiosks, with seats or without them (see: Statistical Office of the Republic of Serbia, <http://webrzs.stat.gov.rs/WebSite/userFiles/file/Klasifikacija%20delatnosti/Klasifikacija.pdf> (accessed on 30.01.2017))

Figure 1: *Display of areas, branches and groups of sector I- accommodation and food services*



Source: *Made by the author based on: The Republic Institute for Statistics, <http://webrzs.stat.gov.rs/WebSite/userFiles/file/Klasifikacija%20delatnosti/Klasifikacija.pdf> (accessed on 30.01.2017)*

The audit reports of companies

The users of accounting information are, in addition to management at all levels in the company, also a number of external users, due to the successful implementation of management activities. The external users are primarily interested in the financial statements in the company (Mitrović & Vučić, 2015).

Audit reports are the most common and the highest level of assurance provided by independent auditors to interested users of financial information of the company. The audit report is often the only formal way of communication with interested users on the basis of which they can draw conclusions regarding the financial statements of the company. The preparation of the audit report is the final phase of the audit process, and to fulfill all the obligations, auditors must thoroughly know the

International Standards on Auditing - ISA. On the basis of the whole process of the audit, the audit report includes the auditor's opinion on the financial statements in all material aspects. When viewed with a greater detail the essence of certain financial statements for the balance sheet we can say that the information are shown on the date of the sheet, income statement contains many non-cash transactions, whereas cash flow statement records the changes in other financial statements during the period and focuses on cash available for business operations and investments (Knežević et al., 2016b).

In the auditing procedure, the auditor obtains a letter/statement of management that gives credibility to financial statements prepared by the management, in terms of truthfulness and legality of the presentation of the financial position, results of operations, changes in capital and financial flows, as well as in terms of providing accurate accounting records based on which these financial statements are prepared.

According to the Audit Law (Official Gazette no. 62/2013) audit report is compiled in accordance with ISA and contains at least the following elements:

1. the introduction which specifies the financial statements that are the subject of audit, together with the accounting policies that are used for their preparation;
2. the description of the purpose and scope of the audit, with reference to auditing standards in accordance with which the audit is conducted;
3. the opinion of a licensed certified auditor which clearly expresses whether the financial statements give a true and fair view of the financial position of the legal entity in accordance with the relevant legal framework, as well as whether the annual financial statements are in accordance with special regulations governing the operations of the legal entity, if provided for by those regulations. The auditor's opinion can be unqualified, qualified, adverse or the certified auditor may refrain from expressing an opinion if he/she is not able to express it;
4. Special alerts and problems that the licensed certified auditor wishes to draw attention to, but without expressing a qualified opinion;
5. an opinion on the compliance of the report on operations with financial statements for the same business year.

When we talk about the kinds of opinions, it should be noted that the auditor's opinion can be unmodified or modified. Accordingly, when

considering the auditor's judgment about the nature of the issues that lead to a modified opinion, we can talk about whether the financial statements contain false statements or about the inability of the auditor to collect sufficient appropriate evidence as well as about the auditor's judgment about the effect or potential effect on the financial statements, in the sense of material and pervasive or material, but not pervasive effects (Table 2).

Table 2: *The auditor's judgment about the nature of the issues that lead to a modified opinion*

The nature of the issues leading to a modified opinion	The auditor's judgment about the effect or potential effect on the financial statements	
	Material but not pervasive	Material and pervasive
The financial statements contain false statements	Qualified opinion	Adverse opinion
The inability of the auditor of collecting sufficient appropriate evidence	Qualified opinion	Disclaimer of opinion

Source: *Todorović, M. & Vučković, Milutinović S. (2015), Revizija, Centar za izdavačku delatnost ekonomskog fakulteta u Beogradu, Ekonomski fakultet u Beogradu, Beograd. p.341.*

According to Soltani (2007, p.368), the independent auditor's report can take various forms under different conditions. The auditor's report may be:

- a standard report that contains an unqualified opinion;
- a report that contains an unqualified opinion with added explanatory paragraph; or
- a report that expresses one of three other types of opinion – qualified, adverse or disclaimer.

Under ISA 700 (IFAC, 2005) an auditor may not be able to express an unqualified opinion when either of the following circumstances exist and, in the auditor's judgment, the effect of the matter is, or may be, material to the financial statements:

- there is a limitation on the scope of the auditor's work; or
- there is a disagreement with management regarding the acceptability of the accounting policies selected, the method of their application or the adequacy of financial statement disclosures;

- there is a lack of independence, and in this case the auditor must disclaim an opinion on the financial statements.

Recently the credibility of top managers and auditors has been increasingly examined, as a result a large number of accounting scandals, such as: *Enron*, *Worldcom* and *Parmalat*. Surprisingly the above-mentioned companies by the time of the collapse had unqualified opinion of the auditor. This fact points to the renewal of the open question concerning the quality of financial reporting and performance of auditing firms, to ensure accuracy and completeness of the financial statements. Prompted by the foregoing, researchers and professional institutions have increasingly focused their research to the auditor performance in terms of quality (Tritschler, 2013).

Analysis of opinions from the audit reports of companies from the hospitality sector: accommodation and food services

For research purposes of the modalities of audit opinions in this paper, we a total of 40 companies were analyzed within category I-accommodation and food services, and whose shares are listed on the BSE. For the analysis, the official data of the Agency for business registers and audit reports for the year 2014 and 2015 were used.

Considering that the Audit Law recognizes several types of audit opinions as follows: Unqualified, qualified opinion, adverse or a certified auditor may refrain from expressing an opinion if he/she is not able to express it, and that it is a common practice in the Republic of Serbia to express an unqualified opinion with drawing attention, it can be concluded that this shows special warnings and problems that licensed certified auditor wishes to draw attention to, but without expressing qualified opinion, and it will be a special object of observation.

Shown below are the examples of different opinions (unqualified, unqualified opinion with drawing attention, qualified opinion, disclaimer of opinion and adverse opinion) presented in the audit reports of companies belonging to the sector of accommodation and food service in 2014 or 2015.

An example of *unqualified opinion* shown in the audit report of the company which belongs to the sector of accommodation and food service for the year 2015:

According to the auditors' opinion, the financial statements present true and objective, in all material respects, the financial position of the company as at 31st December 2015 as well as the results of its operations and its cash flows for the year ended on that date, in accordance with International accounting standards, International financial reporting standards and the accounting regulations of the Republic of Serbia. (Source: Agency for the business registers, <http://www.apr.gov.rs/> (accessed on 07.02.2017))

An example of *unqualified opinion with drawing attention* shown in the audit report of the company which belongs to the sector of accommodation and food service for the year 2015:

As part of the audit opinion for the year ending on 31st December 2015, it was pointed out that the short-term liabilities exceeded current assets of the company, while cash outflows from total activities were higher than inflows on the same basis. Previously shown circumstances indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue to operate in accordance with the principle of continuity of operations. It is further noted that the financial statements do not include any eventual adjustments that might result from the removal of that uncertainty and that the auditor's opinion is not modified in relation to the above issue. (Source: Agency for the business registers, <http://www.apr.gov.rs/> (accessed on 07.02.2017))

An example of *qualified opinion* shown in the audit report of the company which belongs to the sector of accommodation and food service for the year 2014:

It shows the basis for the qualified opinion, in which, among other things, it is pointed out that the collectability of receivables was performed to the day of the audit and it was concluded that the collectability is highly difficult and jeopardizes the liquidity of the company. Also, the collectability of receivables in the country over a year is quite uncertain and it has substantial materiality to the financial result, and it was pointed out that the current account was also in the blockade all the time in 2014.

According to the auditor's opinion, except for the effects of the matters set forth in part the basis for the qualified opinion, the financial statements present truthful and objective, in all material respects, the financial position of the company as at 31st December 2014 and the results of its operations and cash flows for the year ending on that date, in accordance with the regulations of the Republic of Serbia. (Source: Agency for the business registers, <http://www.apr.gov.rs/> (accessed on 07.02.2017))

An example *disclaimer of opinion* shown in the audit report of the company which belongs to the sector of accommodation and food service for the year 2015:

As part of the basis for disclaimer of opinion, it is stated that the auditors did not attend the annual inventory of the assets and liabilities of the company, because their engagement ensued after the date of the inventory, and were not able to take alternative audit procedures to assure into the reported amount, value and condition of assets and liabilities at the balance sheet date, due to the nature of accounting records. In this regard, they pointed out that they were not able to assure themselves that the recognition and valuation of property, plant and equipment was carried out in accordance with IAS 16 - Property, plant and equipment, nor assure themselves into the changes and possible impairment of assets. Due to the limitations arising from the nature of the accounting records they were not also able to assure in the recognition and valuation of accounts receivable. The company's business account is blocked and the company is servicing its obligations with difficulty, so that there is the possibility of calculating the default interest, i.e. launching litigations by the creditors. In the auditing there was no possibility for auditors to carry out independent confirmation of the liabilities, and based on the analysis settling the liabilities it was observed that the company is not settling regularly its obligations, that there is delay in settling the obligations, and on this basis there is a potential possibility of calculating the default interest, as well as launching litigations. Accordingly, the auditor should modify the auditor's report by adding a paragraph to highlight a material matter regarding a going concern problem, and the auditors examined whether the financial statements are prepared under the assumption of maintaining the principle of business continuity (*Going Concern principle*). The loss was stated higher than the amount of capital and short-term liabilities of the company exceed the total current assets, and thus recommendations were highlighted in the sense that it is necessary that the company obtains additional net working capital to freely be able to continue its operations in accordance with the principle of continuity. Due to the significance of the matters described in the parts showing the basis for disclaimer of opinion, the auditors were unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion, and thus they do not express an opinion on the financial statements. (Source: Agency for the business registers, <http://www.apr.gov.rs/> (accessed on 07.02.2017))

According to Soltani (2007), a disclaimer of opinion should be expressed when the possible effect of a limitation on scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly is unable to express an opinion on the financial statements.

An example *adverse opinion* shown in the audit report of the company which belongs to the sector of accommodation and food service for the year 2015:

The review of basis of expressed adverse opinion includes a statement of auditors that the company performed the estimation of the fair values of property and equipment and increased the value of property and equipment by correcting the values of property and equipment, therewith keeping the depreciation rate for the properties and consequently increasing the useful life, while at the same time the assessor did not establish the estimated useful lives of property and equipment at the date of assessment. Also, with an insight into the court cases it was found that the company conducts litigation regarding ownership of property, and the fact that these properties are not owned by the company, and there was no possibility of obtaining sufficient appropriate evidence so that the auditors could undoubtedly assure that the company is the undisputed owner of the property of the dispute. In the auditing process the basis of recognition of the value of land was not documented, and by examining the possession lists of land it was found that the company did not perform the conversion of rights of use to the rights of ownership, and thus the audit was unable to determine the exact amount of correction that may arise on the basis, or their the impact on the financial statements for 2015. The control of confirmation and collectibility was performed, the analysis of age structure of claims and placement, as well as debtor creditworthiness, when the presence of a low collection rate, insufficient confirmation and obsolescence of the claims was determined and that the associated company was constantly blocked from 2013. The foregoing has led the auditors being unable to assure themselves as to the adequacy of balanced amount of the claims, nor to quantify the effect that the corrections based on the write-off of receivables could have on the financial statements for 2015.

Also performed was the analysis of compliance, settling and age structure of liabilities and it was found that the company payables did not balance in accordance with the probable outflow of resources, and the auditors were unable to quantify the effects of potential corrections thereof on the financial statements for the year 2015. The company reported a loss,

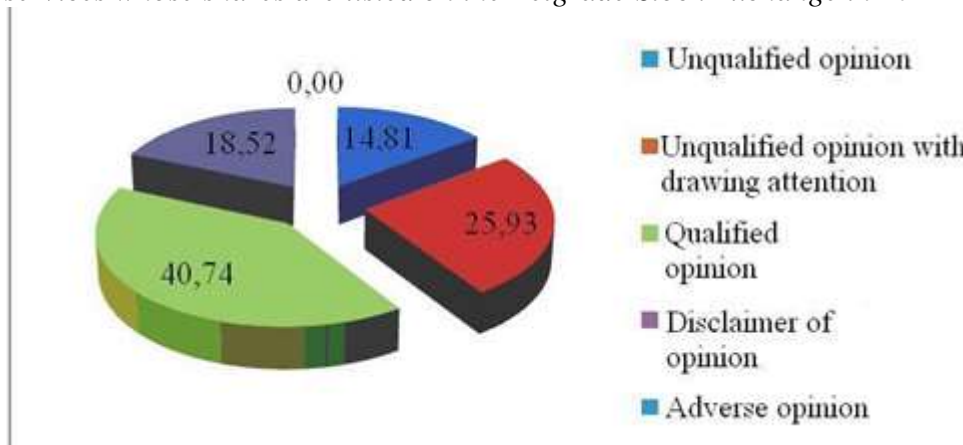
current liabilities exceed its current assets, current account of the company is blocked, and these facts point to the existence of doubt as to the ability of the company to continue its operations in accordance with the principle of business continuity, if it does not obtain additional capital or net working capital resources.

Due to the importance of the issues presented in the parts of the adverse opinion, the auditors point out that the financial statements do not present truthfully and objectively, in all material respects, the financial position of the company as at 31st December 2015, nor the results of its operations and its cash flows for the year ending on that date, in accordance with the accounting regulations of the Republic of Serbia. (Source: Agency for the business registers, <http://www.apr.gov.rs/> (accessed on 07.02.2017))

According to Soltani (2007), an adverse opinion is used only when the auditor believes that the overall financial statements are so materially misstated or misleading that they do not present fairly an entity's financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.

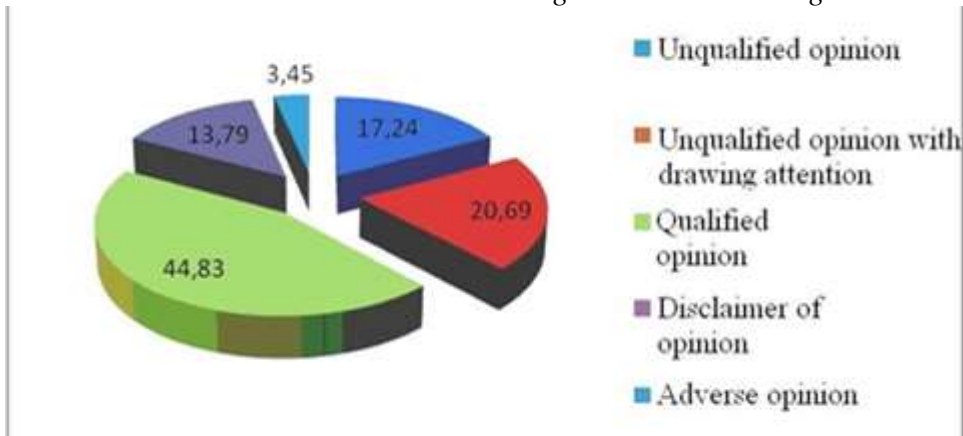
For 2014 a total of 27 audit reports of companies that were available on the website of the Agency for Business Registers were analyzed. Based on consideration of the opinions expressed, the largest share of opinions on the companies classified in the sector I-accommodation and food services whose shares are listed on the Belgrade Stock Exchange in 2014, is given in the context of the unqualified opinion (40.74%), there were no adverse opinions expressed (Graph 1). In 2014, 25.93% expressed the unqualified opinion with drawing attention, 14.81% unqualified opinion, and 18.52% disclaimer of opinion.

Graph 1: Analysis of the opinions presented in the audit reports of companies classified within the sector I-accommodation and food services whose shares are listed on the Belgrade Stock Exchange in 2014



Source: Made by the author according to the audit reports (the Agency for Business Registers, <http://www.apr.gov.rs/>)

Graph 2: Analysis of the opinions presented in the audit reports of companies classified within the sector I-accommodation and food services whose shares are listed on the Belgrade Stock Exchange in 2015



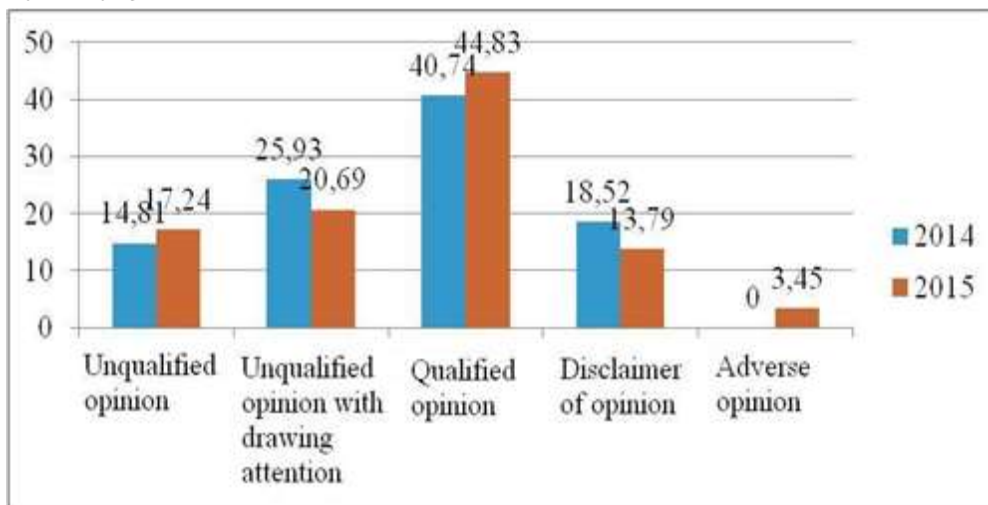
Source: Made by the author according to the audit reports (the Agency for Business Registers, <http://www.apr.gov.rs/>)

A total of 29 audit reports of the companies for 2015 that were available on the website of the Agency for Business Registers were analyzed. In the structure of totally considered opinions, the largest share of opinions on the companies classified in the sector I-accommodation and food services whose shares are listed on the Belgrade Stock Exchange in 2015, is given

in the context of the qualified opinion (44.83%) (Graph 2). In 2015, 3.45% expressed adverse opinions (1 company), 17.24% unqualified opinions, 20.69% unqualified opinions with drawing attention and 13.79% disclaimers of opinion.

Considered below is the movement of opinions presented in the audit reports of companies from the catering sector classified in the sector I-accommodation and food services, whose shares are listed on the Belgrade Stock Exchange from 2014 to 2015 (Graph 3). We can see that there has been an increase in the expressed unqualified opinions, qualified opinions and adverse opinions, and a reduction of unqualified opinions with drawing attention and disclaimers of opinion.

Graph 3: *The movement of opinions presented in the audit reports of companies classified within the sector I-accommodation and food services whose shares are listed on the Belgrade Stock Exchange from 2014-2015*



Source: *Made by the author according to the audit reports (the Agency for Business Registers, <http://www.apr.gov.rs/>)*

Conclusion

Audit reports provide the possibility of assuring the user in veracity and objectivity of the financial statement. Despite the advantages of audit reports, reflected in assuring the users in the veracity of financial statements, or confirming that the financial statements are prepared in accordance with standards and legislation, they should not constitute the

sole and absolute indicator of assurance that the financial statements are true and fair.

This raises an issue of the development of the audit profession and the level of customer trust in the veracity and objectivity of audit reports. Thus one can speak about several important issues that have been initiated by the previous issue, and one of them is definitely the auditor independence and respect of ethical principles in all phases of the audit.

Despite the above issues deserving a deeper elaboration for a new research, audit reports, which in addition to other required parts, contain as obligatory the auditor's opinion, can help users when deciding on many issues. In the Republic of Serbia, the auditor reports are quite standardized, with parts that are quite uniform, except to indicate some specific issues identified in the audit, in particular in the parts in which the auditor draws attention to certain observed specific issues. This raises several questions, one of which is whether considerable standardization and uniformity of audit reports provides an opportunity for interested users to view all the specific activities of the company, based on financial reports, for which accuracy and objectivity they are interested in. Also, one might raise the issue of detailed presentation and explanations of the observed specificity during the audit, and whether the scope of the information obtained by the auditor is sufficient for the company in which the audit was performed, as well as for interested users.

The analysis of audit reports, specifically expressed audit opinions, covered a total of 40 companies from the catering sector in the sector I-accommodation and food services, whose shares are listed on the BSE. In the period from 2014 to 2015, it has been observed that there has been an increase in expressing unqualified opinions, qualified and adverse opinions, and a reduction of unqualified opinions with drawing attention and disclaimers of opinion. The aforementioned may lead to the conclusion that parts of the audit reports expressed through the drawing attention by the auditors, expressed in 2014, led to a reduction in drawing attention in 2015, and consequently, an increase in unqualified opinions without drawing attention by the auditor. Also, a good indicator is the reduction of the stated disclaimers of opinions in 2015, compared to 2014. The question arises on the increase of the qualified opinions and one stated adverse opinion in 2015, compared to 2014.

With the aforementioned open issues, the basis is created for further research based on the object of this paper, and through a number of specificities of audit reports of companies in the sector I-accommodation and food services, but also of the opportunities for expansion of the analyzed companies sample, and the samples in multiple sectors and coverage of all companies in which the external audit is required.

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CONCEPT OF SERVICE QUALITY IN FUNCTION OF TOURISM DEVELOPMENT IN THE REPUBLIC OF SERBIA

Boško Vojnović¹; Dejan Grujić²

Abstract

The aim of the paper is to highlight the importance of raising the quality of services, which should improve the development of tourism in Serbia. Given that the service is the category of strategic importance, which accounts for 55% of the total world economy with the assumption that in the 20 - 30 years' time it will increase to 85%, it is a justifiable reason for the analysis of the process of design and achievement of the quality of tourism services. Creating the quality is achieved by means of promotions aimed at consumers and defining the criteria that are aimed at employees in the tourism industry. At the same time the quality of services should meet the marketing aspect (to be better than the competition, satisfy the users), social aspects (environmental protection, health of people and consumers) and economic aspects (system efficiency, higher profits and long-term growth and development of the business system). The conclusion is that the success of the tourist industry is conditioned by the quality of services, proper management and orientation to the market. We believe that Serbia needs better services for faster and better economic development of tourism.

Key Words: *tourism, quality, service, training*

JEL classification: *L83, O10*

Introduction

Tourism is a tertiary, service and very complex activity, which, in the last century, went through multiple stages. The most significant qualitative or quantitative changes have taken place in the last 30 years, when the

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development and growth of this sector has virtually experienced a revival. The first period is seen as unlicensed and uncontrolled development of tourism, without a clear plan and conceivable progress. The next period is characterised by the interest of the competent authorities and planned approach (Vojnović & Grujić, 2013, p. 99). In this concept, there is a request for a better quality of products and services, as one of the most important strategic priorities that tourist industry encounters. The example of Japan, and other developed countries, clearly demonstrates that the improvement of the quality of products and services and the creation of values for the consumer/customer, makes the inseparable unity, which should have a priority in business strategy and policy of the service companies. Tourist systems which choose to implement the concept of quality as a key factor of success, need to achieve an increase in customer (guests) satisfaction, and to position themselves successfully in the market and thus make more profit. In an effort to improve the quality of tourist services, there are very often problems of measuring the quality of tourist services. First, it is necessary to know what is considered important in assessing the quality of tourist services and secondly, managers often do not have reliable methods for determining the expectations and perceptions of tourists in terms of service quality (Blešić, et al., 2010).

The quality of tourist services will be outlined in several chapters:

- defining, elements of quality and its features,
- computerized marketing of tourism services,
- training of employees in tourism and
- management of the business process.

Defining and Understanding of the Quality of Tourist Services

In terms of determining the contents and substance of tourist services, many theories have appeared. Their approaches may be non-uniform in terms of width and inclusion of elements, which essentially determines the term tourist offer.

Generally speaking, all these theories can be classified into four groups, namely those that:

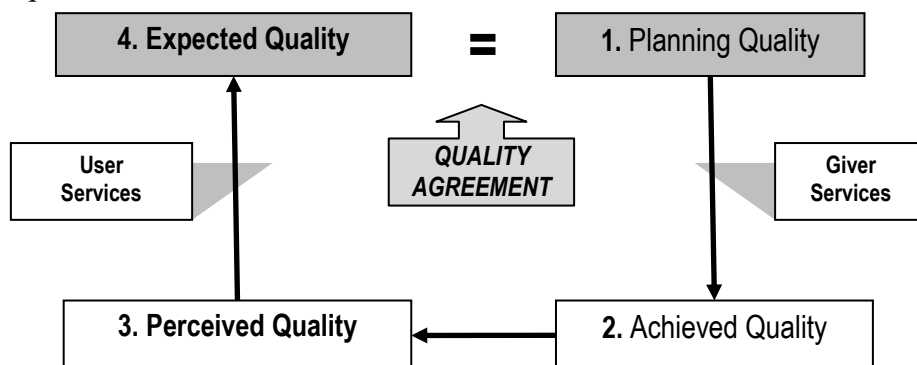
- consider tourist service a mix of many different elements, which are its constituent parts,
- view tourist service as one or several elements, i.e. from the standpoint of individual offer providers (catering, hotel services, etc.)
- emphasize the original and derivative elements of the tourist offer and

- interpret the tourist offer as integral or partial. (Vojnović & Grujić, 2013, pp. 112-113)

The concept of quality of tourist services is defined differently, depending on the point of view. For tourist businessmen the concept of quality can have rounded definition, which does not have to, and often does not, match the perceptions of service users. First of all, it is necessary to know that there is not only one type of service users, but that the number is higher, as well as that each of them has different requirements and expectations of the services provided. Other important elements in defining the concept of quality of tourist services are constant acquisition of knowledge, experience and introduction of new services, which leads to the new expectations of the users (Vojnović & Jevremović, 2007, p. 628).

The logical question that follows is how to define a tourist service that is acceptable to all? The answer can be found in the fact that the quality is achieved only if it satisfies the expectations of the guests, and the quality assessment is transferred in large part from those that ensure the quality to the tourist services users.

Figure 1: *Quality of service in terms of companies and users according to requirements ISO 9000:2000*



Source: *Vojnović, Kutin, 2007. p. 203.*

In this context, and in order to achieve good quality, first of all, the expectations of users should be met, which is only possible if we are familiar with their needs, habits, social environment they come from, lifestyle, living standards and so on.

What we have in particular insisted on lately, are ecology and sustainable development. Nowadays tourists want ecologically clean environment

where they can spend their free time. Therefore, the requirements for environmental quality of products and services have strengthened and as well as the needs of residents to preserve their own natural surroundings. These dual interests are met in sustainable tourist development (Vuković, et al., 2010).

Providing and controlling quality services make some of the key tasks in tourism. For this reason, in addition to proper management and orientation to the market, quality of service is classified into one of the key areas, which makes support to the complete success in the tourism business.

For the purpose of understanding the importance of quality tourist services, it is necessary to:

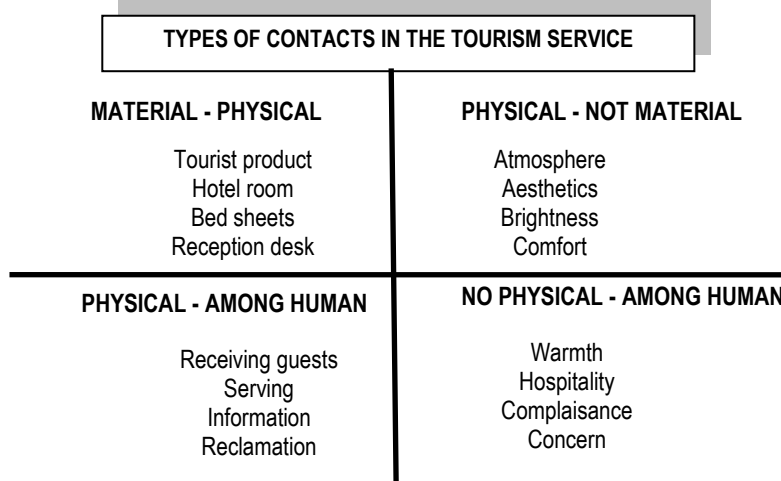
- understand the concept of quality in the tourist industry,
- recognize the quality elements,
- follow the instructions and involve individual interests at all stages of the design of quality tourist services, because it is the basis of overall quality management.

The tourist market is a very competitive area where it is important to collect income from consumers. As a rule, the competition is not primarily focused on price, but it is focused on the additional offer in the form of image and quality of tourist services. This led to the creation of competitiveness based on quality service, whereby it became a strategically important element of the overall development of tourism.

The problem of measuring the quality of services is especially up-to-date from the viewpoint of spa tourism, which is often mentioned as one of the prosperous industries in Serbia, and perhaps it is precisely the area where this model should be tested in practice (Blešić, et al., 2010).

Essentially, tourist service is a combination of material, non-material elements and human relationships. When designing the service quality, as a rule, the physical aspect is always emphasized, while the other, no less important, is considered secondary. For example, in each of the tourist offer, primarily emphasized are the size of the hotel, its rooms, reception but to a lesser extent the atmosphere, comfort, brightness, warmth, kindness... (Vojnović, Cvijanović, Stefanović, 2012)

Figure 2: *The elements of service quality model*



Source: *Vojnović, Cvijanović, Stefanović, 2012.*

The issue of the quality of tourist services is very complex and demanding, as suggested by its specificity.

The following ones are considered important (Vojnovic & Jevremović, 2007)

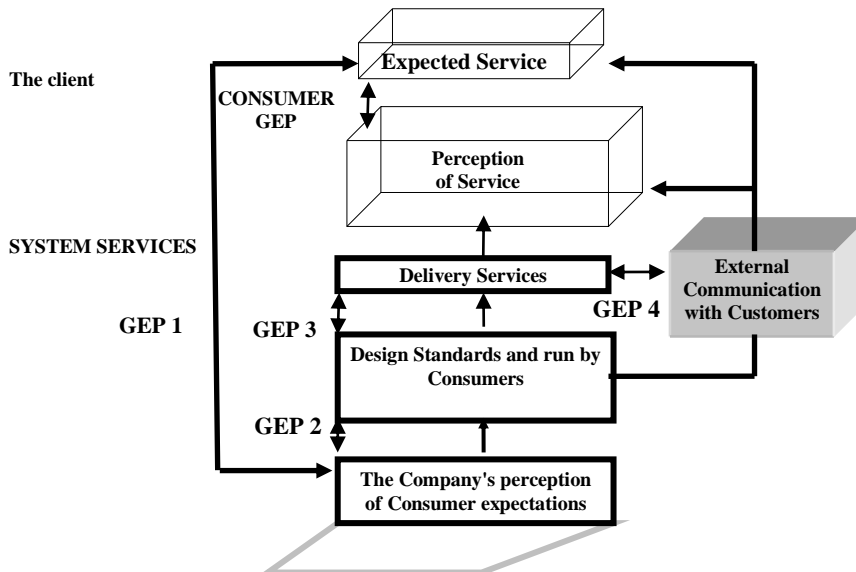
- *Intangibility of services.* It primarily includes adventures and certain experiences. Also, you cannot try them before buying, so evaluation of their quality is possible during or after the process of providing services. Their quality can be improved only if repeated, i.e. in the second cycle.
- *Heterogeneity of services.* Tourist services are difficult to standardize and ensure their uniformity. The service is carried out in different temporal and spatial conditions, and can be considered an almost unique venture. Quality depends on many uncontrollable factors, because there is no reliable knowledge that the service delivered corresponds to the one which is planned and promoted, and the delivery and motivation of consumers depend largely on the involvement of employees.
- *Simultaneity of provision and use of services.* The service is simultaneously provided and estimated. Services cannot be stored and delivered at a later date. The main implications of the simultaneity of production and consumption are that consumers participate and influence the transaction to other consumers, while employees affect the utility score (Laws, 1995).

- Tourist business in most cases is carried out through direct contact, on the spot, between the providers of tourist services and consumers, i.e. tourists (Vojnović & Grujić, 2013, p. 101).

According to Parasuraman, there are five gaps which are unfavourable for the quality of services, and visible in the difference between:

- Assumptions of service providers and the wishes of the users,
- Consumers expectations and perceptions of managers regarding the expectations of the consumers,
- Provided and promised,
- Specifications and quality of provided services,
- Consumer expectations and perceptions of the quality of provided services.

Figure 3: *The gaps in the quality of services*



Source: Parasurman, 1989.

The problem appears with a consumer gap. The gap is as big as the difference between the expected and provided service, i.e. what is the difference between consumer expectations of the service and perceptions of provided service.

$$\mathbf{GAP\ 5 = GAP\ 1 + GAP\ 2 + GAP\ 3 + GAP\ 4}$$

Consumer GAP (**GAP 5**), in fact, represents a function of the gap of knowledge.

GAP 1 is the difference between what users expect from the service and what management perceives that users expect - standards gap.

GAP 2 refers to the difference between what management perceives that users expect and specific quality of service - delivery gap.

GAP 3 makes the difference between the quality of service delivery and the actual quality of delivered services and communication gap.

GAP 4 is the difference between the actual quality of service and quality of the services described in the means of companies communication.

Stages of Creating Services

Customer satisfaction is a feeling that occurs in the phase after the purchase and consumption of products, usage and service experience (Živković, 2011). Consumer spends the two factors necessary for the implementation of tourist activities - time and money to purchase tourist services. When purchasing services, the consumer goes through three stages:

- anticipatory,
- current,
- retrospective.

The first phase is pre-purchase, one in which the consumer sums up all the benefits offered by a certain service. The current phase is the result of the previous, more precisely, it is dependent on the stage before buying. On the outcome of the first one depends whether you get to the other. In the case of a positive decision it comes to buying, or to the current phase. Retrospective stage is a retrospective assessment of the level of satisfaction with the purchase (J.E.G. Bateson et al., 2012).

The service is successful, if the user's expectations are met or exceeded. Service experience is an internal affair of each individual, so there is a very complex requirement of the service provider. What is good for one consumer and caused internal satisfaction, at another can cause the opposite effect. This satisfaction of the consumer is a short-lived feeling of quality service. However, it is not known for sure what is "older" - quality service or satisfaction. If it comes to satisfaction with quality products, which includes the goods and services at the same time, which is quite true, then we can also claim that the quality of service is the attitude that is formed on the basis of customer satisfaction.

The term satisfaction is of Latin origin from the word "satis" (enough) and "facere" (to do or to be made). Satisfaction is associated with customer's efforts to achieve (feel) satisfaction with the purchase and use of goods and services. It is essential that consumer satisfaction is defined and analyzed from the perspective of the consumer (Živković, 2011).

Useful methods in achieving and controlling the quality of tourist services are:

- determining the type of tourist visitors, as well as their needs,
- informing the service staff of the habits of guests,
- timely preparation for possible surprises, because it is not always possible to foresee everything in advance,
- preparing staff to constantly be in the function of quality.

Dimensions of the Quality of Tourist Services

The management has a crucial role in achieving the quality of service. In creating the environment for quality, they should possess knowledge, skills and abilities. The most common problem that the management encounters is designing the first steps in improving the quality.

Activities aimed at improving quality are classified into two groups:

- **Hard measures**, or a group that is focused on defining quality and its documentation. Determining and documenting appear in the form of procedures, specifications, instructions, and the like.
- **Soft measures** aimed at incentives, organization and education of employees. The aim of these measures is understanding the importance of the changes and their acceptance as inevitable, because the adaptation to changes is the condition for success and survival in modern business trends.

The concept of quality service, is conditioned to a large extent by skills and knowledge of managers responsible for quality improvement. In this procedure three basic dimensions appear: human dimension, the relationship with the service users and technological dimension.

- *Human dimension of quality* is the least explored dimension. It requires the involvement of all employees in the concept of quality. Basic actions are aimed at: motivation of managers, staff education, training for quality, change of the organizational culture and the like.

- *Dimension of the relationships with service users* provides a great role to the marketing process. Integration of quality in relations with customers has the task to create an image based on the complete satisfaction of customers, check the quality system from the standpoint of customers, and build a partnership and agreement to ensure quality.
- *Technological dimension* of quality is directed towards: quality of service, process and quality system of supplier.

Computer Aided Marketing in the Creation of High-quality Tourist Services

From the standpoint of concepts, it is necessary to point out the differences in the content of tourism marketing research and the market. The main difference between these two categories refers to the scope of research and to the benefit of marketing research. It is believed that market research is an integral part, i.e. one of the elements, of marketing research (Vojnović & Grujić, 2013, p. 107).

Marketing activities in tourism are mainly focused on the planning, promotion and sale of services, in order to satisfy customers' needs in the best way possible, while achieving the defined objectives of tourist enterprise (Riznić et al., 2010, p. 97). The development of technology and the emergence of information era has not bypassed tourist industry. In a study carried out in 2010, on the question - *Do you have an internet site?* - 64% of surveyed firms responded to have a website, which is satisfactory, although this percentage could be higher (Riznić et al., 2010, p. 113). Especially significant are information technologies that have found their use in tourist marketing activities, providing them significant support in the creation of high-quality tourist services.

The rapid development of technology at the end of the twentieth century and move into the information age has created serious competition. Also, a large number of market participants require additional efforts and new research activities in order to maintain the competitiveness of tourist companies.

For the same reason, there has been a change in the way of buying travel arrangements. Classical methods of buying have been facing a continuing decline, unlike online shopping (Vojnović & Grujić, 2013, p. 108).

Marketing aims to gather relevant resources of the organization to plan and carry out the provision of customer satisfaction (Vukotić & Vojnović, 2016).

Basic activities in support of information systems are related to:

- Which tourist services to offer,
- Which price to set for the services offered,
- Where to place the service,
- Which channels to use and how to advertise tourist service (Vojnović et al., 2012. p. 236).

IS marketing in tourism uses three main subsystems:

- Marketing subsystem for environment,
- Marketing subsystem of internal data,
- Marketing subsystem with components for services, distribution, promotion, pricing and forecasting (Jokanović, 2001).

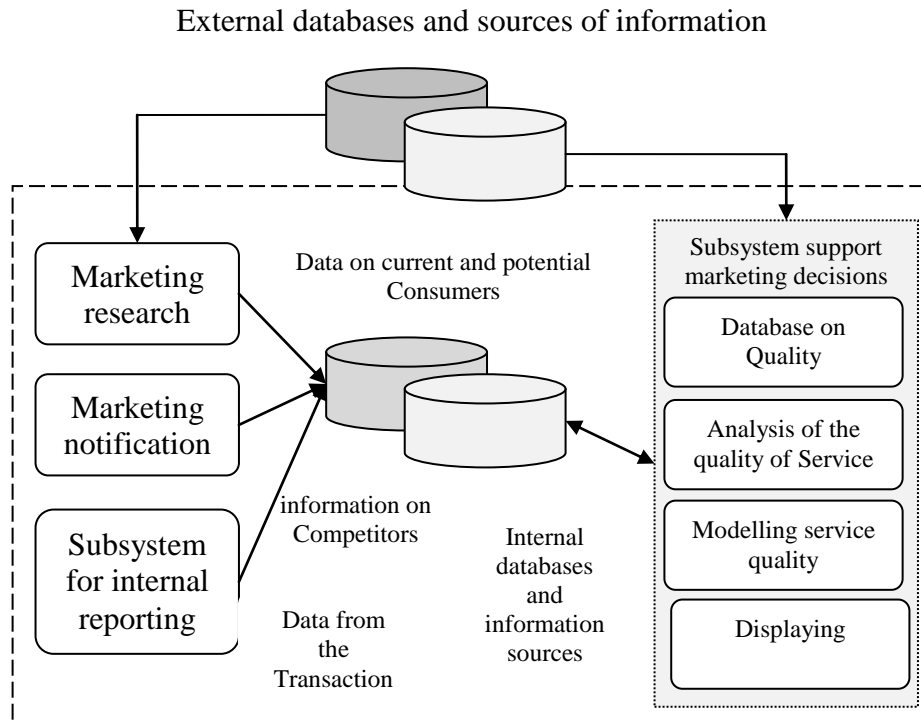
Marketing subsystem for environment explores the behaviour of potential buyers of tourist services. Through subsystem for environment important notices of the competitors are received, which can be reached from the annual reports on the operations of the individual companies. The Internet in this case is a source of good information.

Marketing subsystem that uses internal data mainly uses information of tourist enterprises that are directly related to the accounting information systems. The data used refer to the following information: current sales, costs, demand, seasonal and off-season sales and the like.

Marketing subsystem with components for services, distribution, promotion, pricing and forecasting establishes activities related to: planning sales of tourist offer according to types the and introduction of the new ones, distribution planning in terms of the way, time and place of distribution, promoting the planning of sales and marketing services, cost of tourist services and the proper determination due to changes in the market, sales forecasting based on pre-established elements.

In tourism, the most complex, most interesting and most challenging is the component of promotion. It is used for advertising and sale of travel and other services.

Figure 4: *Marketing information systems in tourism*



Source: *Vojnović et al., 2012.*

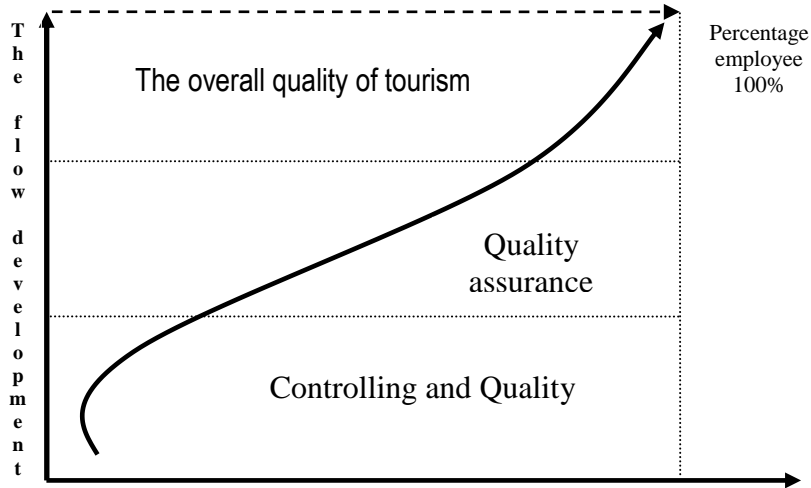
Staff Training and Creation of High-quality Tourist Services

Training of employees in tourism in shaping the quality of services, is aimed at the management and includes responsibility for the management of individual processes, as well as a complete business system. In problem solving, motivating employees, increasing the level of service, improving work processes and individual processes, there is a constant process of education and training of employees in tourist organizations.

The purpose of training of employees in tourism is focused on:

- gaining confidence in performing service process,
- better performance of the delegated tasks,
- greater knowledge of the tourist industry and its importance,
- better solving of everyday problems appearing in the process of service,
- increase in profit of enterprises, of their own salaries and the like (Bizjak, 2002).

Figure 5: *The share structure of employees in providing TQS in tourism*



Source: *Živković et al., (adapted) 2012.*

Management and design of the quality of tourist services is a continuous process, so that training needs to be active and acquired through work and study. Acquired skills need to be updated and upgraded.

Business Process Management in Creation of High-quality Tourist Services

The following activities for business process management in the tourism sector are classified as important:

- it is necessary to define the quality with description of its characteristics,
- to define and explain the benefits of the activities that ensure quality service to all customers,
- to include all employees in assurance of quality services, with special engagement of the head of service entity (Vojnović et al., 2012, p. 240).

Model of service business system consists of two parts:

- **Hidden part** related to the organization of the service system to provide management support to service staff, in immediate implementation of services.
- **Visible part** which refers to the environment people buy and sell and where services exist, and the main actors are: the physical environment, staff and consumers.

Management of the business process in the creation of high-quality tourist services includes management, guidance and monitoring.

In the procedure of managing the service process, manager performs the following activities:

- Directs and ensures the implementation of established procedures and programs.
- Directs tasks and takes care of achieving the set goals.
- Supervises staff in accordance with the requirements, procedures and standards of tourism as a whole.
- Gives his/her own contribution to the training of newly engaged employees. For new workers, manager is the main link and connection with business system. He/she is the person who gives them confidence and makes it easier to start in the exercise of responsible business in the design and realization of high-quality tourist services. Effects of proper performance and introduction into working process are in the feedback from the perpetrator who wants to meet the expectations of himself/herself. At the same time this is the best way that employees become good members of the team and be successful in creating a high-quality tourist services.

It is necessary to train people who will lead the business process and create high-quality tourist services.

The training is aimed at:

- Understanding the importance and responsibility of managing business in tourism,
- Introduction to the management and use,
- Cooperation with superiors and subordinates.

The Value of Tourist Services for Consumers

The feeling of satisfaction is a real value for the consumer. In this case, from the standpoint of a consumer, we measure and sum up: product, services, personnel and image.

The consumer is also interested in the total amount of expenses to pay, which will in any case be comparable to the offer of the competition. The real factor that participates in the decision to purchase, in addition to basic costs, includes lost time and energy.

$$V (\text{Value}) = \frac{K (\text{Benefit})}{T (\text{Costs})}$$

Value is defined by the consumer, but the goal of each company should be to increase the perceived value of products and services in time (Živković, 2011).

Tourist Services Control

To control tourist services, you first need to determine their characteristics, in order to meet a particular customer or aimed market.

Methods of control are as follows (Vojnović et al., 2012. p. 242):

- the introduction of specific criteria in the tourist service,
- obtaining information on the achieved quality,
- comparing the quality achieved with the established criteria,
- if the established quality is different from the established criteria, introduce measures for their harmonization,
- check the effectiveness of the adopted measures.

The effectiveness of controls is dependent on:

- assistance to service personnel to improve the quality of tourist services, when necessary,
- prevention failures and errors in the beginning to avoid later correction,
- implementation of programmes in accordance with the plans,
- change of operating procedures whenever necessary in order to achieve the planned objectives.

Conclusion

There are many difficulties in the implementation of the quality of tourist services. As the basic and most important the following can be distinguished:

- the concept of quality is mainly focused on manufacturing, while in the domain of services it is not yet at the required level, especially in tourism,
- there is not sufficiently developed teamwork, essential for the creation of high-quality services, which is particularly important in the evaluation of tourism,

- lack of skilled personnel, competent managers and employees in the tourist industry,
- inability of many companies to engage in a process of adjustment, which is dictated by changes in a turbulent tourist environment, information technology era of development and the like.

From the aspect of tourist enterprises, the benefits that should ensue from the application of the concept of quality of tourist services are in the increased competitive capabilities and economies of scale, and consumer motivation to repeat the service, as well as winning new customers. This approach to quality produces high profit effects, which undoubtedly enhances the business performance of tourist enterprises and directly affects the overall development of Serbian economy.

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REAL ESTATE INVESTMENT TRUSTS SPECIALIZED FOR INVESTING IN HOTELS

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Abstract

The chance for the development of Serbian hotel industry and tourism in general should be sought in the investment of real estate investment trusts specialized for investing in hotels. Regarding this, the objective of this paper is acquainting investment public in Serbia with the basic characteristics of real estate investment trusts and the importance of real estate investment trusts specialized for investing in hotels. The development of the hotel sector of Serbia will be accelerated and significant contribution to increasing the capacity of domestic hotel in the future can be provided by the establishment of these funds. Therefore, the way of Serbian hotel sector development should be focused on attracting funds of foreign hotel real estate investment trusts and the establishment of national hotel real estate investment trusts.

Keywords: real estate investment trusts, hotel or lodging REITs, hotel industry, investment funds

JEL classification: G23, Z32, L85

Introduction

The development of the investment funds industry of a country directly corresponds to its economic development. It is not surprising that Serbia lags significantly behind high developed countries, when the development of the investment fund sector is taken into consideration (Jakšić et al., 2015, 49). In spite of that, the chance for the development of Serbian hotel industry and tourism in general should be sought in the investment of investment funds (Krstić et al., 2016). It is particularly important to

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attract financial resources of special type of investment funds which invest in real estate (real estate investment trusts – REITs) (Gnjatović & Leković, 2016, 64).

Bearing in mind the above mentioned, the aim of the paper is to show the basic characteristics of REITs to the investment public in Serbia, with a special focus on REITs specialized for investing in hotels (hotel or lodging REITs). The intention is to emphasize, on the case of the most developed investment fund industry in the world – the United States (US) investment fund industry, the importance of hotel REITs and REITs in general.

The importance of hotel REITs is reflected in the fact that the establishment of these funds can be an important generator of development of Serbian hotel industry in the future (Krstić & Stanišić, 2015). The exchange of good practices with the world, the establishment of hotel REITs in Serbia and attract foreign hotel REITs, paving the way for development of the hotel sector in Serbia and promising positive effects on the national economy.

The concept and the formation of REITs

REITs are financial intermediaries who carry out capital aggregation of individual and institutional investors, and invest thus associated funds in real estate, mortgage credits and mortgage-backed securities. According to Krewson-Kelly & Thomas (2016), REIT is an entity that receives revenue through owning or financing income-producing property. The formation and business of these funds in the US were enabled by American Real Estate Investment Trust Act from 1960. Legislation regulating the business of REITs like the US, is brought about ten years later in New Zealand, the Netherlands and Australia, while the introduction of these funds in other parts of the world was conducted in the nineties of the 20th century and at the beginning of the new millennium.

While REITs were introduced in the United States in 1960, the next 30 years saw very few other countries adopt the structure. Some markets introduced a REIT type vehicle in the 1990s, such as Belgium (1995), Brazil (1993), Canada (1994) and Spain (1994). However the major period of growth took place post 2000. The major Asian markets such as Japan (2000), Hong Kong (2003) and Singapore (2002) all introduced

REITs just after the turn of the millennium, whilst France was the first major European market to launch a REIT vehicle in 2003. Markets such as the UK and Germany launched later in 2007 (Stevenson, 2013, 18).

One of the key reasons delayed the introduction of REITs in many economically powerful countries of the world lies in the estimated possibility of tax evasion and related abuses. For example, if a foreign investor invests money in a REIT, the country where REIT is registered will not make a tax revenue because of the REIT is exempt from income tax, while foreign investor pays tax to the country whose citizen he is or in which is registered as a legal entity.

The basic advantages of investing funds in REITs in terms of investors are liquidity, security and return on investment. Liquidity of investments arises from the possibility of a relatively quick sale of the shares of these funds on the stock market, as opposed to real estate, whose sale requires time.³ Security has always been a feature of investing in real estate, which is through diversification of investments (investments in different types of geographically distant estate) and the required investment transparency additional increased for investors who entrust their funds to real estate funds. Purchase of shares of REITs represents the cheapest way to diversify investments in the real estate market, and diversification of investments is the best guarantee of security of fund assets. Finally, provision that these funds during the year must pay at least 90% of taxable income to its shareholders speaks in support of investment profitability. Real estate funds are entitled to exemption from income tax by fulfilling these provisions. By exemption from taxation at the level of the fund, the tax costs between direct and indirect investment in real estate are equated in terms of investors (Jagodić, 2012). In this way, the economic logic and motivation for investing in REITs are provided. However, the obligation of a REIT to pay at least 90% of its profit significantly reduces the potential for growth, which would be financed from its own funds, because a small percentage of the amount of profit that can be reinvested remains available (Mašić, 2009, 146).

The additional requirements that must be met in order to classify a particular fund as a REIT are (NAREIT, 2016): 1) the fund is managed by directors or trustees, and its shares are transferable, 2) the minimum

³ The stated advantage does not apply to a relatively small group of REITs whose shares are not publicly traded on a stock exchange.

number of shareholders is hundred, that the five largest shareholders may own a maximum of 50% of the fund's shares ⁴, 3) at least 75% of the total revenues of the fund must come from renting and selling real estate, as well as from interest income on mortgage loans, 4) at least 75% of total assets must be invested in real estate and 5) the fund may not own more than 10% of the voting shares of a company.

In addition, it should be noted that REITs are an effective hedge against inflation, because their dividends generally increase faster than inflation. Also, by investing in REITs, individual investors achieve benefits such as easy and cheap access to the real estate market, professional asset management, reduction of transaction costs by achieving economies of scale. The establishment of REITs enables participation in the real estate market to small investors with a modest amount of free funds.

It is important to point out the fact that, due to the unique regulatory framework of REITs and the characteristics of real estate as an asset, REITs act in parallel markets. "Parallel" means that REITs are active in the stock market on the one hand and in the private property market on the other hand. The parallel market setting is a unique feature that distinguishes REITs from most other non-real estate firms that are listed on the stock market (Pfeffer, 2009, 38).

Types of REITs and REIT structure

The usual classification of REITs is the following: *equity REITs*, *mortgage REITs* and *hybrid REITs*. Equity REITs are direct owners of real estate. They manage real estates as part of their portfolio, and real estate bring income to them. On the other hand, mortgage REITs do not own or manage real estate, but finance real estate owners through mortgage loans. An important characteristic of these funds is the high level of indebtedness, or high financial leverage. Finally, hybrid REITs are generated by a combination of characteristics and investment strategies of equity and mortgage REITs.

Among the aforementioned types of funds, equity REITs are the most numerous with the largest market capitalization. American National Association of Real Estate Investment Trusts (NAREIT) performs further classification of equity REITs, starting from the type of assets in which

⁴ In order to meet the above mentioned conditions, many REITs do not allow to individual shareholders to own more than 9.8% of the fund's shares.

the fund invests money. In that sense, there are equity REITs specialized in the purchase and management of:

- business facilities (*office REITs*),
- industrial facilities (*industrial REITs*),
- retail stores (*retail REITs*),
- hotel facilities (*hotel or lodging REITs*),
- residential facilities (*residential REITs*),
- forest wealth (*timberland REITs*),
- institutions for providing health care (*health care REITs*),
- warehouses and storage areas (*self-storage REITs*),
- industrial infrastructure (*infrastructure REITs*),
- combination of the above mentioned institutions, facilities, areas (*diversified REITs*).

Another important classification of REITs is classification on REITs whose shares are publicly traded (*publicly traded REITs*) and REITs whose shares are not publicly traded (*non-traded REITs*). Most REITs belong to the first group, and as important shortcomings of non-traded REITs stand out (SEC, 2011):

- Lower liquidity - shares of these funds cannot be cashed by fast selling on the market. Although there is a share buyback program, investors are often forced to wait for the inflow of money for ten years, until the company decides to include their shares on the stock exchange listing or to liquidate its assets. This decision is a discretionary right of the fund.
- Non-transparent value of shares - as opposed to always available the market price of shares of funds whose shares are publicly traded on the stock exchange, the second group of funds assesses the value of its shares eighteen months after completion of shares offering. Seen from the perspective of investors who have bought shares among the first, it can take years until they find out the value of shares in their possession.
- Potential conflicts of interest - funds whose shares are not publicly traded do not have their own employees and the management of these funds is entrusted to a third party (external manager). In this way, the probability of a conflict of interest is increased, because the external manager can simultaneously manage competitive funds or act contrary to the interests of shareholders. For example, the external manager may make an acquisition of fund that not operates well in order to earn higher commissions as a percentage of total managing assets.

In addition, most non-traded REITs start out as blind pool REITs. A blind pool REIT is a REIT that does not tell investors what specific real properties will be acquired when raising capital from the public. On the other hand, non-traded REITs offer certain advantages to its investors as a relatively higher income in the form of dividends and the fact that, as opposed to publicly traded REITs, are not exposed to market volatility. These advantages ensure the survival and justify the existence of these types of funds.

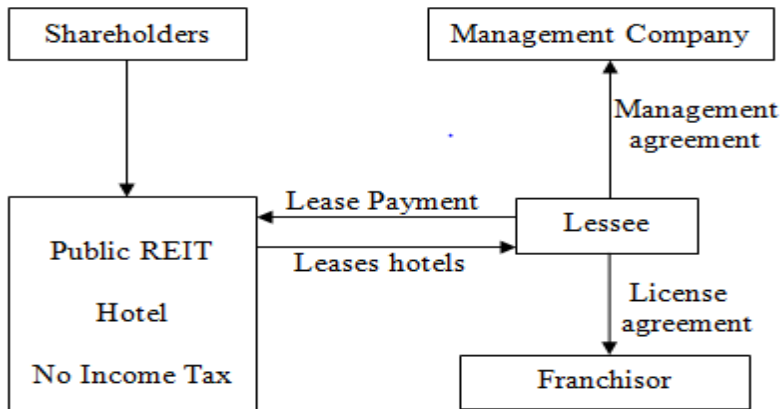
The third classification of REITs is classification on REITs with limited lifetime (*finite-life REITs*) and REITs with unlimited lifetime (*infinite-life REITs*). Finite-life REITs are generated as a response to investor criticism that the stock prices of REITs are determined more by their current and expected income (capitalization of expected dividends), than by the value of real estate held by the fund. After the expiration of the predefined durability, the assets of these funds are liquidated and distributed to shareholders. However, most of today's REITs are infinite-life REITs.

A less common but nonetheless important way of classifying REITs is according to the tactics they use to grow earnings and cash flow. Every REIT can be broken down into three activities that support their financial results (Krewson-Kelly & Thomas, 2016, 12):

- Internal growth generated by managing assets the REIT already owns; also sometimes called „organic“ growth;
- External growth generated by acquiring or developing properties;
- Financing that growth through issuing new debt or equity, and/or by selling properties.

In addition to different types of REITs, different forms of REIT structures are distinguished in the finance literature and economic practice. There are typically three forms of REIT structures: 1) traditional REIT structure, 2) paired-share REIT structure and 3) paper-clip REIT structure. In the traditional structure, the REIT owns the real estate (hotels, apartments, and office buildings), and these are then leased to a lessee, who arranges management and franchise agreements with third parties (Figure 1) (Beals & Singh, 2002, 19).

Figure 1: *Traditional REIT structure*

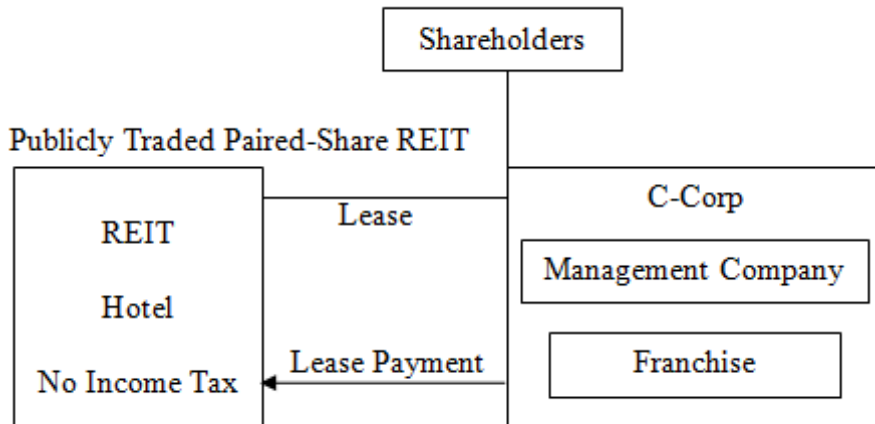


Source: *Beals & Singh, 2002, 20*

In this structure the REIT earns its income through the lease payments. The key disadvantage of traditional REIT structure is „leakage“– this term refers to the loss of investment returns to a REIT that is caused by expenses paid to a service provider or lessee. It should be understood that leakage is a true economic loss if the property owner could provide a similar service at or below the cost of the outside service provider (Imperiale, 2002).

On the other hand, a paired-share REIT pairs a REIT with a C-Corp (Figure 2). The shares of the REIT and its affiliate are combined and traded as a unit in equal allotments under one ticker symbol. This integrated structure is advantageous to investors because the REIT leases the hotel properties to the C-Corp, which then is the operating company and, in some cases, the franchisor. This structure successfully resolved the problem of lack of control over real properties owned by a REIT. Also, this structure avoids what is inelegantly termed in the industry "leakage." In a paired-share REIT, the „leakage“ occurs but is recaptured by the C-Corp. Since paired share shareholders own an equal stake in both the REIT and the C-Corp, the profits forgone by the REIT flow back to the security holder via the C-Corp (Beals & Singh, 2002, 20).

Figure 2: *Integrated paired-share REIT structure*



Source: *Beals & Singh, 2002, 21*

The paired-share structure also promoted tax sheltering by corporations engaged in real estate operations. The corporations shelter a portion of their income by placing their real estate in a REIT and render nontaxable the share of its income paid as "lease payments" to the REIT. The US Congress quickly recognized the potential for abuse under this structure and revised the law in 1984, adopting Section 269B of the Internal Revenue Code. Out of fairness to existing REITs, the legislation "grandfathered" paired-share REITs established prior to June 30, 1983. Ironically, the four companies that qualified under this rule have used their exemption to engage in the very practices Congress sought to end (Hubbell, 1998).

Another REIT, similar to a paired-share REIT, is known as a paper-clip REIT. The principal difference between the two is that paired-share REITs trade the shares in the REIT and the C-Corp as one integrated share, while paper-clip REIT trades shares in the REIT and the C-Corp separately (Beals & Singh, 2002, 21). The REIT has an intercompany agreement with an operating company, which allows each entity to participate in certain transactions and investments of the other entity. In addition, the two companies may have the same senior managers and board directors. Although the shares of the two companies are not paired or traded as a unit, investors may purchase the shares of the two companies and "paper-clip" them to capture the symbiotic relationship between the two companies (Frequently Asked Questions about Real Estate Investment Trusts).

Development of US REITs

The first two decades of operations of US REITs were characterized by the gradual development that was strongly shaken in 1973, when there was a collapse of the office real estate market. Oversupply of office space has led to a decline in the rate of availability of space, which for mortgage REITs means a high increase in non-performing loan arrangements. Consequently, there has been a dramatic fall in the value of shares of mortgage REITs and a rapid reduction in their number (Jagodić, 2012, 47). The value of the assets of US REITs decreased from US\$1,880.9 million in 1972 to US\$712.4 million in 1974 (Table 1). Then the recovery of this sector came accompanied by growth in the number of REITs and the value of their property. Development of REITs industry was intensified in the nineties of the 20th century and at the beginning of the new millennium. Only in 2006 the value of assets of REITs increased to US\$107,379.8 million and reached the amount of US\$438,071.1 million.

The global financial and economic crisis started in the US mortgage market in late 2007 has set the second powerful blow to REIT industry. The value of the assets of US REITs decreased from US\$438,071.1 million in 2006 to US\$191,651.0 million in 2008, while the number of REITs in the same period decreased from 183 to 136. However, the US REIT sector has once again shown its resilience and vitality, which is with the subsiding crisis manifested in an even faster growth in the value of assets in the sector. The market capitalization of US REITs already in 2011 reached the amount of 2006, and doubled in the following three-year period and reached the amount of US\$907,427.5 million (Table 1). The US REIT industry has reached the value of assets of more than US\$1 trillion in 2016, accounting for 66% of the assets of the all REITs in the world, which amounts to US\$1.7 trillion.

REITs have become an increasingly popular vehicle for real estate ownership. Global market capitalization now stands at approximately US\$1.7 trillion, up from US\$734 billion in 2010. Since 2010, the US REIT market has grown by almost 150%, while the market capitalization of non-US REITs has more than doubled in United States dollars terms. The two fastest-growing markets in the last five years have been Australia and Japan, both of which have now overtaken France and the UK to be the second- and third-largest global REIT markets, respectively (EY, 2016).

Table 1: US REIT industry equity market capitalization

Year	All REITs		Equity			Mortgage			Hybrid*		
	Number of REITs	Market capitalization	Number of REITs	Market capitalization	% of all REITs	Number of REITs	Market capitalization	% of all REITs	Number of REITs	Market capitalization	% of all REITs
1971	34	1,494.3	12	332.0	22.2	12	570.8	38.2	10	591.6	39.6
1972	46	1,880.9	17	377.3	20.1	18	774.7	41.2	11	728.9	38.8
1973	53	1,393.5	20	336.0	24.1	22	517.3	37.1	11	540.2	38.8
1974	53	712.4	19	241.9	34.0	22	238.8	33.5	12	231.7	32.5
1975	46	899.7	12	275.7	30.6	22	312.0	34.7	12	312.0	34.7
1976	62	1,308.0	27	409.6	31.3	22	415.6	31.8	13	482.8	36.9
1977	69	1,528.1	32	538.1	35.2	19	398.3	26.1	18	591.6	38.7
1978	71	1,412.4	33	575.7	40.8	19	340.3	24.1	19	496.4	35.1
1979	71	1,754.0	32	743.6	42.4	19	377.1	21.5	20	633.3	36.1
1980	75	2,298.6	35	942.2	41.0	21	509.5	22.2	19	846.8	36.8
1981	76	2,438.9	36	977.5	40.1	21	541.3	22.2	19	920.1	37.7
1982	66	3,298.6	30	1,071.4	32.5	20	1,133.4	34.4	16	1,093.8	33.2
1983	59	4,257.2	26	1,468.6	34.5	19	1,460.0	34.3	14	1,328.7	31.2
1984	59	5,085.3	25	1,794.5	35.3	20	1,801.3	35.4	14	1,489.4	29.3
1985	82	7,674.0	37	3,270.3	42.6	32	3,162.4	41.2	13	1,241.2	16.2
1986	96	9,923.6	45	4,336.1	43.7	35	3,625.8	36.5	16	1,961.7	19.8
1987	110	9,702.4	53	4,758.5	49.0	38	3,161.4	32.6	19	1,782.4	18.4
1988	117	11,435.2	56	6,141.7	53.7	40	3,620.8	31.7	21	1,672.6	14.6
1989	120	11,662.2	56	6,769.6	58.0	43	3,536.3	30.3	21	1,356.3	11.6
1990	119	8,737.1	58	5,551.6	63.5	43	2,549.2	29.2	18	636.3	7.3
1991	138	12,968.2	86	8,785.5	67.7	28	2,586.3	19.9	24	1,596.4	12.3
1992	142	15,912.0	89	11,171.1	70.2	30	2,772.8	17.4	23	1,968.1	12.4
1993	189	32,158.7	135	26,081.9	81.1	32	3,398.5	10.6	22	2,678.2	8.3
1994	226	44,306.0	175	38,812.0	87.6	29	2,502.7	5.6	22	2,991.3	6.8
1995	219	57,541.3	178	49,913.0	86.7	24	3,395.4	5.9	17	4,232.9	7.4
1996	199	88,776.3	166	78,302.0	88.2	20	4,778.6	5.4	13	5,695.8	6.4
1997	211	140,533.8	176	127,825.3	91.0	26	7,370.3	5.2	9	5,338.2	3.8
1998	210	138,301.4	173	126,904.5	91.8	28	4,916.2	3.6	9	6,480.7	4.7
1999	203	124,261.9	167	118,232.7	95.1	26	4,441.7	3.6	10	1,587.5	1.3
2000	189	138,715.4	158	134,431.0	96.9	22	2,652.4	1.9	9	1,632.0	1.2
2001	182	154,898.6	151	147,092.1	95.0	22	3,990.5	2.6	9	3,816.0	2.5
2002	176	161,937.3	149	151,271.5	93.4	20	7,146.4	4.4	7	3,519.4	2.2
2003	171	224,211.9	144	204,800.4	91.3	20	14,186.5	6.3	7	5,225.0	2.3
2004	190	305,025.1	150	273,629.0	89.7	33	24,774.1	8.1	7	6,622.0	2.2
2005	197	330,691.3	152	301,491.0	91.2	37	23,393.7	7.1	8	5,806.6	1.8
2006	183	438,071.1	138	400,741.4	91.5	38	29,195.3	6.7	7	8,134.3	1.9
2007	152	312,009.0	118	288,694.6	92.5	29	19,054.1	6.1	5	4,260.3	1.4
2008	136	191,651.0	113	176,237.7	92.0	20	14,280.5	7.5	3	1,132.9	0.6
2009	142	271,199.1	115	248,355.1	91.6	23	22,103.2	8.2	4	740.8	0.3
2010	153	389,295.4	126	358,908.2	92.2	27	30,387.2	7.8	--	--	--
2011	160	450,500.6	130	407,528.9	90.5	30	42,971.7	9.5	--	--	--
2012	172	603,415.3	139	544,414.9	90.2	33	59,000.3	9.8	--	--	--
2013	202	670,334.1	161	608,276.6	90.7	41	62,057.4	9.3	--	--	--
2014	216	907,427.5	177	846,410.3	93.3	39	61,017.2	6.7	--	--	--
2015	223	938,852.0	182	886,487.5	94.4	41	52,364.6	5.6	--	--	--

2016	224	1,018,729.9	184	960,192.8	94.3	40	58,537.1	5.7	--	--	--
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Note: Market capitalization is expressed in millions of dollars.

* The FTSE NAREIT Hybrid REIT Index was discontinued on December 17, 2010.

Source: *NAREIT (2017)*

Based on the above table, it can be concluded that all three types of REITs (equity, mortgage and hybrid REITs) were about equally represented in the structure of all REITs to the end of the eighties of the 20th century, after that equity REITs have become dominant. In 1988, equity REITs realized share exceeding 50% for the first time, which amounted to even 91.8% ten years later. At the end of 2016, the value of the assets of US REITs reached a record amount of US\$1.018 trillion, while the share of equity REITs was even 94.3%, the share of mortgage REITs was 5.7%, while hybrid REITs did not take part in the structure of all REITs since 2010.

US Hotel or lodging REITs

Hotel or lodging REITs are real estate investment trusts specialize in investing in hotels. Hotel REITs invest in hotel capacity, then they usually are left to manage by large hotel corporations, through management contracts, or lease for a certain period. The focus of investment is on financing the construction and acquisition of hotel facilities. Joint ventures of REIT and global or regional hotel operators are also not unknown. There were cases that hotel operators build a hotel facility and then sell part or whole to REIT, with the condition of the conclusion of the contract for continuation of facility management. This indicates a clear tendency to separate the ownership of hotels from managing (Mašić, 2009, 148).

Hotel properties have often been excluded from “traditional” real estate sectors because they differ from typical real estate investment criteria in some ways. For example, hotel properties are often highly leveraged operationally because of their high maintenance and staffing needs. Moreover, the volatility of the lodging industry reflected in unsteady income streams even for high-profile city locations with established brand names. These factors have kept some real estate investors away from hotel REITs (Pfeffer, 2009, 48).

Hotel REITs achieved significant development from their introduction in 1993, despite the fact that they are characterized by high non-systemic

risk, which, according to research carried out by Kim et al. (2002) on the case of 19 US hotel REITs, makes up to 84% of the total risk of hotel REITs stocks. The number of US hotel REITs has increased from 2 in 1993 to 15 in 2000, while market capitalization increased from US\$100 million in 1993 to US\$7.5 billion in 2000.

Key factors that contributed to the development of hotel REITs in the last decade of the 20th century are (Gu & Kim, 2003, 167-168):

- Tax legislation included in the Revenue Reconciliation Act of 1993 removed a major tax barrier to make large-scale investments in equity REITs more attractive to institutional investors;
- During the economic recession of 1990 to 1991, many hotels suffered losses due to low occupancy resulting from overbuilding in the late 1980s. The recovery of the industry in the early and mid-1990s, featured by higher occupancy rate, rising average daily rate, and improved operation profits, could have encouraged investors to inject sizable new equity capital into the hotel industry through the ownership of hotel REITs;
- Hotel investors considered REITs as a mechanism for pooling financial resources, and in the process to obtain the economic benefits of commercial real estate investments, they also contributed to the hotel REITs boom in the mid-1990s;
- The hotel REITs boom in the 1990s was also attributable to investors' perception that ownership of REITs could provide them with inflation-hedging ability.

Development of US hotel REITs is continued in the new millennium, as evidenced by data from the following table.

Table 2: *Number and market capitalization of US hotel REITs*

Year	Number of hotel REITs	Market capitalization (y 000 \$)	Percent of total market capitalization of all REITs
2000	15	7,524,610	5.42
2001	15	6,896,702	4.45
2002	16	7,789,033	4.81
2003	15	9,173,345	4.09
2004	17	14,510,924	4.76
2005	19	18,208,922	5.51
2006	14	28,905,770	6.60

2007	10	19,343,990	6.20
2008	8	6,937,773	3.62
2009	9	14,229,944	5.25
2010	11	23,341,026	6.00
2011	14	24,279,627	5.39
2012	14	28,077,843	4.65
2013	16	41,094,548	6.13
2014	16	55,210,232	6.08
2015	17	41,918,460	4.46
2016	17	50,138,414	4.92

Source: *The authors, based on NAREIT (2000-2017)*

In the period from 2000 to 2016, the number of hotel REITs increased slightly (from 15 to 17), while market capitalization increased to US\$42.6 billion and reached a record amount of US\$50.1 billion. Despite the growth in the value of assets of hotel REITs, their share in the market capitalization of all REITs decreased from 5.42% in 2000 to 4.92% in 2016, indicating slower growth in the market capitalization of hotel REITs in comparing the growth in the value of assets of all REITs. The average share of hotel REITs in the market capitalization of all REITs amounted 5.2% in the period from 2000 to 2016 (Table 2).

The observed period was marked by two crisis events: the terrorist attack in New York, which took place on 11 September 2001 and the global financial and economic crisis started at the end of 2007. These events had a negative impact on the demand for hospitality services, and since the performance of hotel REITs are positively correlated with the performance of the hotel, this resulted in a significant decline in performance and asset value of hotel REITs. The market capitalization of US hotel REITs decreased by US\$627.9 million as a result of the terrorist attacks from 2001, while the global financial and economic crisis led to a reduction in the value of the assets of US hotel REITs from US\$28.9 billion in 2006 to US\$6.9 billion in 2008, representing a decrease of US\$22 billion. The share of hotel REITs in the market capitalization of all REITs reached the lowest level of 3.62% in 2008. This suggests to the fact that the hotel REITs are the most sensitive segment of the REIT industry in relation to other types of REITs, which is not surprising given the sensitivity of the demand for hospitality services and positive correlation between performance of the hotel and performance of the hotel REITs.

Hotel REITs have historically proven to be highly cyclical as the extremely short-term nature of their leases (nightly) can lead to highly volatile room rates and occupancy levels. Many operating expenses cannot be easily pared back, which can lead to volatile earnings cycles (Bank of America Merrill Lynch, 2013). The seasonal component of hotel space markets and the refurbishment and replacement cycle differentiates hotel REITs from the other four REIT property sectors (Pfeffer, 2009, 282). Hotel REITs differ structurally from other equity REITs in that, according to REIT rules, hotel owners are not permitted to directly operate the properties they own. This is because earning profit from operating hotels is active and differs from the more passive business of collecting rent on hotels leased to third-party operators. As a result, hotel REITs must retain a third-party hotel manager to operate its hotel (Krewson-Kelly & Thomas, 2016, 64).

Therefore, hotel REITs are not able to receive income directly from hotel operations, nor operate directly owned hotels. Instead, the hotel REITs have set up taxable REIT subsidiaries (TRS)⁵ that generate income from the hotels, and the TRS in turn pays the REIT. When the hotel REITs report earnings, they show the actual room revenue and food/beverage revenue. However, the income from hotel operations is not received by the REIT directly. A TRS, which is taxed at the corporate level, can engage in non-rental, ancillary business activities, such as property management, leasing, or merchant development. All of these activities contribute to a REIT's earnings. A REIT can own 100% of the stock of a TRS (Bank of America Merrill Lynch, 2013)

It should be pointed out that hotel REITs are subject to particular business risks (Pfeffer, 2009, 284):

- *Terrorist attacks*: Future terrorist attacks would adversely affect hotel REITs immediately. Even a change in the terrorist alert system can affect the performance of REITs, both the income and the pricing component of REIT returns.
- *Unionization*: Unionization of the labor force is a factor that can adversely affect the revenue of hotel REITs. Since hotel REITs have to employ more people than, for example, industrial REITs, this factor is of greater importance for hotel REITs.

⁵ The formation of TRS was allowed by the REIT Modernization Act, which went into effect in 2001.

- *Relative attractiveness of properties*: Since hotel REITs have to renew their properties approximately every seven years, changing consumer preferences and the state-of-the-art of the buildings is crucial for the success of hotel REITs.
- *Manager dependence*: Hotel REITs depend on the quality of their managers. Opportunistic behavior or insolvency of a manager can seriously affect the competitiveness of a hotel REIT.
- *Expense increase versus revenue decrease*: Many expenses associated with the operating of a hotel are relatively fixed such as employee wages and insurance, and may exceed inflation in tandem with decreasing room rates.
- *Economic climate and travel patterns*: More than other REIT property types, hotel REITs are affected immediately and drastically by changes in national, regional, and local economies as well as changes in business and leisure travel.

One of the characteristics of the US hotel REITs sector is the relatively high degree of concentration, as evidenced by the data in Table 3. Concerning the participation of individual funds in the structure of total assets of this sector, the existence of large disparities is noted. For example, an investment fund Host Hotels & Resorts, Inc. participates with US\$14.08 billion or 28.01% in the structure of total assets of hotel REITs sector, while investment fund Condor Hospitality Trust, Inc. achieves a share of only US\$9.9 million, or 0.02%.

Table 3: *Hotel REITs in USA (December 31, 2016)*

	Hotel REIT	Market	%
1.	Host Hotels & Resorts, Inc.	14,079.4	28.0
2.	Hospitality Properties Trust	5,213.9	10.3
3.	Apple Hospitality REIT Inc.	4,462.8	8.88
4.	LaSalle Hotel Properties	3,437.3	6.84
5.	Sunstone Hotel Investors, Inc.	3,302.3	6.57
6.	Ryman Hospitality Properties, Inc.	3,229.5	6.42
7.	RLJ Lodging Trust	3,044.1	6.06
8.	Diamond Rock Hospitality Company	2,314.2	4.60
9.	Pebble brook Hotel Trust	2,137.7	4.25
10.	Xenia Hotels & Resorts, Inc.	2,096.5	4.17
11.	Chesapeake Lodging Trust	1,542.6	3.07
12.	Summit Hotel Properties, Inc.,	1,388.1	2.76
13.	Falco Lodging Trust Incorporated	1,113.5	2.21
14.	Hersha Hospitality Trust Class A	899.6	1.79

15.	Chatham Lodging Trust	786.2	1.56
16.	Ashford Hospitality Trust, Inc.	740.9	1.47
17.	Ashford Hospitality Prime, Inc.	350.0	0.70
18.	Sotherly Hotels Inc.	101.5	0.20
19.	Inn Suites Hospitality	21.0	0.04
20.	Condor Hospitality Trust,	9.9	0.02
	Sector Totals	50,270.9	100

Note: Market capitalization is expressed in millions of dollars.

Source: *NAREIT (2017)*

On 31 December 2016, four hotel REITs (Host Hotels & Resorts, Inc., Hospitality Properties Trust, Apple Hospitality REIT Inc. and LaSalle Hotel Properties) participated in the total value of assets of this sector with 54.1%. Thus, 20% of hotel REITs achieved share exceeding 50%, which confirms previous statement about the high level of concentration of this sector.

Conclusion

Opinion that more than half a century old REITs industry will continue to grow and play an important role in the global real estate market is widespread in the finance literature. Therefore, it is important to recognize the potential benefits that would bring the establishment of these funds in Serbia, which are reflected primarily in attracting domestic and foreign investment. Real estate investment trusts are aimed at the effective mobilization and then the optimal allocation of long-term funds in the direction of the real estate market. The establishment of REITs would increase the liquidity and transparency of the real estate market in Serbia.

Given the above mentioned, it is necessary to provide adequate regulatory conditions for the establishment of these funds, and key prerequisite of REITs operating in Serbia is amending tax legislation in terms of eliminating double taxation. When there is double taxation (taxation at the level of the fund and taxation at the level of the individual investor), direct investments in real estate will be more attractive than investing through REITs. The presence of double taxation implies a lack of economic logic and economic motives for investing in real estate funds. On the other hand, it is equally important to prevent misuse in the form of tax evasion by the legal provisions.

From the standpoint of the development of Serbian hotel industry and tourism in general, it is particularly important to the establishment of hotel REITs. The establishment of hotel REITs as subtypes of REITs, would provide a significant contribution to increasing the local hotel capacity, which would result in improving the hotel and overall tourist offer of Serbia.

It is reasonable to expect progress of the Serbian sector of investment funds and appearance of REITs in the future due to the increase in overall investment culture and the fact that there are significant funds deposited in banks in the country without greater opportunities for alternative investments. The long-term development of this sector can be almost certainly ensured by the full membership of Serbia in the European Union, which can give chance to develop much faster to the overall industry. The entry of Serbia into the European family of countries would be a signal to foreign investors that the macroeconomic, legal and political stability, as the basic precondition for investing in the Serbian capital market and the Serbian investment funds industry, is achieved.

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PARTICULARITIES OF FOREIGN DIRECT INVESTMENT IN ROMANIAN SERVICES SECTOR

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Abstract

The paper is focused on the evolution of foreign direct investment at international level taking in account many changes which were imposed by globalization, international financial crisis and sustainable development. The challenges imposed by this phenomenon determined many quantitative and qualitative movements in the universe of foreign direct investment. The authors observed moving the interests of foreign investors from the secondary sector to the services sector, as these had major implications for the development of the host countries. Another issue that has been analyzed by the authors is the foreign direct investments in Romanian economy, especially in the services' sector. They identify the special service fields preferred by the foreign investors.

Key Words: *foreign direct investment, transnational corporations, services*

JEL classification: *A19, F20, F21, L80, L86*

Introduction

Foreign direct investment (FDI) is a force that shapes the world economy through different mechanisms which are used primarily by transnational corporations that are the promoter of foreign capital in host countries (Matei, 2004; Iacovoiu, 2009, Voica, 2016). In addition, new entities have been appeared as vehicles for FDI (UNCTAD, 2008; UNCTAD, 2014).

We note the implication of international financial organizations like International Bank for Reconstruction and Development, European Bank for Reconstruction and Development or International Financial

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Corporation that are very implicated in developing countries through different mechanism like credits or participation to capital of local companies.

Private equity firms are vehicles for FDI, too. The rationale for these investment firms is given by the inadequate capital supply of financial institutions and the high demand of capital for new or high-risk companies but also with great potential for development. Private equity therefore provides financing at a first stage or financing the expansion of these companies. The main target for these entities are unlisted companies, and the investment is made for a fixed period of time, in the form of equity, convertible or non-convertible debt securities, as well as shareholder loans.

Sovereign wealth funds (SWF) are state-owned investment funds that globally invest in real and financial assets. These governmental funds are funded by the accumulation of foreign exchange assets and have a higher risk tolerance than other entities managed by the national monetary authorities. The first sovereign wealth fund emerged in the 1950s, being set up by countries with significant natural resources. As their financial strength has increased, they have become aggressive investment vehicles. Since the outbreak of the international financial crisis, these investment funds have become a new force, having a complementary role to TNCs as important sources of investment in the developing world (UNCTAD, 2008).

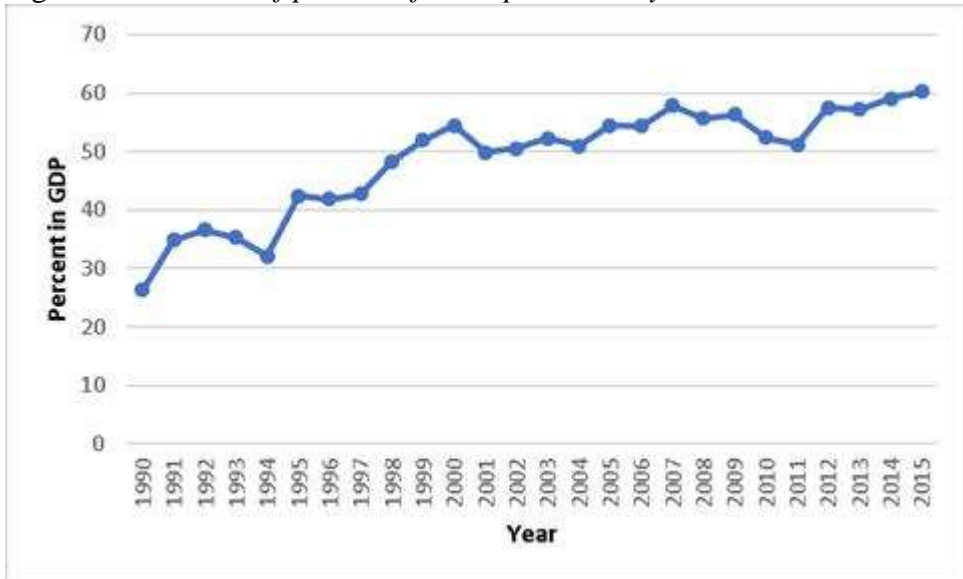
The competition between host countries in order to be more attractive for FDI is very intense because the public authorities are aware by the positive effects of the foreign capital on national economy. The benefits of FDI (Matei, 2004; Hübler, Michael; Keller, Andreas, 2008, Iacovoiu, 2009, Fu et al., 2010, Zaman et al. 2011; Javorcik, 2014; Voica et al. 2015, Iacovoiu, 2015) on export, work force, restructuring economies, competitiveness, technology transfer, labor productivity, sustainable development etc. are acknowledged by specialists, but also attract the negative effects that foreign capital can generate by balance of payments, environment pollution, bankruptcy of local firms due to increased competition or staff redundancies in the case of mergers and acquisitions of companies.

The economic importance of services

More and more specialized studies prove the importance of services in national economies and the international economy as well as the contribution of this sector to economic and social development (Rădulescu, 2008; Rădulescu & Dumbrăvescu, 2009; Iacovoiu et al., 2009; Sen, 2011; Noland et al., 2012; Park & Shin, 2012).

The specialists are talking about a service revolution or services as an *engine of growth* (Ejaz Ghani, 2010; Park & Shin 2012; Noland et al., 2012). These global structural changes are favored by the progress of telecommunication, increased training of workforce and connectivity. Moreover, the characteristics of services have also changed substantially under the influence of these determinant factors and have become transportable, tradable, and scalable. So, the services are a commodity that are could be traded on national markets or exported and imported. We can discuss about splintering and disembodiment of services.

Figure 1: *Evolution of percent of GDP produced by services*



Source: *Author own from World Bank*

The revolution of services based on technology, transportability and tradability are the 3T global forces that shape the production and trade of services. So, IT advances have allowed services to be delivered without

the need for physical contact between producers and consumers, have removed barriers and reduce transaction costs.

As demonstrated by the data presented in the tables below, which include information provided by the World Bank, the services have a direct contribution to GDP, job creation, supply of inputs to other economic sectors (OECD, 2008). Globally, the services account for about 68.5% of GDP, with major differences across countries depending on the level of development. If in developing countries in Africa, the share of services in GDP is 25-30%, in developed countries the weights are higher than the international average (in Hong Kong 92.6%, United Kingdom 79.2%).

Table 1: *Services, value added (% of GDP)*

	1995	2014
Romania	42.5	59.0
Central Europe and the Baltics	56.4	63.1
Euro area	67.9	73.9
European Union	67.6	74.0
USA	NA	78.0
World	58.6	68.5

Source: *World Bank*

OECD specialists have even noticed that the process of economic development is accompanied by an increased role of services in the economy coupled with a decline in the share of agriculture.

Analyzing data published by the World Bank, we note that the leadership position in the US, which holds a 78.0% of the added value generated by the service sector in 2014, is even higher than the one recorded at EU level.

Table 2: *Services, value added (constant 2010 million US\$)*

	1995	2014
Romania	NA	91,853.58
Central Europe and the Baltics	NA	792,261.06
Euro area	6,124,444.60	8,569,041.05
European Union	8,013,433.23	11,666,775.30
USA	-	12,175,169.21
World	26,569,977.13	45,457,495.05

Source: *World Bank*

The contribution of services to the economic development of a country is accompanied by an increase in the share of this sector in the total employment. Countries which are characterized by important contributions from the tertiary sector to GDP creation also have a significant labor force concentration in this sector.

Table 3: *Employment in services (% of total employment)*

	2005	2010
Romania	37	41
Central Europe and the Baltics	52	56
Euro area	67	71
European Union	66	69
USA	78	80
World	43	47

Source: *World Bank*

The contribution of services to economic development can also be strengthened by increasing trade in services. The data published by the World Bank reveal the growth of trade in services (as a share of GDP), especially in the case of European countries, which also contributed to the augmentation of the figures in the world.

Table 4: *Trade in services (% of GDP)*

	1995	2015
Romania	8.9	16.5
Central Europe and the Baltics	16.2	21.0
Euro area	10.4	23.5
European Union	10.8	22.9
USA	4.7	6.9
World	8.6	13.0

Source: *World Bank*

Export of services creates opportunities for those countries that have some advantages in sectors such as IT services or tourism services, which therefore extends outputs of services in sectors and creates new jobs.

Table 5: *Service exports (BoP, current million US\$)*

	1995	2015
Romania	1,503.00	18,459.74
USA	219,193.00	750,862.00

United Kingdom	79,796.04	351,150.01
China	19,130.30	286,539.71
Germany	75,971.00	264,461.85
France	92,121.39	241,468.23
Central Europe and the Baltics	37,225.85	160,354.69
Euro area	451,755.91	1,404,914.91
European Union	585,947.34	2,021,246.84
World	1,298,180.71	4,976,944.44

Source: *World Bank*

International commerce with service – both on the export and import side– is dominated by developed countries such as USA, China and European countries which led by United Kingdom, Germany and France.

Table 6: *Service imports (BoP, current million US\$)*

	1995	2015
United States	141,410.00	488,651.00
China	25,222.82	468,895.94
Germany	133,166.23	299,090.32
France	74,553.38	231,731.62
United Kingdom	65,676.59	213,964.75
Central Europe and the Baltics	25,139.01	111,353.47
Euro area	454,194.16	1,328,101.55
European Union	565,147.37	1,748,122.05
Romania	1,832.00	10,926.96
World	1,330,864.19	4,712,526.60

Source: *World Bank*

Therefore, the statistic data reveal the growing importance of services in national economies and international trade. The main reason (Lemon, 2006) is an increase in the production of intermediate services (i.e. outsourcing).

Foreign direct investment and services

The initial motivation of FDI was the search for resources. Large international companies had set up subsidiaries and branches in poorly developed countries which have significant natural resources. Over time, the transnational companies have developed FDI, motivating them to

move to new markets and improve efficiency. Thus, in the FDI typology, additional types of investment (market - seeking investment and efficiency - seeking investment) (Matei, 2004; Iacovoiu, 2009; Haralambie, 2015) appeared beside resource-seeking investment.

Along with the increase in the share of services in GDP, more and more specialists noted the predominant orientation of FDI towards the tertiary sector (Matei, 2004; Iacovoiu et al., 2009, Riedl, 2010; Bijsterbosch, Kolasa, 2010; Bhattacharya, 2012). This also involves changing the focus of transnational companies on certain determinants of FDI.

In the case of FDI, in the services sector, foreign companies are interested in the size of the domestic market, the possibility of accessing regional markets, which is favored by existing free trade area or customs unions, but also by the potential of increasing the local / regional market.

In addition, the existence of FDI services in a host country can attract and perhaps stimulate innovation by manufacturing firms (Fernandes & Paunov, 2012), thus becoming an asset in attracting future FDI. The researches and analyzes revealed other determinants for FDI in the tertiary sector. Thus, Ramasamy & Yeung, 2010 demonstrated that "manufacturing FDI is the single most important determinant of FDI services." Thus, transnational service companies adopt a strategy of customer follow-up - home-producing firms. Therefore, they will serve the same manufacturing companies as in the home country. The location and relocation of the subsidiaries of transnational service companies are related to the presence of companies manufacturing in various markets, given that services are often non-tradable. Therefore, we can talk about interdependence and complementarity between manufacturing and the FDI services (Nefussi, & Schwellnus, 2010). In addition, the existence of FDI services in a host country can attract and perhaps stimulate innovation by manufacturing firms (Fernandes & Paunov, 2012), thus becoming an asset in attracting future FDI.

The presence of foreign capital in different financial banking systems is explained by different specialists (Botrić, 2010, Matei & Done, 2009) through the medium of the existence of clients who have accustomed in their home countries. In view of the intensive nature of labor in the service sector, a determinant factor is the quality of the workforce (Ramasamy & Yeung, 2010; Kinda, 2010), therefore the education and

long life learning become imported instruments for public authorities, which can thus help attract FDI in the tertiary sector.

The importance of services as a sector for FDI was the United Nation Conference on Trade and Development's officials also noted who dedicated the 2004 World Investment Report to this issue.

The figures published by UNCTAD show a sustained increase in FDI in the tertiary sector from 25% in the early 1970s to about 50% in 1990 and about 60% in 2002 (UNCTAD, 2004). In 2014, according to UNCTAD data from the World Investment Report 2016, the FDI universe is dominated by a service sector accounting for 64% of the global FDI stock (manufacturing represents 27%, the primary sector, 7% and 2% is unspecified). Weights recorded in developing Asia and transition economies (70%) are higher than the world-wide average.

Structural changes to the FDI sector in the tertiary sector have also been observed worldwide. By the 1990s, the main subsectors which were targeted by foreign investors were trade and finance, but after 2000, their focus was on sectors such as electricity, telecommunications, water supply and business services - ranging from real estate to professional services and IT-enabled Corporate services (UNCTAD, 2004).

Significant changes are also noted with regard to the countries of origin for FDI in the tertiary sector. If by the end of the last century, foreign stock of FDI services were dominated by US firms, after 2000, new competitors emerged on this market, coming from the EU and Japan.

The concentration of FDI in the tertiary sector worldwide can be explained (Ramasamy & Yeung, 2010) by taking into account the following considerations:

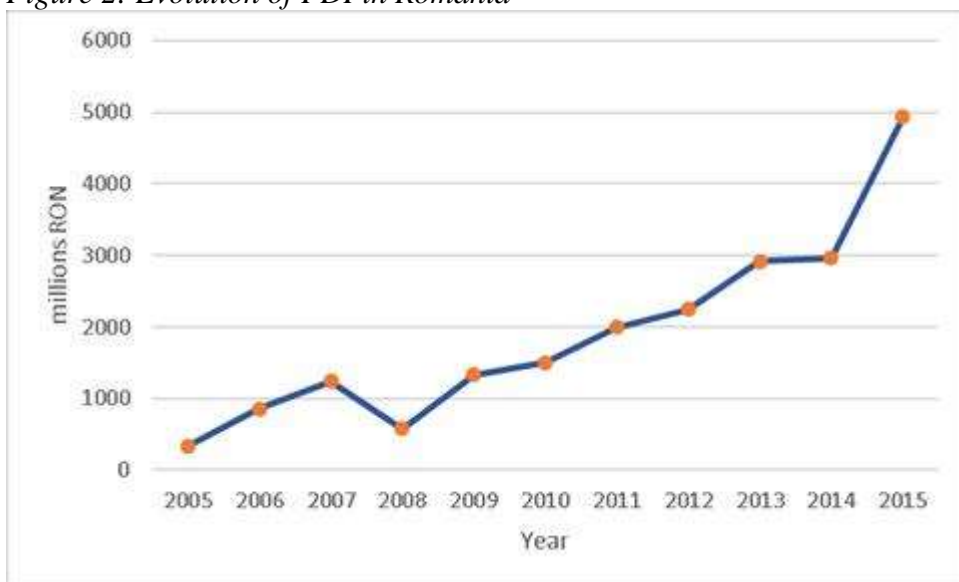
- Increasing the importance of the services sector in the national economies and the world economy;
- Certain services are being non-tradable, the only possibility to access foreign markets is FDI and not trade in services
- Privatization of public utilities which has allowed foreign investors with the necessary financial strength and expertise in the field who have enjoyed the liberalization of these economic sectors;
- Most FDI were implemented by taking over local businesses, mergers and acquisitions being the main way to achieve FDI in host countries;

- growing importance of off-shoring and/or outsourcing of services generated by technological progress that determine the tradability of the information based services (some services are offshored to foreign affiliate or outsourced to service providers from host countries).

Foreign direct investment in Romanian economy The role of services sector

Romania has a marginal position in the region in attracting FDI. Even though public authorities have started the process of privatizing the large companies from the industry and services, the FDI flows which are received by the Romanian economy have modest values compared to other countries in the region. None of the EU membership has had spectacular effects on FDI attracted from or outside the European Union. Factors such as political instability, taxes' instability and lack of infrastructure had a greater share in our country's assessment as a potential country for transnational companies over other determinants such as workforce training or low wage levels. After 2000, there is also a predominant concentration of FDI in services in Romania's case:

Figure 2: Evolution of FDI in Romania



Source: Authors own from National Institute of Statistics

As it can be observed, in the analyzed period, the FDI in Romania have seen a sharp increase. In 2005, FDI was mainly located in the tertiary

sector, manufacturing accounting for 37.3% of the total. From the service category, the most important subdomains were:

- retail and wholesale trade (15.0%),
- financial intermediation and insurance, (14.5%)
- telecommunications (10.9%).

After ten years, in 2015, the service sector attracted the largest share of FDI, and manufacturing holds 31.8 % of the total FDI balance. Of the category of services, the most attractive for foreign investors were:

- financial intermediation and insurance (13.1%),
- trade, (12.2%);
- construction and real estate transactions, (12.2%);
- professional, scientific, technical and administrative activities and support services (6.3%).

Thus, in Romania, foreign investors also are distinguishable in the tertiary sector, but the stock of foreign capital in services is less intense than that recorded at the international level. And in the case of Romania, there is an increase in the importance of the service sector and, moreover, there is a strong potential for intensive labor services (derived from the abundance of labor force and the relatively low cost of this production factor) and professional and business services (such as IT, engineering, architecture, and technical consultancy services).

The main sub-domain targeted by FDI in the services sector is the financial intermediary, as the Romanian financial sector is dominated by foreign companies (Matei & Done, 2008; Dracea, Cristea, 2008). At the end of 2015, the Romanian banking sector included 36 credit institutions, out of which 7 branches of foreign banks. Banks with foreign capital accounted for about 91 percent of assets` banking sector (NBR, 2016). The takeover of the foreign sector's banking sector was gradually achieved, after 1990, mainly through mergers and acquisitions, including the privatization process. The most important banks with majority state capital – Romanian Commercial Bank, Romanian Bank for Development, Agricola Bank, Agricola Bank and Banc Post were privatized, the majority stocks being bought by EU banks. There were also foreign banks that preferred a different way of implantation, namely green field investment. Following the wave of privatizations of the most important banks in Romania, merging and acquisitions took place between banks with private or foreign capital, which led to the reduction of the number

of credit institutions (such as the merging between Tiriac Bank and Unicredit Bank).

Table 7: *The presence of foreign capital in Romanian banking system*

	2014	2015
Credit institutions, Romanian legal persons, out of which:	31	31
Credit institutions with full or majority state capital	2	2
Credit institutions with majority private capital, of which:	29	27
With majority domestic capital	4	4
With majority foreign capital	25	23
Branches of credit institutions, foreign legal entities	9	7
Total credit institutions	40	36

Source: *NBR Annual report, 2015*

At the end of 2015, foreign banks held about 90% of the net aggregate asset, the largest share in net assets being held by Austrian banks (33.3%), French (13.5%) and Greek (10.6%). The foreign banks that are operating in Romania initially focused their activity on multinational companies, their presence in our country being based on the client's follow-up strategy. Subsequently, the local economic agents and the population were also targeted to increase the market share, the trend being to expand retail activity.

Prior to 2008, there was an increase in lending activity in Romania, which was also supported by external financing from foreign parent banks, as local sources of funding were exceeded. After the crisis, foreign banks supported the capitalization of the Romanian banking system, assuming commitments under the Vienna Initiative (EC, 2015). Thus, Erste Group Bank, Unicredit Group, Raiffeisen International, Volksbank, Société Générale, Piraeus Bank, Alpha Bank, National Bank of Greece and EFG Eurobank have committed themselves to maintaining their exposure to Romania by providing financial support to subsidiaries. The financial crisis has also led to a change in banks' behavior towards customers, in the sense that it pays special attention to improving consumers' financial culture/education as a component of consumer protection.

Moreover, given the low financial inclusion specific to Romania, banks are also trying to attract disadvantaged categories into the banking system

by offering specific services, but also by launching financial education programs so that these people understand the characteristics and risks of financial products. The Swiss franc crisis, which also manifested in Romania, has shown that many banks' customers have obtained foreign currency loans but have not been aware of the importance of currency risk and the possibility of its occurrence during the course of the credit.

Specialists note the positive impact of foreign banks on the economy of host countries, with contributions to domestic competition, increase of access to financial services, enhance financial and economic performance of their borrowers, and improvement of financial stability. The international financial crisis has also reveal the negative aspects of the involvement of foreign banks (Matei & Done, 2009; Claessens & Horen, 2014) such as reducing lending compared to domestic banks or promoting "cherry pick" policy (the foreign banks select only clients with Stable financial situation, leaving local banks with weak customers, so an increase in local bank's risks is possible).

Another services' sector dominated by FDI is commerce. In spite of the large number of companies operating in retail trade, this sector is dominated by large foreign network stores: Metro Cash & Carry, Selgros Cash & Carry, Carrefour, Billa, Mega Image, Profi, and XXL.

Despite the touristic potential of our country, the presence of foreign investors is modest (Ungureanu & Nastić; Ungureanu 2016). Explanations would be the lack of an adequate transport infrastructure, tourism-specific infrastructure (superior accommodation) and qualified staff. Foreign hotel chains (such as Ibis, Ramada) have concentrated their businesses in major cities, with an uneven geographic distribution of accommodation structures and their lack from the major spa and mountain resorts in Romania. A services' sector with a great increase of the value added and financed by foreign investments is the sector of IT&C services'. Romania has a highly skilled labor force for the IT & C domain. This aspect combined with the relative low level of the salary make the Romanian IT&C sector highly attractive for foreign investors.

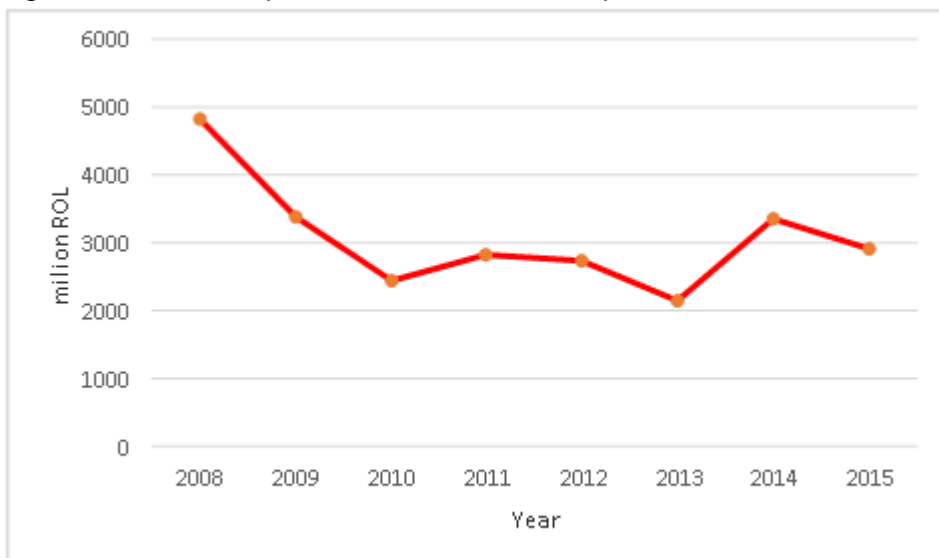
The Romanian IT&C sector has developed on the basis of four business models:

1. Big Romanian company, with strong connections in the political environment; these companies have virtually captured the whole market for developing software applications for administration.

2. Subsidiaries or local offices of foreign firms. These companies are Romanian firms and, generally, they have implemented only market activities and/or consulting services and technical support for local customers or for customers from entire world.
3. Small and medium companies that integrate software applications and provide technical advice and support to local customers or to a small number of customers from abroad.
4. Freelancers that are independents and work for multiple projects, usually from home and for foreign customers. They can offer both application development services as well as consulting and technical support services.

As it can be observed, the major activities of the IT&C companies are represented by services. This fact is common for majority IT&C business from the entire world because, after implementing a complex software application, the main effort is represented by configuring, integrating and maintaining this application to the customer site. In Romania, the investments in the field of IT&C has seen a downward trend between 2008 and 2010, followed by a relative stabilization between 2010 and 2013 and an upward trend for the period between 2013 and 2015.

Figure 3: *Evolution of investments in the IT&C field, in Romania*



Source: *Author own from National Institute for Statistics*

This behavior can be explained by the influence of 2008 crisis over the global economy and by finishing of the main government investments in IT&C field. At the moment of 2008 Romania has a good level of informatization of public administration. On the other hand, the necessary investment in the IT&C sector do not reach high levels.

Although it does not represent the main sector from the point of view of FDI volume the IT&C sector has a great potential for this type of investment based on the high level of technical knowledges acquired by the labor force in Romania.

Conclusions

The development of services and increasing their share of GDP is a long-lasting process that has been favored by the liberalization of international trade in services under GATS, the liberalization of trade in services within the European Union, and technical progress in the field of ITC. Given the complexity of this area, the low share of services in world trade compared to that of goods, the negotiations continue today, 23 members of the World Trade Organization (WTO) trying to sign a new agreement named Trade in Services Agreement (TiSA). The main objectives of this agreement are opening of markets and improving rules in areas such as licensing, financial services, telecoms, e-commerce, maritime transport, and professionals moving abroad temporarily to provide services.

Foreign investors have realized the potential of this sector and are concentrating their capital with preponderance in this area. This trend is also observed in the case of Romania, the most attractive subsector for FDI being financial intermediation.

For Romania the main interest in the field of FDI is represented both by the need to increase the number of industrial unit production and by the need to develop high added value sectors like IT&C.

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LEGAL ASPECTS OF FOREIGN DIRECT INVESTMENT IN THE REPUBLIC OF SRPSKA

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Abstract

Foreign direct investment is in the function of the growth and development of a national economy. After the economic crisis that hit the whole world, Bosnia and Herzegovina and other countries in the Region were looking for ways for fast economic recovery and opportunities for intensive business cooperation with partners from around the world. Foreign investments contribute to the improvement of the existing investment environment because fresh capital motivates new investors. The paper analyzes the important characteristics and features of foreign investment. In the Republic of Srpska there are a limited number of research papers and significant practices that deal with this issue and therefore this paper point out to some arguments in favor of positive impact of FDI. The paper aims to clarify the role and importance of foreign direct investment from the legal aspects. Comparative analysis of the structure of foreign direct investment in the region and in Bosnia and Herzegovina makes it possible to determine the degree and extent of direct foreign investments in various industries including, among others, investments in the development of tourism in the Republic of Srpska in recent years and point out the existing constraints and future prospects.

Key Words: *foreign direct investment, foreign investment, tourism, capital, economy.*

JEL classification: *K20, K33, Z30.*

Introduction

Modern business conditions have considerably changed under the influence of world globalization. The economic effects of globalization cannot be ignored because they constantly accelerate the pace of changes

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in the market. Globalization involves a whole chain of political, economic and social activities on the basis of modern information technology and it intensifies the various interactions within and between countries and enterprises. Customizing business by the challenges of globalization becomes a requirement for the connection of the national economy or the company with the world. The most important goal is to effectively connect business partners, i.e. companies, consumers and information flows as quickly as possible regardless of the geographical distance. Foreign direct investment is a response to the globalization of business and the indicator of the strength of a national economy to attract funds or to invest.

By providing various benefits and incentives for foreign investors, the Republic of Srpska aims to create a favorable environment for expansion of foreign investment, and this is done through the institutions of the Republic of Srpska and Bosnia and Herzegovina. The goal of any country is to ensure the most favorable conditions for foreign companies to gain, as part of their business, as much profit as possible, because profit is the main motive for foreign investors to invest in a country. These conditions are in the first place of well formed fiscal, monetary and trade policy.

By improving work conditions, or taking certain measures, the Republic of Srpska should become an attractive destination for foreign investment, especially given that in recent decades there has been a sudden increase of competitiveness in this economic sector. In the Republic of Srpska and Bosnia and Herzegovina a number of measures have been taken in the direction of economic and administrative reform to improve the investment climate, improve the competitiveness of the economy, but also to protect the rights of foreign investors.

Concept and types of foreign investment

Taking into account that the level of investment in capital is one of the main criteria to determine the level of development of a country, including its place in the region, it is in the best interest of every country to attract more investment, both local and foreign. This is particularly evident during the still ongoing economic and financial crisis. In fact, foreign investment yields a number of positive effects, such as job opening, the application of new, modern technologies, market development, strengthening of market competition, higher tax revenues for the state budget and the like. Of course, the decision of investors to

invest capital in an investment stems from the analysis and verification of a series of parameters that determine the decision (Popović, 2006). Foreign direct investments come on the basis of open investment opportunities in jobs related to the use of natural resources and/or opportunities formed in the process of privatization (Krstić, 2016).

It is not easy to determine the scope of the concept of foreign investment, or investment in general. As in every similar case, too broadly defining the scope of the concept of foreign investment carries with it the danger that this term could imply some cases that could not be classified as foreign investment, while the narrow determination of foreign investments could consider the unnecessary omission of important determinants of this term. This is particularly important, given that foreign investments have a very complex nature and represent a synthesis of legal and economic activities.

Bearing in mind that foreign investment is the specific subject matter of the modern age, a number of definitions of foreign investment are imposed. Foreign investments can be defined as the transfer of funds or other material assets from one country (countries exporting capital, country of origin) to another country (host country, receptive country) with the aim of using these funds in business in this country, and whose ultimate intention is direct or indirect participation in the profits of the enterprise (Ćirić & Đurović, 2005a, Ćirić & Đurović, 2005b). In addition to the movement of money capital, cross-border movement of investments includes transfer of movable or immovable property from one country to another, in order to therein be used to create wealth under full or partial control of the investor. In this way, the concept of foreign investment also includes the transfer of physical property, or equipment and facilities (Popović & Vukadinović, 2007).

According to some authors, foreign direct investment means the transfer of all types of capital from one country to another with an aim of the owner to use a business enterprise under its full or partial control to make profit (Trifković, 2000). Also, in literature, the foreign direct investment stands for every kind of investment in a particular company, or any form of a company financing, by which the investor (the financier) acquires ownership control over it (Stojadinović & Jovanović, 2013), or other forms of investment in which an investor provides the right of ownership, control and management of the company in which they invested assets due to the realization of any economic interest (Grgurević, 2013).

Regarding the definition of foreign investment, it is important to emphasize the definition of the OECD, by which foreign direct investment, and foreign investment implies the categories of investment that reflects the objective of establishing a lasting interest by a company resident in one economy (direct investor) in an enterprise of direct investment, which is a resident in the economy besides the direct investor (OECD, 2017). In addition to the definition of the OECD, we should mention the definition by UNCTAD, according to which the foreign direct investment represents an investment performed in order to achieve a permanent interest of the enterprise that operates outside of the economy of investors (UNCTAD, 2017). Thus, it can be noted that there are many definitions of foreign (direct) investment. Of course, it would not be purposeful to specify all the existing definitions of foreign direct investment, but the above mentioned indicate the complexity of the concept of foreign direct investment.

Given the complexity of the concept of foreign investment, there is a need to define its types. The reason for this approach lies in the necessity to include as many foreign investments, given their many forms in practice. In theory, there are several criteria by which foreign investments are classified. Thus, given the kind of economic value to invest, there are material investments (tangible) and investments in rights (intangible). Material investments include equipment, land or other property. Investments in rights include investments using financial resources for purchase of shares with the right to property and property shares, the transfer of rights to dispose of intellectual property and investments through loans (Cvetković, 2007). Investments in rights have a significant impact on the application of regulations relating to the protection of intellectual property rights. This is especially important in foreign investment in the industry, which is dominated by high technology, so that the principle of professional secrecy and arrangement of regulations that protect the patentable invention, the data that patent does not cover or which cannot be patented, are a very significant factor that will impact foreign investors to place funds in a particular country (Krstić & Trakilović, 2014).

According to the criterion of ownership character of the capital invested, different types of private and government investment can be distinguished. Thus, with regard to whether it is about foreign capital that enters directly from abroad, or the one of foreign origin gained from the profits of the existing investment in the host country, there is the

distinction between investments that are made by using fresh capital and investment made by capital to be reinvested. This division is important because investment legislation gives preferential treatment to investors who reinvest their profits in the host country, rather than carrying out the repatriation (return to the country of origin) (Cvetković, 2007).

Bearing in mind the intensity of the influence of foreign investors to manage their investments, there is a distinction between foreign direct investment, portfolio investment and contractual forms of investment. In this sense, the foreign direct investment represents an investment ratio of permanent character between foreign investors and the companies in which the investment is made, or which is established by the capital of foreign investor. One way of placement of foreign direct investment is generated by transnational companies, whose main characteristic is the establishment of subsidiaries abroad, and transferring production system abroad. On the other hand, portfolio investment is a special form of foreign investment, which is implemented through the international capital market and buying securities. The goal of portfolio investment is to generate income in the form of dividends, where it has no intention of carrying out entrepreneurial activities. Furthermore, portfolio investment does not establish a lasting relationship, as opposed to foreign direct investment. It is an investment that is implemented by purchasing stocks, bonds or by borrowing. Portfolio investors are primarily interested in the safety of their capital, the likeliness of increasing its value and return of investment. In doing so, they estimate the perspective of activity in which they invest and characteristics of potential host country, by changing the direction of movement of their capital in accordance with the changes of those determinants (Krstić, 2016).

In addition, the management of the company includes the underwriting business failures and losses. The aforementioned risk is greater in foreign direct investment than in the portfolio investment. In the first, the investor has many obligations to the host country resulting from the need to respect the legal framework for carrying out economic activities. These obligations are of a different kind, contractual obligations, credit arrangements and obligations imposed by peremptory norms of the receptive country. Therefore, in the case of foreign direct investment, the need for legal certainty is expressed in a much greater extent in relation to portfolio investor, who risks only a loss of dividends. In addition, these investments are short-term, reversible, and have a short term return on investment, after which the profitable exploitation begins. In foreign

direct investment this deadline is related to the establishment of production and conquering the market process that takes several years, and the return of the basic investment and the start of generating profit is considerably longer than is the case of portfolio investment (Krstić, 2016).

The literature offers the division of investment in foreign direct investment, portfolio investment and the so-called "new forms of investment," while the criterion for division is the intensity of the influence of foreign investors to manage their investments. In this regard, the direct foreign investment implies a long-term international capital transfer to the host country through enterprises operating in the country, with the aim of achieving economic gain and with a direct impact of investors on entrepreneurial activity and bearing the entrepreneurial risk. On the other hand, new forms of investment are forms of investment resulting from various forms of cooperation between developed and developing countries from the beginning of the seventies, and whose subject is the transfer of new technologies and services in the host country, using contractual instruments. New forms of investment are usually manifested in practice through licensing agreements, enterprise management contracts, service contracts, "turn-key" contracts. Whether the new form of investments would be regarded as foreign direct investment or commercial transaction depends on the intentions of investors. If sale of services or know-how is intended only, the focus will be on trade. On the other hand, legitimate authority of investors in company management indicates the existence of a relationship characteristic of foreign direct investment (Čirić & Đurović, 2005a, Čirić & Đurović, 2005b).

The structure of foreign direct investment in the Region and beyond

The movement of foreign investments is, by the rule, bidirectional, in terms of the inflow of foreign investment in the host country and outflow of foreign investment from the country that exports foreign capital. When it comes to the inflow of foreign investment that term is almost exclusively reserved for countries in transition, i.e. developing countries; however, when we talk about the outflow of foreign investment, those are mainly developed countries. In order to reach the best possible observations on the character of foreign investments in the Republic of Srpska, attention should be first paid to the balance of investments at the global level, and then move to the lower territorial entities. Also, it is

important to show the geographical origin of foreign investments, which possibly may point to certain political aspects of foreign investment, and the fact that the movement of capital is not only caused by financial reasons and gaining profit, but the wider range of interests.

What gives a more complete picture of the situation of foreign investment in the Republic of Srpska is the comparison of the inflow of foreign investment with neighboring countries in the Region, as well as investment in various sectors of economy of the Republic of Srpska.

Table 1: *Foreign direct investment by region (billions of dollars)*

Countries	Foreign investment - inflow						Foreign investment - outflow					
	2009	2010	2011	2012	2013	2014	2009	2010	2011	2012	2013	2014
World	1186	1328	1563	1402	1467	1228	1101	1366	1587	1283	1305	1354
Europe	437	404	489	400	325	288	400	565	586	376	316	315
European Union	391	358	444	364	333	257	352	459	519	316	285	280
North America	166	226	269	208	301	146	327	312	448	365	378	389
Latina America and the Caribbean	83	131	163	178	186	159	13	46	36	43	28	23
Africa	54	44	47	56	53	53	6	9	6	12	15	13
Asia	323	401	425	400	427	465	214	284	313	299	335	431
Australia	31	36	57	55	54	51	16	19	1	5	-3	-0,35

Source: *UNCTAD, 2017*

The table above shows foreign direct investment flows by world regions. As expected, according to the amount of outflow of foreign investment, developed economies are leading, i.e. Europe and North America. Last year (2014) of the observed period (2009 - 2014) expressed a downward trend in the inflow of foreign investment, and this was particularly obvious in North America (52%), while the negative trend seen in foreign direct investment in Europe was at a level of 12%.

In the initial years of the period (2004 - 2012) inflows and outflows of foreign direct investment flows in the EU is constantly increasing (Table 2). If we take 2004 as the base year, it is notable that there was a sharp increase in the outflow of foreign direct investment in 2005 from 369,134 million Euros to 669,041 Euros, while the inflow increased from 244,179 million to 591,234 million Euros. Dynamic upward trend continued until 2007.

Table 2: *Flows of foreign direct investment (EU-27) (millions of Euros)*

Year	Outflow of FDI	Share %	Inflow FDI	Share %
2004	369,134	5.73	244,179	4.69
2005	669,041	10.40	591,234	11.36
2006	879,818	13.67	726,462	13.96
2007	1,278,121	19.87	1,065,473	20.48
2008	919,366	14.29	582,517	11.20
2009	612,534	9.52	512,626	9.85
2010	585,530	9.10	480,892	9.24
2011	725,924	11.28	652,062	12.53
2012	392,379	6.10	345,096	6.63
Total	6,431,847		5,200,541	

Source: *European Commission, 2017*

In 2008, the world economic crisis drastically influenced the global economy and affected all segments including foreign direct investment. The trend of enormous drop of inflows and outflows of foreign direct investment continued in 2009 in which the crisis had taken the highest toll. In 2010, negative flows continued, and in 2011, for the first time since 2007, the growth of foreign direct investment was noticed. In 2012, there was again a decline in flows of foreign direct investment, all of which caused the second wave of the global financial crisis, which included the individual EU member countries (27), which among other things was seen in macroeconomic indicators in the period from 2007 to 2014 (Krstić & Jović, 2016).

Table 3: *Flows of foreign direct investment in South East Europe (2007-2012) (millions of dollars)*

Country	2007	2008	2009	2010	2011	2012
Albania	669	974	996	1,051	1,038	957
Bosnia and Herzegovina	1,818	1,025	149	324	380	633
Croatia	5,041	6,220	3,329	432	1,602	1,251
Serbia	3,439	2,965	1,969	1,329	2,709	362
Montenegro	934	960	1,527	780	558	610
Macedonia	693	586	201	212	468	135
Total	1,3187	13,257	8,577	4,592	7,202	4,235

Source: *UNCTAD, 2017*

The amount of foreign direct investment in 2012 in the SEE countries compared to 2011 was almost halved due to an overall reduction in the

volume of investments from the EU countries, which were faced with the consequences of the global financial crisis.

Table 4: *Foreign direct investment in Serbia (millions of Euros)*

Year	Amount	Share (%)
2007	3,219	19.03
2008	2,711	16.03
2009	2,100	12.41
2010	1,278	7.55
2011	3,544	20.95
2012	1,009	5.96
2013	1,548	9.15
2014	1,500	8.87
Total	16,909	

Source: *SIEPA, 2015*

In Serbia, as Table 4 shows, in the initial years of the period, if 2007 is taken as the start year, there was a reduction in the amount of foreign direct investment, and the negative trend was interrupted in 2011 with a sudden increase of 3,544 million Euros. Then, by the end of the observed period, there was a continuous decline with the exception of a small increase in inflows in 2013.

Table 5: *The structure of FDI in Serbia by sectors*

Sectors	Share %
Financial Services	17.4
Telecommunications	16.4
Food industry	12.0
Retail	8.8
Automotive industry	8.6
Oil and gas	6.7
Real estate	5.4
Tobacco industry	4.7
Construction	3.8
Pharmaceutical industry	3.4

Source: *SIEPA, 2015*

According to the values expressed by sectors (Table 5), it is evident that the primacy was held by financial services and telecommunications sector, followed by the food industry with significant participation, as well as the automotive industry and the retail sector.

Table 6: *Foreign direct investment in Croatia (mil. Euros)*

Year	Amount	Share %
2009	2,277.60	23.8
2010	1,049.20	10.98
2011	1,010.20	10.57
2012	1,109.20	11.6
2013	735	7.69
2014	2,876.10	30
2015 (first half)	498	5.21
Total	9,555.3	

Source: *The Croatian National Bank, 2017*

The largest amount of foreign investment in Croatia (Table 6) was recorded in 2014 (2876.10), and the smallest one, as the above table shows, in 2013 (735). In the period from 2000 to 2011 (Table 7), most foreign investments were in the financial sector (36.7%), followed by the manufacture of refined oil products (7.5%) and in the sector of real estate (7.3%).

Table 7: *The structure of FDI in Croatia (2000 - 2011)*

Sector	Share %
Financial operations	36.7
Wholesale trade and commission trade	11
Real estate	7.3
Post and telecommunications	4.1
Manufacture of coke and refined petroleum products	7.5
Manufacture of chemicals and chemical products	2.9
Retail	5.3
Manufacture of other non-metal products	2.4
Other activities	22.9

Source: *The Croatian National Bank, 2017*

The data on foreign investments in the Republic of Srpska and Bosnia and Herzegovina are monitored through several instruments, each of which is different in character. The data of the Central Bank of Bosnia and Herzegovina relate to quotas and the amount of foreign capital in a given period. On the other hand, the data from the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina are based on the actual registration of foreign companies and their capital at commercial courts. The data of commercial courts usually contain lower amounts than in the Central Bank of Bosnia and Herzegovina.

Table 8: *Direct foreign investments in BiH (in millions of Euros)*

Year	Amount	Share %
2006	442	10.5
2007	1,329	31.5
2008	684	16.2
2009	180	4.25
2010	307	7.4
2011	357	8.4
2012	307	7.4
2013	228	5.4
2014	378	8.95
Total	4,212	100

Source: *The Central Bank of Bosnia and Herzegovina, 2017 & Foreign Investment Promotion Agency of Bosnia and Herzegovina, 2017*

In 2007 Bosnia and Herzegovina had the largest inflow of foreign direct investments in the observed time period of 1.3 billion Euros. In 2008, the downward trend in the inflow of foreign direct investment (684 million Euros) can be seen, while the global financial crisis caused a sudden decrease in 2009 (180 million Euros). The upward trend is noticeable in the next two years, and until the fall in 2012 and 2013. A jump of 60.31% compared to the previous year, is seen in 2014, where foreign direct investment amounted to 378 million Euros.

Table 9 shows the data by the most important investor in the period 1994 - 2014. From the above table we can see that for the given period the most important investor was Austria with a share of 21.06%, followed by Serbia (17.69%), Croatia (13.10) and so on.

Table 9: *Main foreign investors in Bosnia and Herzegovina (1994-2014) (millions of Euros)*

Countries	Amount	Share %
Austria	1,254	21.06
Serbia	1,053	17.69
Croatia	780	13.10
Russia	518	8.70
Slovenia	462	7.76
Germany	326	5.47
Switzerland	278	4.67
Netherlands	235	3.94
United Kingdom	180	3.02
Luxembourg	169	2.83
Other countries	697	11.71

Total	5,952	
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Source: *The Central Bank of Bosnia and Herzegovina, 2017*

Traditionally, the most significant percentage of foreign direct investment is in the manufacturing sector (36%). In addition, a significant share of (20%) was also recorded in the banking sector (Table 10).

Table 10: *Balance of foreign direct investment per sector (1994-2014)*

Sector	Share %
Manufacture	36
Banking	20
Telecommunications	14
Trade	11
Transmission estate	6
Services	4
Other financial services	2
Tourism	2
Transport	1
Other activities	4
Total	100

Source: *The Central Bank of Bosnia and Herzegovina, 2017*

The following table provides an overview of registered foreign investments in the Republic of Srpska by sectors (the old classification of activities from January 1, 2008) from 1 January 2006 to 30 June 2010.

Table 11: *Foreign investments in RS by sectors/activities (from June 2006 to June 2010) (000 BAM), old classification*

Sectors	Amount	Share
Telecommunications	1,279,507	50.34
Manufacture	807,015	31.75
Trade	222,929	8.77
Banking	176,703	6.95
Services	16,439	0.65
Insurance	14,057	0.55
Traffic	6,105	0.24
Tourism	4,171	0.16
Finances	2,523	0.12
Other investments up to 100 000 BAM	14,081	0.55
Decrease in capital	-1,956	-0.08
Total	2,541,574	100

Source: *The Republic of Srpska Government, Ministry of Economic Affairs and Regional Cooperation, 2017*

The above table shows that the largest share of foreign investment refers to investment in telecommunications (1.27 billion BAM). The industry sector is the next by the amount of investment, by 807 million BAM. The trade sector is in the third place with the amount of 22.9 million BAM, followed by the banking sector and the services sector with 176.67 million BAM and 16.4 million BAM. More than half of the total foreign investments in the Republic of Srpska were investments from Serbia, dominated by investments in telecommunications. In the second place were the investments from Russia, followed by Slovenia with more investment projects (metal industry, banking and trade) and so on (Ministry of Foreign Trade and Economic Relations and Commercial Courts RS IN (2009 - 2013)). When considering the geographical origin of the foreign investments in the Republic of Srpska, the highest inflow of foreign capital came from Serbia (1.534 billion BAM). In the second place by the amount of foreign investment was Russia with 527 million BAM, which was largely related to investments in oil refinery in Bosanski Brod and oil refinery in Modriča, which were privatized in 2007. Among the important foreign investments in the Republic of Srpska, after Serbian and Russia, there were Slovenia (155 million BAM), Austria (132 million BAM) and Great Britain (130 million BAM).

Table 12: *Foreign investments in the Republic of Srpska by sectors / activities from 2011 to 2014 (000 BAM)*

Sectors	Value					
	2011	2012	2013	2014	Total	%
Mining and quarrying	906	68.06	88.317	106.278	263.561	50,48
Trade	41.73	19.603	535	42.156	104.024	19,92
Financial and insurance activities	15.198	-1.777	-	31.38	44.801	8,58
Manufacturing industry	17.278	905	26.238	-1.958	42.463	8,13
Construction	17.23	2.546	2.69	1.09	23.556	4,52
Production and distribution of electricity, gas, steam and air.	5.342	3.379	9.809	1	18.531	3,56
Information and communication	613	1.783	11.076	398	13.87	2,66
Agriculture, forestry and fishing	2.12	614	756	8	3.498	0,67
Arts, entertainment and recreation	-	-	1.03	1.525	2.555	0,49
Distribution of water, sewage, waste and managing environmental remediation activities	18	872	1.057	1	1.948	0,37
Professional, scientific and technical activities	965	52	175	221	1.413	0,27
Real estate		6.072	-4.995	1	1.078	0,21
Transportation and storage	3	678	2	-135	548	0,1
Administrative, support and service activities.	206	30	4	4	244	0,04
Activities providing accommodation preparation and serving of food and hotels and catering	63	6	15	1	85	0,01
Education	2	1			3	0
Activities of healthcare and social work	1	-	-	-	1	0

Other service activities		2	-100		-98	-0,01
TOTAL	101.675	102.826	136.609	180.971	522.081	100

Source: *Republic of Srpska Government, Ministry of Economic Affairs and Regional Cooperation, 2017*

Table 12 shows the investments by sectors in the Republic of Srpska for the period from 2011 to 2014, which shows that in the observed period the largest share of foreign direct investment had the sector of mining and quarrying in the amount of 50.48% and the sector of trade in the amount of 19.92%. Other sectors (activities) compared to the previous two had a very small share where the activity related to finance and insurance (8.58) should be pointed out. The tourism sector, which includes the activities of providing accommodation, food, hospitality and catering, is on a very low scale of investment, which implies a consequence of small revenues from the sector of tourism.

Direct foreign investment in tourism

Current and long-lasting financial and economic crisis are reflected in the stagnation of all economic sectors including tourism, both in the Republic of Srpska and the whole territory of Bosnia and Herzegovina. This situation necessitates conceiving major interventions in institutional adjustment and defining strategic orientation in economic policy and in finding ways and means of its most effective implementation. All countries in the Region (Western Balkans) have the same strategic goal, which is to join the European Union. That goal is at the same time supported by the European Union, which launched the Stabilization and Association Process in 1999 for all countries in the Region with the aim of strengthening political and economic ties between the countries that are in the process of joining the European Union, as well as a framework for the establishment of cooperative relations between the countries in the Region before their entry the EU. Completion of this process to a large extent would have an impact on the development of tourism, both in the Republic of Srpska and the Region.

The advantages for foreign investment in the tourism sector are (Republic of Srpska Government, Ministry of Economic Affairs and Regional Cooperation, 2017):

1. Investment opportunities in mountain, spa, eco and adventure tourism;
5. Investment opportunities in hotels and real estate;

6. Concession investments;
7. Preservation of natural environment and rich cultural heritage;
8. Transit (Republic of Srpska links Central Europe with the Adriatic Coast);
9. Unexplored and open market;
10. Competitive workforce;
11. The new offer in the tourism market in Europe and the world.

The two leading forms of tourism in the Republic of Srpska are spa and mountain tourism. Spa tourism generates the highest volume of tourism marketing and has a tendency to increase, and is based on the use of thermal, thermo-mineral and mineral waters, which the Republic of Srpska is abundant of. However, this kind of tourism would be even better developed but it lacks quality of accommodation facilities that would provide customers a service in line with contemporary needs and tendencies. The situation is similar when it comes to mountain tourism. Increasing the investments in the sectors of tourism, as well as in the health tourism, there would be an increase in employment, the inflow of funds in the budget and improvement of the overall economic situation (Republic of Srpska Government, Ministry of Economic Affairs and Regional Cooperation, 2017). As a result of the strategic orientation of the country and institutional and investment activities, sustainable benefits can be provided for both the region and the sector of investment, and for investors in the long run. Foreign direct investment would contribute to creating a positive image and recognition of the Republic of Srpska as a tourism and business destination in the region and beyond, which would in the future allow further promotion of the Region and promotion of national identity, reputation and business environment.

Conclusion

Foreign direct investments include the concept of economic stability of a country, and this is the basis for transfer of foreign capital in particular activity, because foreign investments include the acquisition of income on the basis of invested capital and not investment in the development of the economy of a country with a social component. From the above, as well as from the concept of foreign direct investment, it appears that it is necessary to provide all conditions for attracting foreign investors, especially in the sectors which, in the observed period, had very small inflow of foreign investment, and which could with their potential greatly contribute to the development of the entire economic activity of the

Republic of Srpska. Specifically, the provision of the necessary conditions would be desirable especially in the food industry and agriculture, as well as in tourism, where we already have traditionally good natural (climatic and geographical) conditions for further progress and economic development of the Republic of Srpska.

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IMPACT OF STATE AID AND LEGISLATION ON DEVELOPMENT OF RURAL TOURISM

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Abstract

In modern conditions and with very turbulent events happening globally, there is general consensus that rural tourism is very attractive and appealing to tourists. In the entire process of realization, there are multiple benefits, not only for those who are engaged in this activity, but also much wider – popularization of rural areas, popularization of the state and society itself, meeting the financial interests of number of subjects etc. Along with the natural resources and geographical beauty that Serbia undoubtedly owns, legal regulations have an important role in development of rural tourism and regional development. In order to present tourism industry as a significant element of the total gross domestic product of Serbia, economic investment is necessary, but also the creation of an adequate legal framework, since mentioned factors considerably affect the development of the tourism industry and tourist facilities. In the context of the mentioned legislation, important role take various forms of state aid, as an additional incentive to the development and popularization of rural tourism. Using comparative analysis, sought to be treated the area of state aid in other countries and what previous impact such state incentives had on the overall development of rural tourism. Although some authors argue that, despite the great natural potential, Serbia can not reach the appropriate level of development in this area and that it is so far certain “missed opportunity”, this paper attempts to reach conclusions that put rural tourism on top of the economically viable activities. In addition, the past is unchangeable, and the results of this paper are more based on possible forecasts and directions of development in the future, relying on the experience of other

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developed countries (Hungary, Germany, Sweden etc.) using a normative, sociological, comparative, historical and other scientific methods.

Key words: *Rural tourism, law regulative, state aid*

JEL classification: *K19, Z32, Z38*

Introduction

In order to study in the best possible way, but also to understand the impact government regulations have on the development of rural tourism, basic functions of the state and its intervention in the economy in general must be addressed in the first place, and then the mechanisms the state uses to encourage the development of certain sectors of the economy, as well as basic concepts related to the institution of state aid. After that, it was necessary to expound the basic definition of rural area and within it, rural tourism, which presents a type that differs from other forms of tourism. Only in the manner described above it is possible to get the results that are presented at the end of this paper. Considering that the development of rural tourism is viewed through the prism of the legal regulations of the state and through the eyes of jurists, this paper's main task is to find and define the relationship and mutual influence of many, at first glance different scientific disciplines, whose main objective is further development and promotion of rural areas and rural tourism.

Consulting different literature, authors of this paper, using common scientific methods (normative-dogmatic, historical, comparative, etc.), came to the conclusion of the treated topic, providing possible solutions *de lege ferenda*, which could be provided for the future of legal practice related to this issue.

Mechanisms of state intervention in economy

Modern state is supposed to be a model of „cooperative” state, which appears on the market as a partner. However, with current conditions that exist in all markets, the need of government interference in the economy is inevitable and necessary, not only on a partner level, but also from a position of the state authority (Škorić, 2010). Specific forms of state intervention are numerous, but they can be grouped into five basic categories:

1. state creates a legal system and regulate economic activity;
2. state buys and sells goods and services;

3. state performs transfer payments;
4. state leads stabilizing macroeconomic policies and
5. state uses taxes and subsidies for directing the allocation of resources towards desirable uses (Popov & Stanković, 1998).

Hypothetically speaking, the essence of the market economy is that the country, creating a legal system, regulates the market with legal regulations in such manner that every economic subject in it is in the same starting position and participates in market competition on the same terms, apropos in the competition that should be, and desirably exists, in all branches of economy. Stated is in accordance with first category of state intervention. Also, this category is basic connection that exists on legal system and law regulative of a state and all other areas of social, economical and political life in a state and society. Therefore, in this way law is inextricably related to all sectors of the state and society. However, other forms and mechanisms of state intervention in the economy, in a way present exceptions to the fundamental rule of the market economies. Namely, the goals set ahead the modern state:

1. sustainable economic growth;
2. full employment;
3. price stability;
4. equitable income distribution and
5. protection of the environment and natural resources (Popov & Stanković, 1998. p199),

impose other forms of state intervention. One of those certainly is state aid. These objectives pursued by state intervention are not placed hierarchically and their guidance should not imply that one has a greater importance than the other i.e. On the contrary, a complete socio-economic development can only be achieved if it tends to the fulfilment of each of them individually, with their interaction at the same time.

Concept and essence of state aid

State aid constitutes state intervention in the economy, which it uses as various incentives (subsidies, premiums, tax incentives and so on) to affect and change the conditions of competition in the market and thereby economic entities participating in the competition, places in different starting positions and in some sense represents a kind of discrimination of business entities (Ilić, 1997). Since all kinds of discrimination are forbidden, this surly applies to the situation where the state performs acts

of discrimination. Starting from the fact that state intervention in general, distort and change market economy, the concept of state aid encompasses distortion of competition and creation of unfair advantages for domestic producers and exporters. State aid is perhaps most interesting question on the competition policy, because state, using it's coercive monopoly, is in position to collect taxes from one and then redistribute these funds to others, affecting competition in this way (Škorić, 2010). Sometimes, in this way, the state keeps alive „businesses that would cease to exist without state aid”. However, the essence of state aid should be in the fact that it encourages the development of activities that will, long term and strategically speaking, to this same state return funds invested through state aid (ex. encouraging the development of agriculture, export promotion, encouraging the production of certain products or provision of services, etc.).

State aid is, according to the primary objectives of the assignment, divided into the following three categories:

1. horizontal – intended for a larger number of previously unspecified beneficiaries;
2. sectoral – intended for previously determined (familiar) business entities in some activities, apropos sectors and
3. regional state aid, which is awarded to encourage the economic development of underdeveloped or less developed regions or areas, especially those with the abnormally low standard of living or where there is serious underemployment (Škorić, 2010, p. 50).

According to the Law on State Aid Control („Službeni glasnik RS” br. 51/09), state aid is defined as any actual or potential public expenditure or realised decrease in public revenue, which confers to state aid beneficiary a more favourable market position in respect to the competitors. According to the provisions of the same Law, state aid grantor is the Republic of Serbia, the autonomous province and local selfgovernment unit, through their competent bodies, and any legal person managing and/or having disposal over public funds and allocating the state aid in any form whatsoever. Provisions of this Law shall not apply to agricultural products and fisheries products, because in these fields are applied special law regulations.

In the aforementioned Law on State Aid Control it is determined which kind of state aid is allowed, and which may be conditionally allowed. In

the same way it has been established in the Report on State Aid granted in the Republic of Serbia in 2015, apropos “State aid shall be allowed when:

1. having a social character and granted to individual consumers, provided that such aid is granted without discrimination related to the origin of the goods, namely products concerned;
2. granted to make good the damage caused by natural disasters or other exceptional occurrences.

State aid shall be allowed when granted:

1. to promote the economic development of areas of the Republic of Serbia where the standard of living is abnormally low or where there is serious unemployment;
2. to remedy a serious disturbance in the economy of the Republic of Serbia or to promote the execution of an important project of the Republic of Serbia;
3. to facilitate the development of certain economic activities or of certain economic areas in the Republic of Serbia, where such aid does not adversely affect or threaten to affect the market competition;
4. to promote protection and preservation of culture heritage (Ministry of Finance, 2017).

State aid in the Republic of Serbia in 2015 was allowed through following instruments:

1. subsidies,
2. tax incentives (tax credit, termination of the tax debit, tax write-off),
3. loans – soft loans,
4. guarantees (Ministry of Finance, 2017).

From such a specific general concept of state aid, it is possible to imagine its potential affect on specific activities and development of a particular area or region. Therefore, one can sense the scale of influence of the state aid to the rural development of the country and encouragement of rural tourism.

Rural tourism – concept

There are many definitions of rural tourism, but none of them can be contemplated without observing rural area, but also incentives for the development of rural areas. Studying historical development of rural areas, and the situation we have today bring more than devastating results – dozens of abounded villages, the so-called „old villages”, with residents

older than 60 and so on. Looking at this, not exactly rosy picture of Serbian countryside, arises the question whether the state did enough to prevent such a scenario, or could something have been done to avoid such a scenario? Without an adequate answer to the previous question, is there a chance that, in accordance with modern trends in the region, the actual damage is repaired and that the additional investment, could revive rural areas? If there is not an adequate answer to the previous question, is there a chance that, in accordance with modern trends in the region, to repair the actual damage that is done and with the additional investment, to revive rural areas? Some authors believe that rural tourism should revive many dormant, and even vanished rural areas (Đenadić et al., 2016). Either way, it is considered that rural area implies geographical area which is located outside the urban area, but often a synonym for uneven development in relation to urban centres. Encouraging the development of rural areas, especially those characterized by unfavourable economic conditions, could lead to be achieving balanced regional development of the country, which would have a significant impact in terms of overall socio-economic development.

Rural tourism could be observed from several aspects, which to some extent affect it. These aspects usually have economical, ecological, cultural or institutional nature. Indicated importance of rural development, with all its possible benefits (in economic terms) for the local population, region and country, can not be at the expense of sustainable development.

The idea of integrated rural development is facing numerous problems ranging from economic factors to depopulation (aging population, migration of younger members of the community in the urban environment, negative natural growth, etc.) of rural areas. For a successful rural development, along with creating optimal economic conditions, it is necessary to establish and stabilize the demography of an area, as one of the basic elements (reasons) of development in general, but also for the balanced development of the society.

Tourism is often targeted as planned and motivated behaviour, where the most important role in making the decision on the travel has person that travels. That is way needs, attitudes and motives of tourists are of crucial importance (Wall & Mathison, 2006). Because of mentioned characteristics of tourism, we can, to some extent, perceive it as the point of attachment to urban and less urban areas.

Tourism is one of the most effective ways to valorise preserved nature system (lakes, rivers, mountain, vistas and landscapes, etc.), but also the cultural heritage (archaeological sites, monasteries, etc.). Bearing in mind that tourism is a kind of space user, while it is not the irreversible consumer of natural elements, with controlled development of tourism can be achieved the development of certain area (Jovičić, 2000).

As an economic sector, tourism has not significant share in total gross domestic product of Serbia. Important potential for the development of tourism in Serbia concerns right on rural areas, in which additionally can be initiated the production of the organic food with the authentic note areas where it is produced, branding indigenous types of products, etc. (Bulatović et al., 2016).

Rural tourism is an important component of integrated and sustainable rural development, as well as an important factor in encouraging the development of local agricultural and non-agricultural activities in the countryside. Also, rural tourism is a special incentive for employment. In many countries of the European Union, the development strategy of region and rural areas, rural tourism is included, and it helps retaining the population, creating new workplaces and contributes to socio-economic progress (Muhi, 2013).

The European Union has accepted the concept of encouraging sustainable development of rural areas based on sustainable economic development, which means increasing living standards, but at the same time preserving the natural, cultural and traditional heritage. In this way, rural areas of the EU are transformed into environmentally preserved and cultivated areas, which are systematically equipped with communal and social infrastructure, develop sustainable agriculture and local entrepreneurship and connect with the environment. These areas become pleasant to live, attractive for investment, have perspective and enable the growth of employment and a better standard of living for its residents (Gašić et al., 2014).

The authors define the term rural tourism differently. Before proceeding with defining the term, arise the controversy over the terminology, regarding use of different terms for rural tourism, such as for example rural tourism, agro-tourism, tourist countryside family household i.e. (Đenadić et al., 2016). Nowadays, the most commonly used name for this type of tourism is rural tourism. Although the definition of rural tourism

is still the subject of many debates, according to the generally accepted definition: „Rural tourism presents the tourism of local character, initiated and controlled by the people that live in the local community” (Svetozarević, 2013). Some definitions of rural tourism relate simply on tourism in areas of low population, whereas rural tourist destinations can be generally defined as areas that are specifically identified and promoted to tourists as places to visits when primary motive is enjoying the rural landscape and associated activities (Gašić et al., 2014).

Rural tourism includes various forms of tourism activities, such as:

1. agro tourism, countryside economy, farms – tourists observe and participate in the traditional agricultural works;
2. outdoor activities – recreation and leisure (hunting, fishing, horseback riding, biking, hiking, walking);
3. rural experience (rural tourism) – tourists become part of everyday rural life and
4. cultural tourism – refers to the culture, history, archeology and other characteristics of rural area (Leković, 2009).

All activities listed above are organized by the local population. The thing that makes tourism so unique is the contact with this nature, as well as personal contact with the local population.

The link between rural development and rural tourism – comparative review

If we observe rural potentials, Serbia is a land of rural character and is one of the most agrarian countries in Europe. Rural development, as one of the areas of regional policy, is a key instrument for the restructuring of the agricultural sector and should have the task to focus and strategically use the potential of touristically attractive villages. Considering the expressed economic and other functions of tourism, as well as diverse and highly valuable potentials, the opportunity and appropriate importance to the development of this sector are given by the spatial plan of the Republic of Serbia and its economic policy. In addition, the Tourism development Strategy in Serbia established a selective approach, where rural tourism is treated as a priority under those forms of tourism that are tied to special interests (Đenadić et al., 2016).

The rich natural, cultural and historical diversity of the Republic of Serbia creates exceptional conditions for the development of rural tourism, as

well as the placement of the wide offer for different segments of demand in the tourist market. Rural tourism has a large potential, because this segment of offer provides significant opportunities. The rural area, which makes up more than 85% of the territory of the Republic of Serbia, has about 43% of the population in about 42% of households that are directly or indirectly related to agriculture. Considering the natural and cultural diversity of the region, rich resource base of tourist attractions, preserved surroundings and thousands of agricultural households, the Republic of Serbia has all the conditions for the development of rural, and other special forms of tourism related to the rural area. Rural tourism, as well as other forms of rural tourism significantly enrich the tourist offer and provide new quality and impetus to the development of tourism in Serbia (Đenadić et al., 2016, p. 520).

Since ancient times Serbia has been known as an agricultural country. Visitors have an opportunity for a perfect break from urban life with the fresh air, the smell of hay, flowers, pine and freshly trimmed lawns, clean drinking water and rivers. A significant number of activities are at their disposal during the stay: walking through nature, fishing, gathering plants and berries, but the thing which guests will never forget is hospitality and delicious home-cooked food. Part concerning nutrition is a very important segment of rural development and rural tourism. Here could be added the importance of the legal regulations of the state in encouraging organic farming. Also, tourists are attracted by the traditional preparation of food, winter stores and the process of preparation that has not changed for centuries (Stojanović & Čerović, 2008). Branding certain autochthonous vegetable species (eg. Futog cabbage) or branding a certain product that is prepared in a traditional way, and in that context branding names of certain rural areas with particular characteristics (Bulatović et al., 2016), can considerably accelerate rural development of the area and also the development of rural tourism.

Comparatively observing, rural development in the European Union, for example, a conclusion that can be drawn is that the whole of its territory has reached a high level of economic development. Also, in the EU the economic importance of agriculture has declined substantially, but rural development not only survives as an important political instrument, but in recent years significantly strengthened.

The concept of rural development over time changed and evolved: from land consolidation and infrastructure development, through the national

program for supporting farmers, to creating policy in the EU agriculture area. Nineties years of the XX century were marked by the EU structural funds of rural development (LEADER 1, LEADER 2), and special emphasis was related to integrated rural development. The share of the employed in agriculture is continuously decreasing, so today only 7% of the EU population is engaged in agriculture.

Therefore, the reform adopted in 1997, called “Agenda 2000”, put greater focus on rural development and the creation of alternative jobs for farmers. Otherwise, the EU rural development policy is defined in the common agricultural policy (CAP-Common Agricultural Policy), whose funding in 2007-2013 allocated 368.2 billion Euros, or 43% of the total EU budget (Milić, 2011).

Rural development policies of the member states are created according to common principles, and financing their implementation takes place in co-financing from the EU special fund, which is intended for the implementation of rural development policy (Fund for Rural Development). This fund established in September 2015 Agrarian Council of EU. For each individual measure defined in the program the financial framework is determined. The financial framework relies on different sources of financing: the users of local, regional, national and EU sources of funding. Fond for Rural Development can participate with up to 80% of the total public funds in the funding of specific measures.

The reduction of traditional agricultural subsidies seems to make rural tourism become increasingly important as a key form of diversification that supports economically sustainable rural communities. EU rural development policy increases importance given to rural tourism as it promotes economic, social and natural status of areas. As to the concrete development of rural tourism is concerned, it began to develop in the EU as early as in the 19th century, as a reaction to the growing pressure of urbanization and industrialization. The term “rural” accepted the European Commission for Tourism in order to describe and explain all tourist activities in rural areas (Radonjić, 2011). According to the Pan-European association of rural tourism, there are about 200.000 familiar registered providers in rural tourism in Europe, with more than 2 million beds (data from 2008). It is estimated that accommodation on farms, in private village houses, the small family boarding houses and hotels achieves direct annual tourism consumption of about 12 billion Euros. If local added value and multiplier effects are included, this amount reaches 26 billion Euros in for the benefit of Europe’s rural economy. If daily

visits and the fact that actual supply is estimated to more than double of the officially registered amount, are considered, the total consumption in the context of rural tourism in European regions likely exceed 65 billion Euros (Muhi, 2013). Thereby, about 98% of all registered properties of rural tourism are located in the member states of the European Union. The biggest receptive, but also emissive markets of rural tourism in Europe are France, Germany, Austria, Great Britain and Italy, which together account for over 77% of the total market of rural tourism in Europe. According to the share of households engaged in rural tourism in the total number of households engaged in agriculture, Austria (8%) is leading, followed by France (6%), then Ireland and Germany with an approximate market share of about 3%, while in Italy it is only 0,3%, although some of the Italian regions as Tuscany is among the world's top destinations of rural tourism (Baćac, 2011).

Rural tourism of the EU and especially in aforementioned countries is based on identical objectives: maintaining and strengthening agricultural production on family farms, social cohesion through the possibility of indirect employment and achieving significant income through tourist services, reducing the depopulation of rural areas. For these reasons, rural tourism has become a national strategic interest that is manifested in different ways. Contemporary tourism trends are characterized by the increasing recourse to rural destinations, more observable personalization, increased interest and significantly focusing tourists on non standard tourism products. That is why in countries with developed tourist offer more attention is paid to the development of rural tourism, which today constitutes one of the most important components of the development of not only tourism, but integrated and sustainable development of villages and rural regions in global (Čomić, 2007). Rural areas cover 90% of the territory of the European Union and in these areas live 60% of its population

France is considered to be the cradle of organized rural tourism in the world, considering that in 1951 in Provence, was established the first tourist rural family farm for recovery and putting into operation traditional constructions, all in order to provide additional activities for farms in rural areas, preservation of family farming production and preventing emigration (Gašić & Komadina, 2014).

Italy, for example, during the period from 1950 to 1970, faced major problems. The Italian rural areas have experienced a major depopulation

and abandonment of agricultural estates, primarily smaller ones which produced the original, agricultural products. Therefore, the problem was identical to those that Serbia is currently facing. In order to solve this problem the Italian government in 1985 brought (passed) a special law on rural tourism (legge quadro). This law created a framework for revitalization of agriculture and rural areas through rural tourism as a supplementary activity that would enable rural households extra income. Also, each region is allowed to pass its own law, depending on the territorial and cultural specifics of a given region. Currently in Italy there are about 19,000 rural households with a capacity of 193,000 beds (Baćac, 2011).

Austria is the most famous example of the development of rural tourism as a tool for the sustainable development of rural areas. In the fifties of the last century the Alpine region of Austria was quite different than it is today (isolated, in winter almost cut off from the world). As a result of such a situation arose the depopulation, and the Alpine region has lagged behind in development. After having the detailed analysis done, as a part of a national strategy started the revitalization of rural areas. New activities (including the forefront rural tourism) have enabled the additional income that compensated low income from agriculture, infrastructure construction, stop the further decline of the population below the level needed for maintaining social institutions (Radonjić, 2011).

The rural tourism in neighbouring Croatia, same as in our country, is still in the initial stage. Regardless of the natural and cultural attractiveness of the Croatian rural area, rural tourism is developing very slowly in comparison to neighbouring countries (Austria, Slovenia, Italy). Main reasons for this are: very small and fragmented ranches, undeveloped infrastructure, lack of state interest, incentives and efforts for tourism development in the continental part which is in the shadow of the coastal part of the country. In 2003 there was an increase of the number of registered rural households, which supports the fact that the owners of households clearly identified tourism as an important supplementary activity. The most developed areas when it comes to rural tourism are: Istria, Dubrovnik-Neretva and Krapina-Zagorje Counties. Great importance for the development of this form of tourism also had a joint-stock company "Croatian farmer" whose goal is the development of rural space in general as well as a program that is supported by the Ministry "Tourism development in rural areas" where the focus is on

reconstruction, evaluation and protection of tourism resources and the creation of an integrated tourist product as an integral part of the overall sustainable development of rural areas (Gašić & Komadina, 2014).

Law regulation of rural development and rural tourism

From all that is noticed above, one can not ignore the close connection between rural development, rural tourism and agriculture. In the EU, for example, agriculture and forestry exploit most of the land and have a key role in the management of natural resources in rural areas. Synergy of agriculture and tourism provides socio-economic development of rural areas and the platform is economic diversification in rural communities, thus the strengthening of rural development policy has become one of the top priorities of the European Union.

Therefore, the legal regulations that have potentially great impact on the listed areas are very wide. It starts with the legal regulation of state aid in general, as it was described in the beginning of this paper, over the legal regulation of business entities that defines state aid in a way it can be used and finally, concerns the legal regulation of agricultural activities, rural development plan and state aid in agriculture which is slightly different from the general regime regulated by state aid.

As the concept of the general regime of state power was to some extent shown in the beginning of this paper, at this point we need to overview the legal framework related to agriculture and rural development. Any country that wants a comprehensive way of regulating area of rural development, with agriculture as a key activity in rural areas, must take into account the level of agricultural development, development of infrastructure in the rural areas, age and social character of the population in the rural areas, the share of agriculture in total gross domestic product and representation of the rural population in the total population of the country. In addition, the existence of awareness of the environment in which the economy exists is essential and what its interrelationship with the world economic flows. It is important that one can count on any form of assistance from the European Union, the International Monetary Fund or other international organizations and funds, all with the goal to improve the economy, agriculture and rural development. Countries that are in various stages of accession to the European Union or already are a member, should be aware of the obligations that such integration yields, in terms of regulatory framework (Veselinović, 2009).

In recent years, conditions for the development of the tourism industry and tourism facilities are being created, especially for rural tourism, relying on the advantages that Serbia has in this area. As it was previously mentioned, the legal framework for tourism development consists of a series of legal texts adopted in order to create a comprehensive and effective legal regulation. Obviously, the aforementioned legal frameworks are correlated with other laws, primarily with those that determine agriculture and rural development.

In the Law on Agriculture and Rural Development (“Službeni glasnik RS”, br. 41/2009 i 10/2013 – dr. zakon, 101/2016), that is *lex specialis*, are governed objectives of agricultural policy and manner of achieving thereof, types of incentives in agriculture, conditions for exercising rights to incentives, incentive beneficiaries, Register of Agricultural Households, record keeping and reporting in agriculture, integrated agriculture information system and supervision over implementation of this Law.

The next important law concerning this area is Law on Incentives in Agriculture and Rural Development (“Službeni glasnik RS”, br. 10/2013) and it represents special law that supplements on previously analyzed law. This Law governs (Article 1) types of incentives, manner of using incentives, Register of incentives in agriculture and rural development, as well as conditions for exercising rights on incentives in agriculture and rural development. In addition to the above, it prescribes incentives for rural development measures (Article 34) where sustainable rural development found its place, organic farming, incentives to improve the rural economy i.e.

In light of all stated, in 2016, Minister of Agriculture and Environmental Protection, issued the Rulebook on incentives for the promotion of economic activities in the countryside by supporting non-agricultural activities (“Službeni glasnik RS”, br. 67/16). This Rulebook stipulates in detail the types of incentives for the promotion of economic activities in the countryside by supporting non-agricultural activities, the conditions, manner and form for exercising the right to incentives, as well as the maximum amount of incentives per beneficiary and by the type of individual measures.

Incentives include support programs which related to the improvement of the rural economy for investments that are being implemented with the aim of improving the quality of life in rural areas, as follows:

1. incentives program to support investments for the construction, expansion, renovation, investment and ongoing maintenance, with aim of bringing to purpose, as well as equipment purchase, and to provide catering services in homemade catering facilities or rural tourist households, in terms of the law regulating tourism;
2. incentives program to support investments for the purchase of equipment and tools for the jobs which are considered old and artistic crafts or handicrafts business, in accordance with regulation governing the determination of activities that are considered old and artistic crafts, and handicrafts business, the same mode of certification and keeping special records of issued certificates;
3. incentives program to support investments for the promotion of non-agricultural activities in rural areas through the development or modernization and professionalization of tourism websites.

The right to incentives, in accordance with the law governing incentives in agriculture and rural development and this rulebook, have: natural person – holder of the registered commercial family farm, entrepreneur or legal person. The procedure for exercising the right to incentives shall be initiated by filing an application on the basis of a competition announced by the ministry in charge of agriculture – Department of Agricultural Payments, for each calendar year.

Incentives are determined as a percentage of the value of realized acceptable investment, reduced by the amount of funds in the name of value added tax, in accordance with the law governing incentives in agriculture and rural development, or special regulation governing the allocation of subsidies in agriculture and rural development. The percentage of stimulation for areas with difficult conditions in agriculture is determined by the place of the investment, apropos the place to perform activities that are supported by these regulations, in accordance with a special rule that defines areas with difficult conditions in agriculture.

The maximum amount of subsidy, without tax on the value added, to incentives beneficiary, can not be greater than the specified maximum amounts of incentives for investments listed by types of programs and incentives.

The maximum amount of incentives per incentive beneficiary for investment is 1,200,000.00 dinars.

In addition to observed law regulation, relevant to the topic that is discussed in this paper is also Law on Tourism (“Službeni glasnik RS” br. 36/2009, 88/2010, 99/2011 – dr. zakon i 93/2012), Law on Companies (“Službeni glasnik RS”, br. 36/2011 i 99/2011, 83/2014 – dr. zakon i 5/2015), but also their analysis would require more space and possibly open new discussions with the legal aspects of rural development and rural tourism development.

Conclusion

After a comprehensive analysis, it can be said that state investment in rural development and rural tourism development is certainly not “missed opportunity” in Serbia, but that serious progress is forthcoming, because both in socio-economic as well as in legal terms, the importance of rural areas in Serbia is recognized. Beside the economic aspect, the social and demographic aspect are standing out, respectively the state investment in the development of villages and rural households and farms, infrastructure, rural tourism and all that it implies, actually solves the already escalating problem of migration of young people and their exodus to the city for better conditions of life. Developed rural areas, with good infrastructure, the possibility of employment, etc. guarantee that the consequences of the mentioned problem can be resolved, and in the future this problem will not occur. The analysis of several papers of local authors (Pejanović et al., 2014, Maksimović et al., 2015), confirmed the close relationship between the rural development and precisely determined rural area, followed by the improvement of legislation relevant to the specified areas.

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EXPERIENCE OF FOREIGN COUNTRIES IN RURAL TOURISM DEVELOPMENT – LESSONS FOR SERBIA

Gordana Radović¹

Abstract

Rural tourism in Serbia has started its development in the 1970s, and after four decades it is still underdeveloped. The aim of this paper is to analyze the experience in development of rural tourism offer and method of its financing in Slovenia, Croatia, Hungary, Austria and Romania. The authors opinion is that implementing foreign experiences in the domestic practice could be meaningful for redefining the rural tourism offer, defining methods of financing, as well as conceiving a model for organizing and managing a sustainable development of rural tourism. This could indirectly improve the economic situation of subjects in rural tourism of Serbia, and with that, the potential for self-financing of this activity. This paper comprises descriptive and comparative method, as well as the method of analysis and synthesis.

Key words: *rural tourism, development, financing, experience of foreign countries, Serbia*

JEL classification: R59

Introduction

The Republic of Serbia has high quality resources for rural tourism development. The comparative advantages for development of this activity are natural beauties, preserved rural architecture, diverse gastronomic offer, traditional hospitality, rich historical and cultural heritage, as well as attractive ethno characteristics. However, at this moment, Serbia does not have as developed rural tourism as it should, having in mind the adequacy of available resources. This is due to insufficient financial investments and non-defining of a clear development strategy (Radović & Vasiljević, 2016, p. 33).

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According to the data from the Archive of Tourism Alliance, rural tourism in the Republic of Serbia started to develop in the seventies of the twentieth century, when 50 villages, 800 households, which had about 3.000 beds in total, got engaged in this business activity (Muhi, 2009, p. 91). According to results of Agricultural inventory, in 2012, the Republic of Serbia had 631.122 farms, only 0.66% of which were engaged in rural tourism (Bogdanov & Babović, 2014).

Rural tourism is characterized by great seasonal variations in tourist visits and very low average occupancy of accommodation capacities, which is only 4% (Sustainable rural tourism development program, Official Gazette of RS No. 85/2011). Rural tourism is most developed in AP Vojvodina, Central and Western Serbia. Development of this type of tourism is an imperative in other parts of Serbia as well, as it is necessary to stop depopulation of rural areas given that it has been estimated that each fourth village in Serbia "dies out".

Furthermore, even in those parts where rural tourism is developed, there are conditions for a greater development. This is the case in Vojvodina, where current tourism offer is often not "satisfactory, as it is based on offering accommodation and breakfast without additional activities for tourists" (Pejanović et al, 2014, p. 498). Therefore, a development model based on experience of similar destinations should be applied in Vojvodina in order to provide a competitive position in the international tourism market (Košić et al, 2015).

Rural tourism development in the Republic of Serbia is both a possibility and a necessity, having in mind that the size of an average agricultural land is about four hectares and there are no conditions for the development of competitive conventional production (Pejanović, 2013). According to Radović (Radović, 2014), likewise Common Agricultural Policy of the European Union, the goal of domestic agricultural policy should be defining the concept of multifunctional agriculture development (p. 16). Multifunctional agriculture development, activities based on agriculture, provide a possibility for rural population to earn extra money and they also represent a factor of development of rural areas. Rural tourism development should have a priority, taking into account multiplier effect of tourism on development of rural economies.

Speaking of the current period, the greatest limitation of rural tourism development in the Republic of Serbia is a lack of quality financial

resources (Radović, 2015). Most farmers do not realize investments due to insufficient accumulative capacity of rural tourism and agriculture with which rural tourism is connected, as well as due to the lack of quality external financial resources (Radović, 2016, p. 1064).

In addition to a lack of quality financial resources, current issues with regard to rural tourism development in the Republic of Serbia are adverse demographic characteristics of rural areas, absence of defined standards of rural tourism, lack of tourist attractions, undeveloped infrastructure and tourism signs, as well as undeveloped travel agency, or insufficient engagement of travel agencies in the promotion and selling of a rural tourism product. Insufficient joining of service providers and their insufficient education and training, as well as incogruity of number of farms engaged in rural tourism, which is foreseen by law, with the current conditions in practice represent another development problem (Radović, 2013).

In order to define possible methods of financing and models of rural tourism development, and redefine current rural tourism offers in the Republic of Serbia, it is necessary to analyze the experince in development of this activity in the surrounding countries.

The aim of this paper and research methods

The aim of this paper is to analyze the experience in development of rural tourism offer and methods of its financing in Slovenia, Croatia, Hungary, Austria and Romania. The experience of these countries is significant, comparable and applicable for defining the methods of rural tourism financing, as well as for creating rural tourism offer in Serbia. The experience of Slovenia, whose example could be a potential model of development of rural tourism in Serbia, is especially significant.

Descriptive and comparative methods, as well as the methods of analysis and synthesis are used in this paper. Descriptive model is used in order to present the experience in development of rural tourism offer and method of its financing in Slovenia, Croatia, Hungary, Austria and Romania. Comparative method is used in order to compare the experience of the above mentioned countries and the Republic of Serbia with regard to methods of financing and models of rural tourism development. Method of analysis is used in order to analyze this experience, while the method of synthesis is used in order to systematize it in the suggested method of

redefining domestic rural tourism offer, functioning and organizing of rural tourism and the method of its financing. Data sources used in this paper are domestic and international literature, as well as the Internet data.

The Experience of Slovenia

According to OECD categorization, the whole territory of Slovenia is a rural area, 58.65% being predominantly rural area and 41.35% being moderate rural area. Rural tourism is an important component of economic and political strategy, as well as of the national image of this country (Nylander & Hall, 2005).

Initial forms of rural tourism were present on the territory of Slovenia even before the Second World War, but its development was incited in an organized and systematic way from the seventies of the last century. Rural tourism development was initiated by the need of farms to earn extra income due to the fact that the income from agriculture was not sufficient, as farms had only 6.5 hectares of arable land on average. Rural tourism development had numerous economic and non-economic effects, the most significant one being reduction of migration from rural to urban areas. According to Kulovec (Kulovec et al, 2010), rural tourism development directly protects and preserves the identity of Slovenian rural area.

Rural tourism development in Slovenia had a professional support of agricultural cooperatives and advisory services. The Chamber of Agriculture and Forestry had a very important role in the initial phase of rural tourism development by organizing courses, i.e. basic education which was a condition for registration of the farm for rural tourism activity. At the beginning, courses were mandatory and they included 70 lessons of basic training. Education consisted of theoretical and practical lessons.

The role of the Chamber of Agriculture and Forestry and advisory services is very important even nowadays and it implies numerous assessments of services in farms engaged in rural tourism, as well as the assessment of tourist manifestations. The above mentioned is significant for improving the quality of services and developing of attractions as an important segment of modern rural tourism offer. According to Koščak

(Koščak, 1995) "rural tourism is an additional and very important production activity of farms" (p. 138).

According to the current data, there are 850 registered tourist farms in Slovenia, 390 of which offer accommodation and have 4,800 beds in total. The quality of services of rural tourism product is designated by the number of apples. First category is designated by four apples and, in addition to high quality accommodation and food, it is also characterized by diverse tourist attractions. It is defined by the law that tourist farms shall have at least 30% of agricultural and food products from their own production on their offer, they shall purchase 30% of these products in groceries and they shall purchase other products from the surrounding agricultural producers (Čuček, 2013).

Current rural tourism development in Slovenia is a result of financial and strategic State support, active use of funds from European funds and appropriate approach of farms engaged in rural tourism which realized that only joining and specialization can bring prosperity. Rural tourism development in Slovenia is also a result of activities of the Association of Tourist Farms of Slovenia, which was established in 1997.

Funds from national budget were the only source of financial support of rural tourism development in the period from the seventies of the twentieth century to 2000, when Slovenia was entitled to funds from the Special Accession Programme for Agriculture and Rural Development – SAPARD. About 24% of the total SAPARD funds were invested in rural infrastructure development and rural economy diversification (Ministry of Agriculture, Forestry and Food of the Republic of Slovenia, 2007).

The Experience of Croatia

According to OECD classification, rural areas occupy 91.6% of the total Croatian territory and 47.6% of the total population lives in these areas. Rural tourism development has become more intense in Croatia since the beginning of 1990s. A significant stimulus to development was the adoption of the National program "Development of small and medium-sized tourism enterprises with an emphasis on sustainable rural tourism development in rural areas". This program was adopted by the Government of the Republic of Croatia in 1999 (Svržnjak et al, 2014).

There were only 32 registered tourist farms in 1998 and for less than ten years, in 2007, this number increased to 352. In December 2014, there were 470 tourist farms in Croatia. Rural tourism is not developed equally in all counties – it is most developed in Istria, Zadar and Osijek-Baranja county (Demonja, Ružić, 2010). The quality of rural tourism services is classified in three categories (rooms), while apartments are classified in only two categories (Ružić, 2009).

In the pre-accession period, rural tourism financing on the territory of Croatia was done through financial State support and the European Union funds. Financial State support was manifested in grants and loans and realized through: Ministry of Agriculture, Ministry of Tourism, Ministry of Economy, budget of certain counties and local governments. Subsidized loans were granted by Croatian Bank for Reconstruction and Development.

Within pre-accession programs, Croatia was entitled to funds from the Special Accession Programme for Agriculture and Rural Development – SAPARD and Instrument for Pre-Accession Assistance for Rural Development – IPARD. In the period from 2007 to 2011, beneficiaries in Croatia could use 179 million euros (<http://www.hrvatskifarmer.hr>). Funds from IPARD program were granted to farms which were engaged in rural tourism and which were registered in accordance with Hospitality and Catering Industry Act and which had maximum 20 beds. Maximum amount of funds per project could be one million of Croatian Kunas or 50% of the investment value (Vidaković & Pavlović, 2010).

In the pre-accession period, rural tourism in Croatia was also financed from cross-border projects. Based on accession to the European Union, Croatia was entitled to funds from the European Agricultural Fund for Rural Development – EAFRD, and financing of rural tourism development was done with support (co-financing) of this Fund.

The Experience of Hungary

Rural tourism development started in Hungary in the nineteenth century, and it accounted for 35-45% of the total tourism sector turnover of this country in the period before the Second World War. Rural tourism almost completely disappeared after 1945 due to numerous limitations. Rural tourism development was potentiated in regional development plans since the sixties of the twentieth century in order to reduce differences in

economic development between developed western and undeveloped eastern part of the country. The planned activities were concretely realized only in 1997 at the insistence of the Government, which gave strong support to rural tourism development through regional development agencies and tourism organizations.

There were 2000 registered accommodation facilities in 1998, 6,675 at the beginning of the twenty-first century, while the current number of beds is about 47,000, which is a result of constantly growing rural tourism demand. Rural tourism development in Hungary is also a result of the activities of the Hungarian Federation of Rural and Agrotourism. The most important goal of the Federation is to enable improvement of living conditions of rural population through rural tourism development (<http://www.falusiturizmus.hu>).

Before accession of Hungary to the European Union, the Ministry of Agriculture and Rural Development granted subsidies for rural tourism development. In the period from 2000 to 2004, the support of rural tourism development was provided through pre-accession program SAPARD. Only 15% or EUR354,185 of total available funds from the Special Accession Programme for Agriculture and Rural Development – SAPARD was used for the diversification of activities and development of economic activities which provide alternative sources of income in rural areas (Torres & Henshall–Momsen, 2011).

After accession of Hungary to the European Union, in May 2004, the National Development Plan for the period 2004-2007 was created, comprising five key programs, one of which is agriculture and rural development (this program also contains a rural tourism development plan). As a member state of the European Union, Hungary created the National development plan for the period 2007-2013, which also comprised a new "Rural development program for Hungary" (Torres & Henshall–Momsen, 2011). Rural tourism financing in Hungary was also done from the following funds: (a) European Investment Bank – EIB; (b) cross-border projects; (c) European Agricultural Fund for Rural Development – EAFRD (<http://www.falusiturizmus.hu>).

The quality categories of rural tourism in Hungary are designated by sunflowers. According to the current categorization, categories I and II are prevailing in this country, while category IV almost does not exist.

The Experience of Austria

In Austria, rural tourism development started in 1960s. Thirty years later, in 1990s, this country had most developed rural tourism offer in Europe. The offer included 29,000 tourist farms which had 300,000 beds in total (Kušen, 1995). According to the current data, 20% of the total number of farms in Austria is engaged in rural tourism (Todorović & Štetić, 2009).

Table 1: *Economic indicators of rural tourism in Austria*

Average price per bed	22.90 €
Occupancy – summer season	66 days
Occupancy– winter season	42 days
Average cost of advertising/per bed per year	83 €
Average total annual income per bed	1,680–26,000 €
Average total annual cost per bed	730–10,750 €
Average share of marketing costs in annual income	3.5–5%
Profit rate – service "B&B"	46% of the total income
Profit rate – service "apartments"	48% of the total income
Profit rate – integrated services "B&B and apartments"	62% of the total income

Source: (Embacher, 2007)

Various forms of rural tourism are developed in Austria, from agrotourism, tourist farms with developed production of organic food to farms with attractions for children, disabled persons, etc. The quality mark or category is a flower – Daisy – and number of flowers designates a farm category. The highest quality tourist farms have a mark "Welcome to the farm". This is a guarantee that the farm is engaged in agricultural production, being the place where a tourist can learn more about farmers' everyday life and enjoy food made of at least three domestic agricultural products (<http://www.UrlaubamBauernhof.at>).

In 2007, the national organization "Urlaubam Bauernhof in Österreich" had 3,000 members who had 40,000 beds in total. The basic data on prices, income and costs, as well as accommodation occupancy rate in rural tourism in Austria, according to the data of this organization, are shown in Table 1.

Fast and outstanding rural tourism development in Austria was also a result of continuous free education of service providers. Education was compulsory and included 120 lessons (Katica, 1996). Rural tourism development was supported by activities of the national organization “Urlaubam Bauernhof in Österreich”, as well as active rural network which had 86 local action groups in 2008 covering the whole country (<http://www.leader-austria.at/netzwerk>).

Fast rural tourism development in Austria was enabled by continuous financial and strategic State support. Austria perceived the possibility for rural population to earn extra income in rural tourism development, as well as for economic development of rural areas and reduction of their depopulation. The financial and strategic State support for rural tourism development comprised: grants and incentives, free loans, help in promotion, tax reliefs, minimum administration and education and professional help. Only those farms engaged in agriculture and rural tourism were eligible for this support (Kusen, 1995). In its initial phase, rural tourism development in Austria was supported by free loans or loans with the interest rate of 1% per year, for the period of 30 years and the grace period of three or four years (Muhi, 2009).

The Experience of Romania

Agriculture and rural tourism are vital activities for economies of rural areas in Romania. Most of the rural areas in this country have demographic problems, such as domination of the older population, migrations of young people in urban areas, negative birth rate, poverty, and rural tourism is recognized as a possibility for demographic and economic revitalization of rural areas (Stoian, 2007).

Table 2: *Financing of non-agricultural activities in Romania in the period 2002-2006*

Investments	Subsidies (u €000)	Structure of participation in financing (%)
Agrotourism	75,161	25
Other forms of rural tourism	60,129	20
Old crafts and handicrafts	72,154	24
Water management	36,077	12

Agricultural services	12,026	4
Other non-agricultural activities	45,096	15
Total:	300,643	100

Source: (Baltes & Ciuhureanu, 2009; p.5-9)

In the period from 2002 to 2006, more than 300 million euros were allocated from the state budget in Romania and invested in development of non-agricultural activities in rural areas (Table 2). About 45% of total financial investments were invested directly in rural tourism development (Baltes & Ciuhureanu, 2009).

Rural tourism development in Romania was characterized by fast growth of accommodation capacities (Table 3). According to data of the National Statistics Institute, only 61 farms were engaged in rural tourism in 1996, and the total of 332 beds was at tourists' disposal. Ten years later, rural tourism offer included 259 accommodation facilities and 4,685 beds. The current level of rural tourism development in Romania is a result of work of the "National Association of Rural Ecological and Cultural Tourism" – ANTREC which was established in 1994 having nowadays more than 30 branch-offices on the entire territory of the country (<http://www.eurogites.org>).

Table 3: *Growth in the number of accommodation capacities in rural tourism in Romania in the period from 2003 to 2007*

Year	2003	2004	2005	2006	2007
Number of accommodation facilities	81	92	56	259	511
Number of beds	234	405	1,151	4,685	6,836

Source: (Baltes & Ciuhureanu, 2009; p. 5-9)

The most significant financial resource used for rural tourism in the pre-accession period was the Special Accession Programme for Agriculture and Rural Development – SAPARD. About 70% of investments in accommodation facilities for rural tourism in Romania were financed from this resource. In addition to this method, national (budgetary funds) and private financial resources were also used as financial resources for rural tourism.

The most significant co-financing resource used for rural tourism in Romania, after accession of this country to the European Union, is the European Agricultural Fund for Rural Development– EAFRD. The current rural tourism offer in Romania includes 2,500 accommodation facilities, houses for rent and agro-tourism guest houses, having more than 7,500 rooms in total (<http://www.eurogites.org>).

Conclusion and recommendations

The analyses of the experience of Slovenia, Croatia, Hungary, Austria and Romania and their synthesis lead to conclusions – proposals relevant for financing, as well as redefinition of domestic rural tourism offer, which would directly result in improvement of economic situation of rural tourism in Serbia and of the potential for self-financing of this activity.

The experience related to rural tourism financing – In order to develop rural tourism in Serbia, the following is required: strategic and financial state support, active application for funds granted by the European funds, as well as maximizing the income originating from rural tourism.

Strategic and financial state support – In the analyzed examples, in the initial phase of its development, rural tourism was implemented with an active strategic and financial state support. Financial support included grants and incentives, as well as subsidized loans. Financial state support in Austria included fiscal incentives, but only those farms which were engaged both in agriculture and tourism (agrotourism) could use them. In this country, every fourth farmer is also a tourism service provider. Subsidized loans were and are granted in Croatia both in the initial and current phase of rural tourism development. Loans are granted through Croatian Bank for Reconstruction and Development, which has several credit lines for rural tourism financing.

Speaking of the analyzed examples (countries), the strategic state support was related to the support of education, administrative support, support of promotion, as well as support in the organization of entities engaged in rural tourism.

Active application for funds granted by the European funds – In the observed countries, rural tourism financing was done through financial support of pre-accession programs of the European Union, as well as of the European Agricultural Fund for Rural Development (EAFRD). In

order to apply actively for funds granted by the European funds, rural tourism entities joined forces, formed local action groups or legal entities.

Maximizing the income originating from rural tourism – In the analyzed examples, the income originating from rural tourism is generated from: renting of accommodation capacities, hospitality services, selling of tickets for visiting tourism attractions, selling of agricultural and processed food products, selling of food for the winter, wine, old craft products, handicrafts, etc. At present, all above mentioned possibilities for maximizing the income originating from rural tourism are not used sufficiently in Serbia. Taking into account comparative analysis of the analyzed countries' experience in rural tourism financing, it can be concluded that financial state support should be a key method of rural tourism financing in Serbia in the current, initial phase of organized development. In the developed phase of rural tourism development, methods of financing should be based on self-financing and market financing.

The experience related to redefinition of rural tourism offer – Institutional changes necessary for redefining of rural tourism offer and defining of the concept of sustainable development management of rural tourism in Serbia can be defined by comparing relevant experience of the countries and using the method of synthesis and comparative method of the practice in Serbia.

To this end, it is necessary to define quality standards for rural tourism in Serbia, establish the Institution responsible for development, promotion and sales of rural tourism product, create the Rural Tourism Registry and establish National Institution for Categorization, as well as introduce national marks for quality designation. Furthermore, for the purpose of rural tourism development in Serbia, it is necessary to define development priorities for investing incentives and beneficial loans, as well as to establish the institution responsible for observing the effects of invested funds. It is also required to implement the concept of sustainable development management of rural tourism, organize continuous education of farmers engaged in rural tourism, as well as incite joining and specialization in rural tourism.

In order to develop and provide economic sustainability (self-financing) of rural tourism in Serbia, it is necessary to redefine rural tourism offer as suggested.

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ECONOMIC EFFECTS OF TOURISM DEVELOPMENT IN RURAL AREAS OF SERBIA

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Abstract

The importance of tourism in recent years, having in mind its effects on the economic development of rural areas, is the subject of increasing attention. Due to the that fact, the subject of this research work is the economic effects of tourism development in rural areas of the Republic of Serbia. The aim of this paper is to point out the importance of the role of tourism in economic development of rural areas. The richness and preservation of natural resources and their insufficient use in these areas on the one side, and insufficient investment in the development of rural areas on the other side, are the subject of analysis in this paper.

Key words: tourism development, rural areas, economic development, economic effect

JEL classification: R0

Introduction

The importance of the service sector in the world economy is the subject of analysis of many authors. One of the main reasons for such an attitude and emphasis on this sector is its significance and increasing participation in the creation of income and employment. The service sector employs more than 65% of the total employed population (Čerović, 2008). One of the indicators of development of a national economy is the contribution of this sector in the above categories, and for this reason developed countries give the services sector the increasing importance (Tornjanski, 2016). Regardless of the fact that Serbia cannot be classified into this group of countries, we must not forget the fact that, especially in recent years, the service sector in Serbia has increased. This is precisely the reason why the Serbian economy must give more importance to this sector. Tourism has

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long been social and economic phenomenon, and therefore must be accepted as an effective instrument for improving the economic situation in the country because all benefit from its long-term development. The tourism industry itself is one of the most developed industries whose development is not important only itself, but it is also important due to the fact that it promotes and influences the development of other economic activities. Consequently, it affects the macroeconomic aggregates. From the facts above stated, it is clear that tourism enables an acceleration of regional and national development and employment growth in underdeveloped areas. Regardless of the period of economic crisis that has affected territorially more or less almost all countries of the world, as well as various economic activities including tourism, it is clear that in the following period this economic activity will become one of the leading economic sectors. The very development of tourism began with the development of the slavery society when the motive and extant of travel was significantly different and smaller than in the modern form, and its development can be identified with the economic development of a country (Pantić, 2016).

Tourism, as a service activity, precisely for all these reasons, must be given special attention in the future, through not only strategies as an inevitable and necessary prerequisites but its implementation in order to achieve the above objectives. Education and training of personnel is a necessary condition for achieving long-term goals set. Higher production as a result has a higher employment or lower unemployment, higher standard, positive influence on the balance of payments and as a result of increased gross domestic product (Pantić & Leković, 2013).

Tourism has a broader social, political and economic importance (Unković, 2007). When studying its economic importance, it would be wrong to ignore both the social and its political role. In the analysis of its economic value for a specific area we have to bear in mind the influence of a group of factors (Medlik, 1966):

1. Tourism attractiveness (cultural-historical heritage, climatic conditions, natural beauties etc.);
2. Accessibility (development of traffic networks);
3. Tourism offer (accommodation, entertainment, public transport etc.);
4. Organization of tourism and political improvement.

The importance and function of rural tourism as a factor of rural development

The modern process of globalization and accelerated urban life as a result created the need for rest, peace, recreation and relaxation away from the daily time limit routine. These needs especially of the urban population can best be implemented in rural areas as a primary resource for the development of rural tourism. A large part of the territory of the Republic of Serbia can be characterized precisely in that way. Historically, rural tourism occurs when the privileged social classes spent their time in rural areas. Witnesses of that are numerous objects that are made with the purpose to provide accommodation and are still present as a witness of that time. Only with the process of industrialization, tourism is becoming a mass phenomenon.

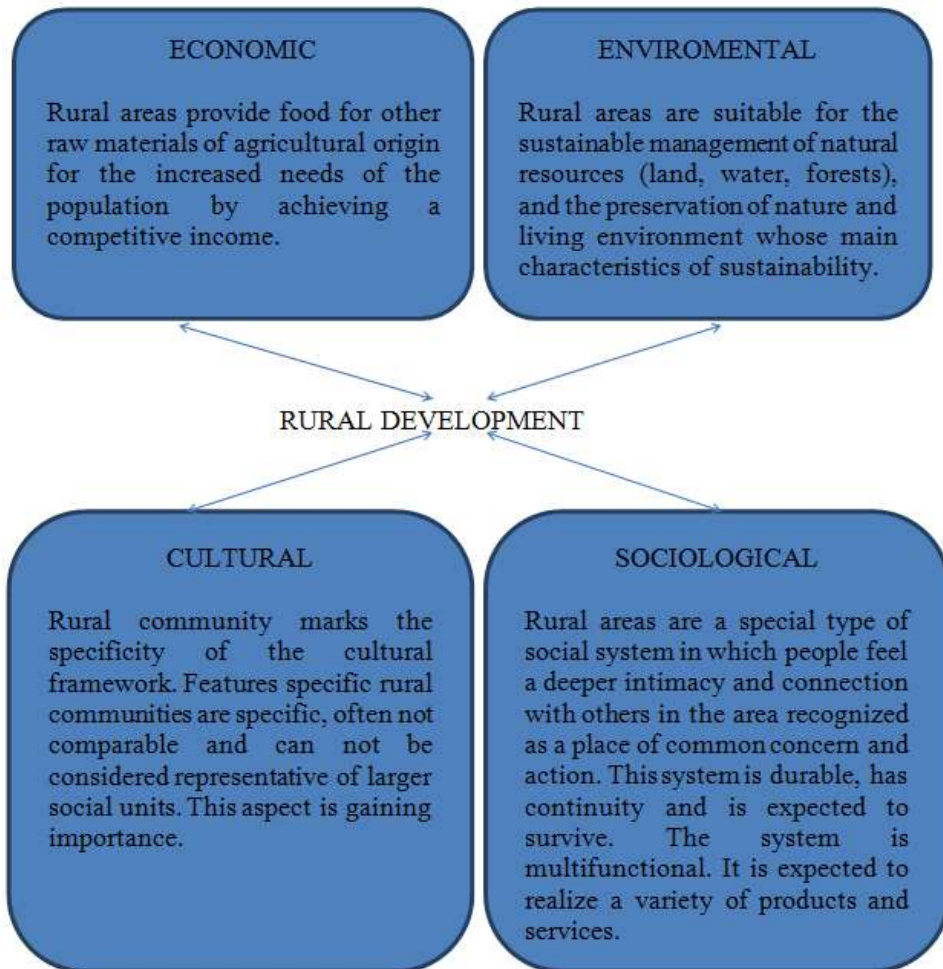
One must not ignore the difficulties in defining the concept of "rural." In this sense, the distinction must be made between economic and sociological aspects (Milić, 2011). From the economic point of view, under the term is considered rural territory for food production, while the social aspect gives a slightly better determinant of this term. The term means the rural environment is characterized by strong backwardness compared to the technological and cultural development as compared to that in urban areas (Milić, 2011).

The matter of defining Rural Development is also in the focus of the European Union which defines rural development a multi-functional concept in which rural development has a quadruple role (Milić, 2011):

Figure 1. shows that rural development has four functions which are as follows:

- economic, which relates to the provision of food in rural areas for the purposes of both tourists and population of these regions, which has deep effects on the production and an increase in income, and thus the standard of living in these areas;
- environmental, which includes primarily the sustainability of natural resources as a necessary factor for the development of rural tourism in these areas. Such a need arises not only as one of the factors of attractiveness for potential tourists, but also, and perhaps more importantly, as one of the basic principles of conservation and transmission to future generations all the natural beauty as one of the most important items of national identity;

Figure 1: *Multifunctionality of rural development*



Source: *Milić, 2011*

- cultural, rural community marks the specificity of the cultural framework. Features of specific rural communities are specific, often not comparable and cannot be considered representative of larger social units. This aspect is gaining increasing importance;
- sociological, rural areas are a special type of social system in which people feel a deeper intimacy and connection with others in the area recognized as a place of common concern and action. This system is durable, has continuity and is expected to survive. The system is multifunctional. It is expected to produce a variety of products and services;

The offer in rural tourism should not be limited only to the natural beauty that this area provides, but must take into account the experience made in communicating with the local population, hospitality, local customs. These categories are impossible to quantify but certainly play a major role in overall satisfaction in some touristic visits. Although there are still no official figures, according to some estimates, about 25% of tourists in the world annually opt for rural tourism. This trend will continue in the future, in favor of mostly conducted research of the World Tourism Organization (Gašić, et al 2014)

Population distribution of rural population

Regardless of the need and aspiration for a person to be as often as possible and more in touch with the nature, the data at the global level show quite different trends (Đekić & Jovanović, 2009). In fact, a decades-long trend of people moving from rural areas to cities continues (Đekić, 2000). The following table shows just that.

Table 1: *Population distribution of the participation of the rural population-condition and projection*

	Population in millions						Share of the rural population		
	1975		2000		2030		1975	2000	2030
	urb	rur	urb	rur	urb	rur			
Africa	102	304	295	498	787	702	75	63	47
Asia	592	1805	1376	2297	2679	2271	75	63	46
S. America	198	124	391	498	127	608	39	25	15
N. America	180	64	243	71	335	61	26	23	16
Europe	455	221	534	193	540	131	33	27	20
Australia	15	6	23	8	32	10	28	26	23

Source: *UNWTO*

Table 1 shows the distribution of the continental urban and rural populations, as well as for the projection of 2030 taking into account all relevant factors. The absolute and relative share of urban and rural population was analyzed in 1975, 2000 and projected for 2030. What is immediately noticeable is that the largest share of the rural population characteristic of the two continents and for Africa and Asia is 75% in 1975, 63% in 2000, and a projected share is almost identical to 2030. Every fourth resident of Africa and Asia in 1975 was settled in urban areas while it is anticipated that 2030 would be every other resident. The

smallest projected percentage of the rural population refers to South and North America, where it is expected that in 2030 to be 15% respectively 16% to inhabit this territory. Also, what is evident to all continents is that the percentage share of the rural population decreases over time as in the previous part of the paper as hinted and expected. These are certainly the data which do not support the development of rural tourism and globally. Fewer and fewer people in these areas increase the need for increasing education and spreading awareness about the need for the development of rural tourism, as well as relevant policies whose implementation would encourage, if not the population of these areas, then at least the retention and retaining people in rural areas in order to develop this type of tourism. By following examples of good practice and appropriate investment that is certainly feasible.

Rural tourism in the Republic of Serbia and its economic effects

A large part of the territory of the Republic of Serbia can be characterized as rural. Nearly 4,000 villages are a great resource for the development of rural tourism. The fact is that most of these villages can be considered small with a predominantly elderly population for which there is a risk that in two decades, these villages will lose the entire population (Dubičanin & Lunić, 2015). However, this is not the only problem. Certainly, its solution should be a priority, but no adequate tourism products are something to brag about. Rural tourism can be experienced as an important auxiliary economic sector that will enhance and ensure the development of rural communities (Dubičanin & Lunić, 2015). One of the main objectives of rural tourism is certainly providing revenue to the rural population through the consolidation of a series of tourist attractions. The development of this type of tourism will establish balance in inequality primarily in economic development and the distribution of resources between rural and urban areas (Bogdanov, 2007). So far, rural tourism is still not well organized and structured. There is no clear mention of the program or action plans that would relate to rural areas. Positive trends were numerous, among others, to keep young people in the country, new jobs and increased employment opportunities for women, better capacity utilization (Manić, 2014). The expectation that tourism contributes to faster development and revitalization of rural areas in Serbia is based on the probable economic effects of the development of this activity.

We should not forget that engaging in this activity opens up the possibility of rural households to generate revenues from sales of products from own production of the local population. Rural tourism in average employs two members of the household, and the average net income of rural tourism is about 200 euros (Bošković, 2012). Development of rural tourism can contribute to the economic empowerment of rural population (Dedeić, 2015). The development of this type of tourism primarily encourages the development of agriculture. Given that rural tourism relies primarily on domestic demand from urban areas, its intensive development could contribute to the transfer of income from economically more developed urban regions in less developed rural areas (Cvijanović & Mihailović, 2016). Thus, tourism has contributed to faster economic development of rural areas which would result in reducing the existing gap in the development of rural and urban areas.

If we look at the territory of the Republic of Serbia can be noted the great potential for rural tourism development and its insufficient utilization. The following table provides an overview of some of the indicators.

Table 2: *Indicators of population and surface area*

	Republic of Serbia	Rural areas
Geographic indicators		
Surface area in km ²	88.361	65.952
Number of settlements	4.715	3.904
Population		
Number of residents (2002)	7.498.001	4.161.660
Number of residents (2011)	7.186.862	3.786.536
Number of residents (2016)	7.076.372	3.526.349

Source: *Manić, 2014*

Table 2 provides an overview of the geographical indicators and population. It can be seen that the rural areas occupy a significant part of the territory with up to 65,952 square kilometers, which accounts for a significant part of the total territory. This is a necessary condition for the development of rural tourism, but not sufficient, because the resources that are not adequately exploited and insufficient investment activity in these areas would not allow for comparative advantages in an adequate manner and take advantage.

Extensive depopulation of the entire European continent is a trend that was evident last 20 years. The data of the number of population of the Republic of Serbia also indicate that fact. In fact, according to the 2002 census in Serbia lived 7,498,001 inhabitants, in 2011 even less 311,139 inhabitants, respectively the number of population has decreased from 7,498,001 to 7,076,372 in the last 5 years, which is certainly a fact that worries. It is not only a problem in the declining number of inhabitants in the territory of the state, but the trend is visible and when it comes to rural areas. This area is populated by 2002 residents 4,161,660 inhabitants or 55% of the total population. If we analyze the data according to the years that the table lists the situation in 2006 shows that the number of inhabitants in rural areas decreased from 4,161,660 to 3,786,536, respectively to 375 124. This reduction is not only in absolute terms but also in relative given that in 2006 year 52% settled rural areas compared to 55% according to the 2002 census. These data are not surprising given that it is a commonly known fact the movement of population to the cities in search of better living conditions. The previous 2016 also confirms this conclusion on the reduction of the population, because for 5 years, from 2011 to 2016, the population decreased by 110,490. In this period is reduced the number of inhabitants of rural areas to 260,187. The decreasing trend in both absolute and relative terms is obvious in this period. Only 49.8% of the population has inhabited these areas compared to 55% according to data from 2002 and 52% on the basis of data from.

The previous table showed a tendency and disposition of Serbia's population in rural areas. Next closely shows this structure by areas within the borders of the country.

Table 3: *Percentage of urban and rural population in the territory of the Republic of Serbia for 2016*

	Urban population	Rural population
Serbia	51%	49%
Belgrade	80%	20%
Vojvodina	57%	43%
Sumadija and Western Serbia	52%	48%
Southern and Eastern Serrbia	50%	50%
Kosovo and Metohija	42%	58%

Source: RZS

As already mentioned, almost 50% of Serbian population lives in rural areas. Except for Belgrade, where the expected distribution is different because even 80% of the population inhabits cities and only 20% in rural areas. Such distribution is geographically conditioned. The highest percentage of rural population in Kosovo and Metohija, as many as 58% of the population inhabits these areas compared to 42% who inhabit the cities. If we observe in Vojvodina, Sumadija and Western Serbia, as well as Southern and Eastern Serbia the situation is similar to the fact that this percentage ranges from 43% in Vojvodina and 50% in Southern and Eastern Serbia.

Based on a quantitative expressed data, where as the main characteristics as may indicate migration of people from rural areas, today these areas are characterized as poor, regardless of their development potential. For this reason, it is necessary to take appropriate measures in order to revive these areas. Examples of European practices could serve as a good model in revitalizing rural areas through diversification of economic activities (Bošković, 2012). Tourism has its many advantages compared to other activities. For this reason it must be singled out as one of the important activities whose development should be encouraged by national rural development policy. Only then tourism can contribute to economic revitalization and strengthening of underdeveloped rural areas. The next group of functions that all types of tourism and thus rural tourism in the society shows the importance of its development. Some of the functions performed by the rural tourism are as follows:

1. Economic, which is divided into a direct economical functions and effects as those that are indirectly. If tax incentives affect the increased investment activity and thus create income from the development of rural tourism, we talk about direct function, or the effect of rural tourism. Practice shows that investment activity is very low, while in some areas virtually non-existent.

When talking about the indirect effects, then attention focuses on the development of those economic activities that are indirectly related to tourism and have a great importance in meeting the needs of tourists. It should be noted the most significant indirect effects:

- The impact on the construction industry. Here we are talking primarily about the accommodation facilities that are designed for tourists. Accommodation facilities must meet the needs of tourists and does not include construction and adaptation, but also previously constructed

facilities in accordance with the requirements and needs of tourists. During the construction of both new and upgraded capacity, should be taken into account their harmonization and integration into the integrity of the environment in which they are located. It should also be taken into account in areas that have a certain specificity. For example, in those areas where there are monasteries and other cultural and historical attractions, the accommodation capacity should not be dominant in order not to disturb the ethnic identity and the natural tranquility of rural areas. During building capacity, it should be taken into account if there are opportunities to employ people from the local community.

- The impact on agriculture. Not only accommodation facilities, but also the food makes the inevitable assumption of the complete tourist offer. Through the development of tourism, in addition to the above industries, the agriculture is also developed, and there is an increase in agricultural production in order to meet the increasing needs of tourists. This development also has a significant impact on employment growth not only of local residents, but also the total employment growth and GDP growth.
- The impact on traffic. Traffic from all industries has the greatest impact in turning tourism into a mass phenomenon. The first two industrial revolutions are the time of prime of tourism as a result of facilitating the transport of people and goods. Good road infrastructure and developed network traffic are important prerequisites for tourism development of any fields or areas. Unfortunately, Serbia cannot boast with a developed network of roads in rural areas, which is certainly one of the main obstacles to the development of tourism. The issue of investment in road infrastructure should be one of the key fact when designing a tourism development strategy.

2. The social function. This function, especially in rural areas is still not sufficiently developed. For this reason will be mentioned only some of them. First of all, it is implied of raising living standards, a stable growth of the index of quality of life, education and continuing training. The population of rural areas cannot claim enviable levels of education and the tendency for training. This is certainly a limiting factor especially when we take into account the constant changes in trends that must be followed to ensure that all the needs of tourists, who are a constantly growing category, are pleased.
3. The function of environmental protection. Challenges for environmental protection are increasing and represent one of the main

prerequisites for the development of this type of tourism. Rural tourism development must be based on, above all, the preservation of the natural ambient or the environment. Through the revival of eco-tourism activities must be taken into account the natural environment. Also, during the construction of accommodation facilities must be taken into account and find a balance between modern and traditional. During the construction of facilities, in addition to the necessary permits must be used modern technical and technological breakthroughs that have to be integrated into the spirit and tradition of the local customs. In order to make all things have sense and others in the spirit of traditional environmental impact should be minimal and should take into account the protection of the cultural components of the environment. For this reason is necessary first of environmental education not only of employees but also of tourists themselves in order to preserve nature and its environment. Currently it seems to be very difficult, sometimes even impossible, but just such an approach to the principles enables, in the long term, the sustainability and a very significant economic impact of this type of tourism. Here the state with its policies and mechanisms of implementation can and must play a significant role. Until then, if nothing else must be raised the awareness of the importance of the above discussed.

Historically stagnation in the development of rural tourism in Serbia has been most pronounced in the last decade of the twentieth century. The reason for such a situation in this period is due to the wars that have made the greatest mark in this period. This period will remain marked as a period of isolation caused by sanctions which make it both interest and needs for the development of tourism policy and the promotion of tourism. The tourist offer was full of shortcomings from which should be mentioned the following (Bjeljac, et al., 2009):

- Poor and outdated structure of accommodation facilities;
- Non-compliance of offer to demand requirements;
- Lack of attractive products as a factor to attract foreign tourists;
- Poor road infrastructure and inaccessibility of many sites;
- Inadequate municipal infrastructure.

The beginning of the 21st century brought with it certain changes in all spheres of society. The subject of analysis of the following table will give a bit clearer picture of the state of affairs in this period.

Table 4: *Number of overnights in rural areas*

12. Year	13. Number of overnights in rural areas	14. Difference compared to the previous year
15. 2005	16. 1.411.305	17. -
18. 2006	19. 1.354.027	20. -57.278
21. 2007	22. 1.528.289	23. 174.262
24. 2008	25. 1.636.509	26. 108.220
27. 2009	28. 1.453.792	29. -182.717
30. 2010	31. 1.437.714	32. -16.078
33. 2011	34. 1.383.947	35. -53.767
36. 2012	37. 1.382.222	38. -1.725
39. 2013	40. 1.356.633	41. -25.589
42. 2014	43. 1.218.552	44. -138.081
45. 2015	46. 1.209.534	47. -9.018
48. 2016	49. 1.211.568	50. 2.034
51. In total	52. 16.584.192	53.

Source: *RZS*

Table 4 provides data on the number of overnight stays in rural areas of Serbia in the past 12 years, namely in the period from 2005 to 2016, and the total number of days in the reporting period. The largest number of overnight stays was recorded in 2008 and amounted to 1,636,509 which is 225,204 more nights than achieved in 2005 when the data in this table are followed. If this period from 2005 to 2008, is considered isolated, it is observed mainly upward trend except for 2006 when the decline was noticed from 1,411,305 overnight stays to 1,354,027, respectively for 57,278. In 2007 year there was a much larger growth in the number of overnight stays which increased by 174,362 and reached 1,528,389, which was the highest growth rate in the analyzed period. The following year, namely 2008 was a year of growth with the number of nights reaching 108,220, more precisely, from 1,528,389 had risen to 1,636,509 and it is, as previously mentioned, the largest recorded number of nights in the past 12 years.

Large global economic crisis has affected all spheres of social life everywhere in the world, with greater or lesser effects. This crisis has affected the tertiary sector, especially so that the reasons for the crisis and decline rates can partly be viewed through the prism of the global economic crisis. The effects of the crisis are far-reaching and speaking

with the temporal aspect is the long-term. Next, 2009 is the year of the largest falls that can be compared with those recorded in 2007 and amounted to 182,717 fewer overnight stays than in 2008, namely the number dropped from 1,636,509. to 1,453,792. This figure had a very bad impact on revenues from this type of tourism and affected a further decline in the years that followed and 2010 is a noticeable decline in the number of overnight stays, compared to the previous decline, only 16,078 nights, from 1,453,792 to 1,437,714 overnight stays. The downward trend is evident in a longer period of time because from 2008 to 2015 is a category with steady drop in the number of overnight stays. Let's say, 2011 is the year of the big drop because the number decreased by 53,767. Already next year 2012 showed no significant change but there is still a negative trend in the number of overnight stays, though not so much this year because the number that has been reduced to only 1,725 which is certainly the smallest change compared to the previous year was to talk about the decline or growth observed in this twelve-year period. After 2013, when it also decreased the number of nights of 25,589, followed by 2014 with other in the order recorded decline in the reporting period after 2009, when it stood at 182,220. Data from 2014 shows that the number of overnight stays compared to 2013 for 138,081 is lower for the first time recorded the number of overnight stays dropped below 1.3 million and amounted to 1,218,552, which is 9,018 more than in 2015, when it was only 1,209,534. It is also the smallest number of nights recorded statistically, as such information is in itself disappointing.

The previous, 2016 year, is the first year after several years of decline in which a growth was recorded, ignoring any kind of encouragement and positive conclusions but it should be noted that the number of overnight stays increased by 2.034. Records at all are not encouraging from any standpoint to observe or comment. If we observe the year 2005 as compared to 2016 can be concluded that the number of overnight stays decreased by nearly 200,000, or more precisely to 199,737, from 1,411,305 as there were in 2005 to 1,211,568 as noted in 2016. It would be discouraging, that the number remained the same and or increased slightly because even these data unambiguously provide an answer to the question about the state of this type of tourism, but if in this situation would asked such a question, the answer would be itself imposed. By summing annual data is obtained total number of days in the period 2005 to 2016 and amounts to 16,584,192.

Conclusion

Movement tendencies or migration of the population, both in global terms, but also in Serbia are noticeable. If we add the fact of pronounced depopulation especially in rural areas where the average age is above the average, the current conditions are quite worrying. On the other hand, territorially speaking, a large part of Serbia is characterized by the concept of rural and it is a fact that cannot be avoided. For this reason, any migration from these areas can have adverse economic effects on the economy. With the development of tourism in these regions, the population is able to bind to the village, which can only have positive effects. Development of agricultural production which would certainly be stimulated, the development of industry, as already stated, and other industries would primarily increase employment and the inevitable impact on GDP. This is certainly an issue to be addressed in the period ahead. The state should play the most important role, not only through the development of appropriate strategies and their implementation, but also through appropriate investment activity and build mechanisms to attract foreign investment. The general impression is that there is no consensus on this issue and therefore discord of decision-making process because there is no clear position and a conclusion on this issue. It is necessary therefore to raise the awareness of people about the importance of this issue. Also, it is not only the state that should make decisive efforts. Lack of initiative and creative energy of the local population is too low. An individual or group of individuals must, regardless of reasonable and limiting factors, to have a vision on the development of certain areas. Initiators vision must be motivated and have enough energy for its implementation. The time ahead should be a time of creating a vision that would later be developed into a well-structured idea with clear goals and inevitable results. It is necessary to assemble a team of people who would be in charge of the idea. That team should consist of residents, experts and representatives of local authorities. Solving these rather small and the few problems would create a foundation and a sure path to the development of rural tourism and, consequently, the rural areas.

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THE DIVERSIFICATION OF THE RURAL ECONOMY AS A TOOL FOR LEVELING THE IMBALANCE OF RURAL DEVELOPMENT

*Svitlana Belei*¹

Abstract

The paper considers disparities of rural western regions of Ukraine. The institutional, legal, organizational psychological aspects of this issue are revealed as well as the dependence between the degree of economic diversification of rural areas and the rural development.

The aim of the study is a comprehensive assessment of the economic diversification and development of rural tourism as a promising alternative direction for rural development.

The method (methodology). The specifics of research methodology is composed of a set of methods and techniques of systematization and synthesis of existing scientific views on selected issues, and research of specific features of solving the tasks and grounding conceptual foundations for achieving the objectives of the study.

The study determines the substantive provisions to the activation of tourism development as a priority of diversification of economy of rural territories of the Western regions of Ukraine. It investigates the features of the main types of tourism that are in demand. The study also proposes a complex set of leveling measures for rural development imbalances.

Key words: rural areas, disparities of development, the rural economy, diversification, rural green tourism.

JEL classification: R 120

Introduction

Under the powerful influence of globalization, the characteristic features of the world system of the XXI century are a rapid development of integration processes between countries, harmonization of standards and the creation of new markets. This, above all, is the movement of

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investments and technology, labor, intellectual and financial resources, the development of management and marketing, and others. Globalization is in the expansion of international trade and investment, diversification of global commodity, financial and labor markets, significantly increasing the role of liberalization in global processes, exacerbation of global competition. That global economic space develops organic complex combination of all its business units. Of course, the industry is the leading sector of material production in the modern globalized world, but the exclusive role belongs to agriculture. World agriculture occupies about 5% of world product. It also now occupies almost half of the economically active population. We know that developed agriculture contributes to the improvement of the macroeconomic situation. Its value is further enhanced through the food problem, which is exacerbated with population growth on the planet.

Goal

The aim of the study is a comprehensive assessment of the economic diversification and development of rural tourism as a promising alternative direction for rural development.

Methods

The specifics of research methodology is composed of a set of methods and techniques of systematization and synthesis of existing scientific views on selected issues, and research of specific features of solving the tasks and grounding conceptual foundations for achieving the objectives of the study.

Research results and discussion

The global transformation of the world economy has a decisive impact on the development of agriculture. The current stage of its operation is formed taking into account the challenges of a global nature. The period of socio-economic transformation in the post-crisis conditions was extremely difficult for world agriculture. Failure to quickly overcome the crisis demonstrates the discrepancy of existing principles and mechanisms of regulation of economic processes to new realities. There is a general tendency to reduce the number of employees in agriculture. Modern agriculture world is facing many challenges and opportunities of development. Modern agriculture world is facing many challenges and

opportunities for development. It concerns the industrialization of agriculture and processes in the field of biotechnology, changing climatic conditions, opportunities, creating the era of information economy and globalization. These circumstances differ radically in modern ideas about the development of agricultural economy from the classic ones.

Global trends are objective, logical and natural and need to find an adequate tool for adapting agriculture to the world economy. Given the dynamics of the environment, there is a need to study new factors, forms, conditions and parameters of activity of the rural economy to create priorities and mechanisms for the effective functioning of the agricultural sector in the context of globalization. Dynamism of globalization processes is connected with aggravation of the food problem. In this situation on the global agricultural markets the role of Ukraine is updated, which has great potential in the production and implementation of agri-food products. However, it can not be implemented under the crisis conditions in the agricultural sector, which, among other things, were caused by the decline of rural areas, which negatively affects the socio-economic system security.

In most developed countries, agribusiness companies provide 90% of the needs of population in food and 60-75% of the total turnover of the country. It confirms the crucial areas of the economy in solving the problems of inflation, financial recovery, commodity saturation state of trade, transport and so on. This applies worldwide the pattern of our country. However, modern agriculture Ukraine faces trends of losing its importance as a generator and catalyst of employment, income, economic activity.

The leading role in the development of agricultural economy belongs to rural areas. On average in the world they represent 75% of the total area, where 51% of the population reside and produces 32% of world GDP. Without overcoming the negative trends in rural development, Ukraine can not effectively compete with the economies of other developed countries. Considering the role and importance of rural development, there is an urgent task of finding ways to effectively use the potential of rural areas.

Rural development is a system of interaction between national, economic and social spheres, the operation of which is subject to the interests of farmers, industry and society. Speaking about the development of rural

areas and its livelihoods institutions, it is not considered to speak about rural area only from the standpoint of the ways of organizing the economic life of the rural population. It should be the economic life of the rural population to be understood in terms of the dominant culture, intellectual and civilization values.

In terms of social justice and market economy principles, the theory of rural development and support living standards in rural areas by L. Balcerowicz deserves attention. The views represented by L. Balcerowicz were based on comparative studies of different economic systems, as well as their interpretations of modern economics theory, including the theory of economic development (development economics). (Baltserovich, L., & Zhontsa, A., 2013)

Changing values means the transition to a new type of rural areas, which are certainly much more difficult to organize than the previous ones. To recognize and understand the complexity of the organization of rural areas can from the perspective of their development be seen as a self-developing system. In this context, synergy is the methodological basis for the development of rural areas as fills the term "development" with new content, new understanding. Synergetic (joint, coordinated action) stressed the exclusive role of collective interaction in the genesis and maintenance processes of the development in rural areas. The analysis of the problems that are important for socio-economic development of rural areas, must take into account the synergistic nature of the processes of economic globalization.

It should be noted that the basic elements of a synergistic vision of rural development can be correlated with some ideas of Plato and Aristotle. According to Plato, "the nature of this essentially is that accepts any prints while moving, changing shape under the influence of what it includes, and so it seems as if it is a different time is different; and things in and out of it - it is an imitation of everlasting, prints these samples taken strange and unexplained manner" (Platon, 1971). Synergetic approach to rural development provides an opportunity to explore their development by means of the parameters order and their hierarchy in communion with the hierarchy of markets; as attractors of the systems in terms of their approach to equilibrium or stability point; system "reverse time - not reverse the time".

In order for the system (rural areas) to have the opportunity to progressively develop, it must meet the following requirements. First, the system should be open, to exchange with the environment the results of labor, energy and information. Secondly, processes should be corporate, an action of its components must be coordinated with each other. Third, the system must be dynamic and fourthly, to stay away from equilibrium. All these requirements also characterize the "openness" of rural areas that are in motion, the self-development. Synergy lets you see the rural area with "other coordinate system" because it is based on openness.

Like any evolutionary system, rural areas are always exposed to certain external and internal forces. When external parameters that affect the behavior of the system are of certain critical value, such a system may have a sudden change of structure - chaos. Therefore, we believe that rural development must be managed and its performance largely depends on ongoing public policy. State agricultural policy must take into account, on the one hand, the diversity of theories about the place of the state in the economy, and on the other, to be based on a thorough analysis of the factors and causes that resulted in different countries at different stages of changing scientific statements that were taken as a basis for implementing agricultural policy and determine where state.

Effective government regulation of rural development is possible with a comprehensive application of economic, administrative, social and economic impact of bearers. The basis rural development is a complex of measures which, on the one hand, eliminate the deficiencies and reduce the impact of negative factors and, on the other, contribute to the improved productivity. Violation of these provisions hampers the development of rural areas. Therefore, it is necessary to have a strategy for rural development. The new economic and social system of the agricultural production must meet national traditions and interests for effective development of the most important national economic sectors with the realities of today in it with exhaust forecasts of its development in medium and long term.

To achieve positive synergistic effect on rural areas a coherent system of goals is necessary. An important role is played by the strategy and structure of reproductive potentials. Therefore, the concept of rural development and its elements should immediately check on all possible disharmonies to prevent inefficient use of existing capacity, as the pooling of resources, factors of production processes possible and based

controversy in which they may not be consistent and interfere with each other, creating a negative synergy. This effect can not fully meet the national and regional interests, diversification will lead to multiple, in some way contradictory, requirements for reproductive capacity and so on.

The basis for the formation and development of the reproductive potential should be structurization and improvement of the defining elements (with the development of the rest), aimed at rural adaptation to environmental conditions, ensuring sustainability (Belei, 2015). The positive synergistic effect between the components of reproductive capacity is ensured by the coordinated interaction of local potentials given in Table 1.

Table 1: *Components which provide a synergistic effect of the reproductive potential of rural areas*

The local potential of rural areas	Components
Management	Natural abilities (intuition, precognition). Training (education, self-education, qualification). Creativity.
Technological	Labor-, energy-, material-, capital-, R&d xpenses. Resource conservation
Natural	The optimal use. Playback. Sustainability. The optimal use. Playback.Ecology
Biological	Creation of conditions. Maximum use of the resource potential. Playback.
Information	Computerization. Innovative information. Marketing information. Logistics.
Financial	Security. Strategy development.
Business	Information. Innovation. Initiative. Risk.

Source: *author's elaboration*

The dynamics and direction of the rural areas development depend on the structure of reproductive potential of rural areas, the main components being the financial and economic subsystem, social subsystem, a natural subsystem, and others. Considering the system, rural development contributes to understanding the essence of the social process that occurs within rural areas (Fig. 1).

Figure 1: *The structure of the reproductive potential of rural areas*

REPRODUCTIVE POTENTIAL OF RURAL AREAS				
The social subsystem	Natural subsystem	Technical and technological subsystem	Financial-economic subsystem	Organizational and management subsystem
Human potential	The potential of rural areas	Technological potential	Intellectual potential	Information potential
The potential of the rural resident	Potential climate	Material-energy potential	Investment potential (long term financing)	Motivational potential
	The potential of plants			State institutions
	The potential of animals	Operational financial potential (own and attracted funding)	Professional institutions	
				Public institutions

Source: *author's elaboration*

Carpathian region area is 137.305 thousand sq. km and the population as on 1 January 2016 totals 6,085.5 people. The region consists of Zakarpatska, Ivano-Frankivsk, Lviv, Chernivtsi region. The level of economic development and economic performance of all business entities of Carpathian region is characterized by gross regional product (Table 2).

It is the main source of decent living standards and community development is the gross domestic product. In Ukraine alone, over the last decade it has increased 2 times (if calculated at current prices). Therefore, it is theoretically possible to assume that the living conditions of the rural population have improved over the period.

However, the actual impoverishment of peasants requires research, except the size of the gross regional product and other factors affecting the quality of life of rural communities and their sustainable development. The basis for the development of rural areas is a modernized agricultural sector. According to the nature in the Carpathian region a system of

farming was formed. Agricultural production in the study region has diversified character.

Table 2: *Gross regional product*

in actual prices, mln UAH

Region	2009	2010	2011	2012	2013	2015	2015 to 2009, %
Ukraine	913345	1082569	1302079	1459096	1522657	1586915	The increase in 1,74
The Carpathian region	74222	87292	108878	128818	131682	149735	The increase in 2,01 p
<i>The share of the Carpathian region, %</i>	8,1	8,1	8,4	8,9	8,6	9,4	+0,3
<i>Oblasts Carpathian region</i>							
Zakarpatska oblast	12542	15299	18054	21404	21400	24120	The increase in 1,92 p.
Ivano-Frankivska oblast	17241	20446	26752	32286	33196	37643	The increase in 2,18 p.
Lvivska oblast	35955	41655	52103	61962	63329	72923	The increase in 2,03 p.
Chernivetska oblast	8484	9892	11969	13166	13757	15049	The increase in 1,77 p.

Source: *author's own processing (Zhuk I., 2016).*

In 2015, agricultural producers of the Carpathian region received 23.1 billion of gross agricultural output (in constant prices of 2010), which is 5.3% less than in 2014 (Table 3).

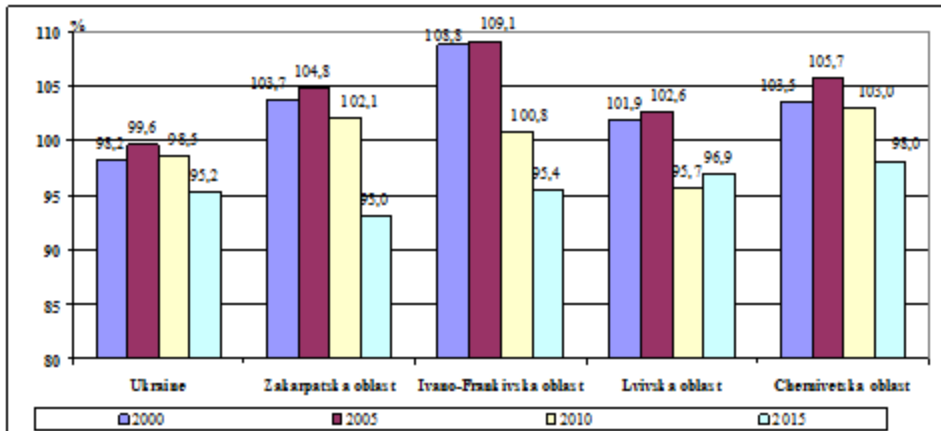
Table 3: *The gross output of agriculture by region in 2015*

Region	Gross production		Including			
			<i>crop production</i>		<i>animal production</i>	
	<i>mln UAH</i>	<i>% to 2014</i>	<i>mln UAH</i>	<i>% to 2014</i>	<i>mln UAH</i>	<i>% to 2014</i>
Ukraine	239467,3	95,2	168439,0	94,8	71028,3	96,3
The Carpathian region	23105,5	94,7	12918,7	93,3	10186,8	96,9
Zakarpatska oblast	4095,9	95,1	2099,3	95,4	1996,6	94,7
Ivano-Frankivska oblast	5697,3	95,5	2709,4	93,8	2987,9	97,1
Lvivska oblast	9024,9	97,1	5471,5	96,3	3553,4	98,3
Chernivetska oblast	4287,4	91,1	2638,5	87,5	1648,9	97,6

Source: *author's own data processing (Zhuk I., 2016)*

The indices of agricultural production in the regions of the Western region and on Ukraine are given in Figure 2.

Figure 2: *Indices of agricultural products (in percent to 1990)*



Source: *author's data processing (Zhuk I., 2016)*

The level of efficiency of agricultural production index shows the volume of agricultural production in per capita (tab. 4)

Table 4: *agricultural production per capita*

(in 2010 prices; hryvnya)

Region	1995	2000	2005	2010	2015	2015 to 1995, (+, -)	Ratings of regions in 2015
Ukraine	3570	3071	3813	4308	x	x	x
Ukraine					5589	+2019	x
Oblasts Carpathian region							
Zakarpatska oblast	2597	2592	2999	3080	3252	+655	21
Ivano-Frankivska oblast	3045	2829	3056	3309	4121	+1076	19
Lvivska oblast	2506	2617	2761	2894	3559	+1053	20
Chernivetska oblast	3643	3273	3745	4312	4712	+1069	16

¹excluding the temporarily occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol, data for 2014-2015 also excluding the part of the anti-terrorist operation zone.

Source: *author's data processing (Zhuk I., 2016)*

The efficiency of agricultural production depends largely on the efficiency of labor resources. The main characteristic of human resources is the ability to work. The most important feature is its labor productivity. Productivity is crucial to improve efficiency and competitiveness of agricultural production. The dynamics of the efficiency of labor costs in the production process are given in Table 5.

The level of productivity in agricultural enterprises in Ukraine as a whole and in the regions of the Carpathian region since 1995 until 2015 increased. Namely, 7.4 times in Ukraine, in Ivano-Frankivsk region 15.8 times, in Lviv region 14.2 times, in the Transcarpathian region 8.4 times, in Chernivtsi - 6.5 times.

Table 5: *Labor productivity in agricultural enterprises*

(per 1 employee on agricultural production, in 2010 prices; hryvnya)

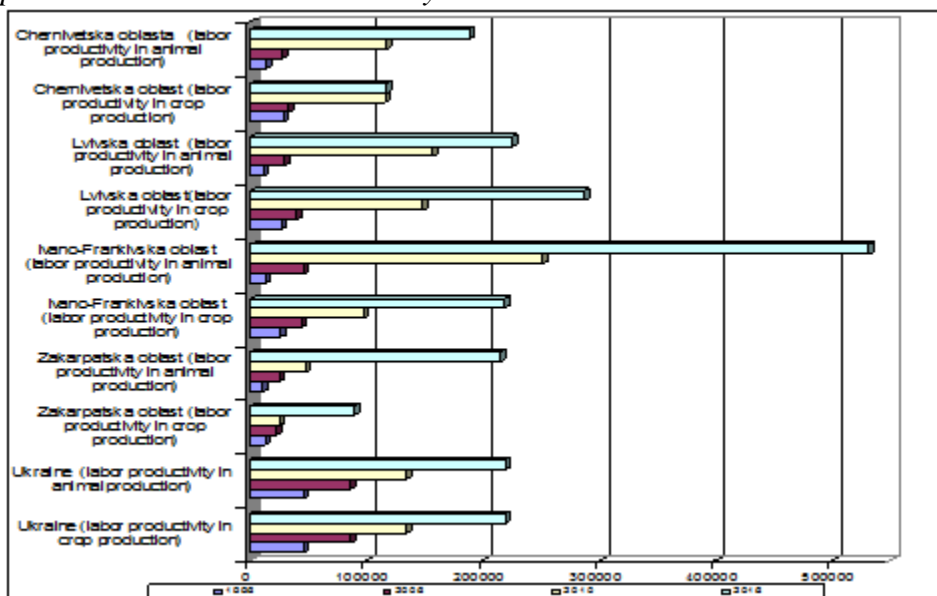
Region	1995	2000	2005	2010	2015 ¹	2015 to 1995, %
Ukraine	30254,8	27066,9	72621,9	132680,4	223309,9	The increase in 7,4
Oblasts Carpathian region						
Zakarpatska oblast	12254,5	9068,2	23007,5	31290,6	103424,4	The increase in 8,4
Ivano-Frankivska oblast	20291,7	13703,1	44964,6	161808,6	321268,8	The increase in 15,8
Lvivska oblast	18661,3	11123,3	35212,8	151682,0	261777,4	The increase in 14,2
Chernivetska oblast	20820,4	14539,8	30998,9	116675,9	135404,5	The increase in 6,5

¹excluding the temporarily occupied territories of the Autonomous Republic of Crimea, the city of Sevastopol and part of the anti-terrorist operation zone.

Source: *author's data processing (Prokopenko, O., 2016)*

It should be noted that labor productivity has increased both in crop production and in animal husbandry (Tab. 5, Fig. 3).

Figure 3: *Labor productivity in agricultural enterprises in crop production and animal husbandry since 1995 until 2015.*



Source: *author's own processing (Prokopenko, O., 2016)*

The crisis of 2014-2015 had a devastating effect on the financial condition of enterprises in Ukraine. In total profitability of the entire national economy changed towards unprofitableness. However, as we see, there is an exception, the agriculture, where in 2015 there was a fabulous rise of yield and profitability: the absolute size of profits - more than a fourfold increase in profitability - almost three-fold increase (Tab. 6).

Table 6: *Financial results of activity of agricultural enterprises of Ukraine*

Indicators	2005	2010	2011	2012	2013	2014	2015	2015 to 2005, %
The official rate for 1 USD, UAH	5,1247	7,9356	7,9676	7,9910	7,9930	11,8867	21,8447	The increase in 4,26
Net income (proceeds) from the sale of agricultural products in actual prices, million UAH	19683	73178	93726	118733	117199	162290	318461	The increase in 16,18
- in dollars USA, million dollars	3841	9221	11763	14858	14663	13653	14578	The increase in 3,8

Profits from the sale of agricultural products in actual prices, million UAH	1253	12750	19926	20199	11804	33284	90231	The increase in 72,01
– in dollars USA, million dollars.	244	1607	2501	2528	1477	2800	4131	The increase in 16,93
The profitability of agricultural production, %	6,8	21,1	27,0	20,5	11,2	25,8	39,2	+32,4

Source: *author's own processing (Prokopenko, O., 2016)*

After the record in 2015, the second in magnitude figure in the history of agriculture in Ukraine over the last 22 years was in 2016. In comparison with 2015, the profitability of the industry fell by 8.3% - from 45.6% to 37.3%. Thus, in crop production this indicator decreased only by 6.3% - from 50.6% to 44.3%, while in animal husbandry - by 14.4% (from 22.1% to 7.7%). The level of profitability of livestock production was the lowest since 2010. The level of profitability of production declined in almost all major types of crop products, including corn and sunflower, and potato production became unprofitable: -3.2% vs. 24.2% in 2015 in particular, in grains and legumes profitability decreased by 5, 4% - from 43.1% to 37.7%, sunflower - by 18.6% (from 80.5% to 61.9%), vegetables of open ground - almost in 2.5 times (from 47.5 % to 19.4%).

The profitability of production increased only in soybeans: by 13.2% - from 38.6% to 51.8% and remained at the level of 2015 for rape - 44.3% and 45.0%, respectively, the academicians said. In animal husbandry production has become profitable in the area of poultry meat (without industrial processing). The level of profitability was 4.9%, while in 2015 it was -6.1%. Also, the profitability of milk increased - by 5.8% (from 12.6% to 18.4%). Instead, it became unprofitable production of pig meat. In 2015, it had a rate of 12.7% return, and in the last year was - 4.6%. Hardly anything has maintained positive result the production of eggs. Last year, the level of profitability was only 0.6% versus 60.9% (!) in 2015. Increased production losses in cattle for meat - from -17.9% to -24.9%, and sheep and goat meat - from -29.6% to -35.3%. In wool production losses slightly decreased - from -61.9% to -31.8%. Profitability of 2016 was formed under the influence of a substantial cost growth of most products (by 11-38%) against the background of much slower growth in prices of agricultural products, which in 2016 was

109%, and animal husbandry products - only 101.7%. Cost decreased only on production of wool (10.3%), slightly increased for soybean (1%).

Ensuring remunerative agricultural production will continue to depend on the price situation and containment of the growth of production costs, including inflation. The high rates of profit and profitability reduced, but the problem of loss was not eliminated. In 2015, the year ended with a loss of 11.1% of total farms, more than 5 thousand. In general, in the totality of enterprises are unprofitable industry of meat cattle and sheep breeding. To reduce losses, mechanism of state support of agrosphere are intended, but some number of failed executives can be eliminated. We must realize that a certain bankruptcy of few amounts is normal and necessary phenomenon of market relations. When analyzing profitability as evaluation criteria, there appear three methodological issues: adequacy, sustainability, intersectoral parity.

The criterion of adequacy is a recognized indicator of profitability. The explanation of this phenomenon lies in agricultural holdings. According to official statistics, it is the most cost-effective forms of management in the agricultural sector. However, high efficiency is achieved by crop production for which there is demand in the global agro-food market. Growing mainly cereals, sunflower and rapeseed, agricultural holdings do not address specific conditions of agro technological regions. This example demonstrates the growth of sunflower crops in areas of the Carpathian region, which deplete the soil. Thus, traditional cultures cultivation area decreased significantly (Table 7).

Table 7: Dynamics of cultivated areas of major crops

thousand hectares

Plants	Region									
	Ukraine					Carpathian region				
	1990	2000	2010	2015	2015 to 1990, %	1990	2000	2010	2015	2015 to 1990, %
Grains and legumes	14522,2	12586,8	14575,7	14640,9	100,8	644,36	555,5	1566,9	3360,8	The increase in 5,2
Sugar beet	1605,4	747,0	492,0	237,0	14,8	97,2	47,0	21,9	13,2	13,6
Fibre flax	169,4	19,8	1,0	1,4	0,8	42,2	4,9	0,1	0,0	Reduction in 42,2
Sunflower	1626,3	2841,6	4525,8	5166,2	The increase in 3,17	1,4	8,1	11,8	36,2	The increase in 25,9
Soybean	87,8	60,6	1036,6	2135,6	The	3,7	0,3	38,4	138,0	The

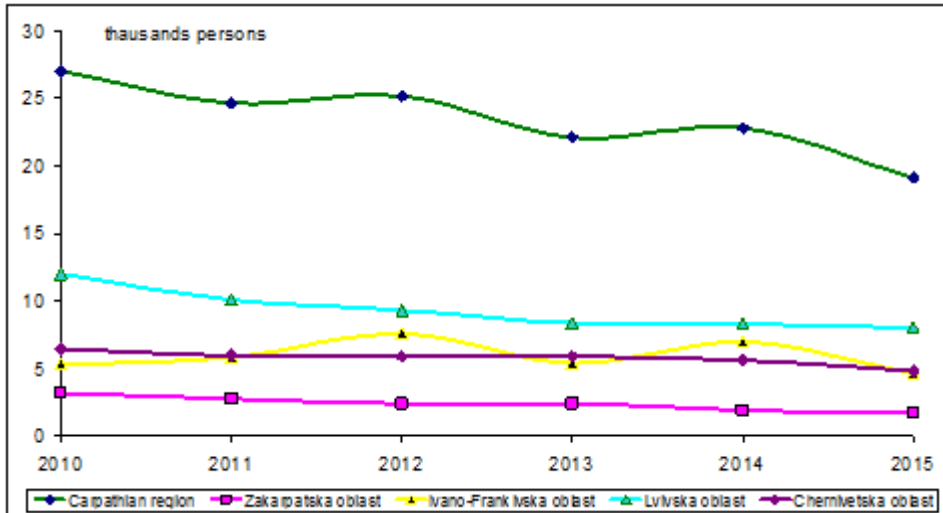
					increase in 24,3					increase in 37,3
Rape and colza	89,6	156,7	862,5	671,1	The increase in 7,5	17,6	25,4	59,9	87,5	The increase in 5
Potatoes	1432,7	1631,0	1411,8	1291,0	90,1	169,4	233,9	224,0	222,0	The increase in 1,31
Vegetables	447,2	518,6	467,8	447,1	99,9	32,9	51,2	57,6	60,4	The increase in y 1,84
Fruits and berries	679,8	378,0	223,2	206,0	30,3	82,0	50,8	45,7	51,5	62,8

Source: *author's own processing (Prokopenko, O., 2016)*

Profit maximization of agricultural producers by instituting crop rotations and traditional specialization of regions in the near future will lead to environmental disaster. Its consequences have to be at their own expense to eliminate rural communities, because there is no effective system of compensation for environmental damage in our country. Thus, the production structure needs to be improved, in particular, optimum concentration of areas of production of crops, sugar beet, sunflower, soy, grasses, etc. needs to be determined to ensure the compliance rotation.

There is a perception that agricultural holdings create the new jobs and contribute to solving the problems of unemployment in rural areas. However, as evidenced by research of employment in agriculture, the number of employees continues to decline steadily (Fig. 4). The situation in the near future will not change significantly because agricultural holdings cultivate mainly products whose production can be mechanized and requires considerable labor costs. The production line of agricultural enterprises gained a clear focus on the development of those industries that require the least labor costs and funds and can guarantee the profitable activity. Such transformations in the structure caused not only reducing the need for labor, but also led to increasing seasonality of work, helped to spread part-time farm workers.

Figure 4: Average annual number of employees in agricultural enterprises, thousands persons



Source: author's own processing (Prokopenko, O., 2016)

Targeting large farms for export, increasing cultivation of fast-payback, and less labor-intensive crops (which deplete the earth), the monopolization of regional procurement lead not only to higher food prices and low domestic market certain foods, but also to the constant release of employees in the agricultural sector citizens and reduce their income. Agro holdings actively reduce the number of employees (providing employment only by one fifth of the working rural population) and lower labor costs. The proportion of the annual payroll in the cost of agricultural enterprises - by 9.7% (if the return is not less than 50% - 4.7%) (Table 8).

Table 8: Average monthly nominal wage in agricultural enterprises

Region	2013		2014		2015		2015 to 2013p, %	
	hryvnya	dollars	hryvnya	dollars	hryvnya	dollars	hryvnya	dollars
Ukraine	2269	283,8	2476	208,30	3140	143,74	138,39	73,41
<i>Oblasts Carpathian region</i>								
Zakarpatska oblast	1565	195,8	1733	145,79	2023	92,47	129	47,23
Ivano-Frankivska oblast	2374	297,01	2661	223,86	4358	199,50	183,57	67,17
Lvivska oblast	2353	294,38	2632	221,42	3934	180,09	167,19	61,18
Chernivetska oblast	2000	250,22	1966	165,40	2537	116,14	126,85	46,42

The official rate for 1 USD, UAH	7,9930	11,8867	21,8447	x	x
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Source: *author's own processing (Prokopenko, O., 2016)*

An important aspect of income of the rural population is wages. Average monthly nominal wage of a staff member of the agricultural enterprises in Ukraine in 2015 compared to 2013 increased by 38.39% and amounted to 3140 UAH. However, real wages declined, if in 2013 amounted to 283.8 USB, in 2015 - 143.74 USD, it means decreased by 25.49%. In terms of regions, in the Carpathian region the situation is even worse. It should be added that wages in agro holdings is often paid "in envelopes" often happens arrears of wages more than a month. Bonuses may be provided, but at the same time, also a common system of penalties. If this neglect to consider before taxes and investing in social services communities in whose territories they operate, we can see the obvious negative impact of modern integrated formations on creating favorable living environment in rural areas.

Structural changes in the agricultural sector adversely affected the living standards of the rural population. Based on the theory of comparison shopping preferences formulated by D. Ricardo, agricultural production by some rural areas are unprofitable because of high costs. This does not mean you have to eliminate the farms and switch entirely to agricultural holdings. A negative factor for its actions is a gradual replacement of the agrarian market of other economic operators (farms, individual entrepreneurs), as a result, reduced tax payments to local budgets (agro corporations pay taxes at the place of official registration of the parent company); reduced level of rural employment (industrial process of agro corporation usually highly mechanized and has lower complexity, reducing the need for labor); reduced funding for social infrastructure development in rural areas (agro corporations are businesses whose activities are primarily focused on obtaining economic benefits). Reflecting the negative impact on socio-economic development of the village, is also a reduction of diversification level of production of monoculture (Belei, S., Zybarieva, O., 2015).

As a result, rural areas of Ukraine faced a number of challenges due to the destruction of social and communal infrastructure deterioration of human capital build-up of social and demographic disparities, insufficient effective use of available natural resources, ecological deterioration of economic conditions. Ukrainian peasants in most cases that not build their

villages, but at least preserve them from destruction are not possible. There is an active migration from rural to urban areas and abroad, which in turn further reduces the potential for innovative rural development area through the leaching of human capital and the resulting deterioration in quality.

Practice shows that the developed countries, in overcoming these negative trends, non-agricultural activities can play a significant role, especially those that do not require public investment, and can be satisfied by using the existing rural private housing, material wealth.

Therefore, the model of rural development should be based on consumer behavior. The instrument of smoothing differences between the more developed and urbanized regions and less developed ones stand the country tourism. The basic idea of rural tourism is a personalized approach on the provision of services location, accommodation, food in rural areas, introduction of the way of life, culture and lifestyle. The specific of rural tourism as an economic activity is not only to meet the needs of consumers in rest and in the implementation of important influence on other sectors of the rural economy through diversified communications.

Rural green tourism is multifaceted phenomenon. One of its aspects (considering the current state of rural development) is a social one, because it contributes to social and economic development of the village. The second aspect is to obtain additional opportunities for farmers, which is the basis for the recognition of rural tourism as socially valuable and useful area of relationship that deserves full support from the state. It has the potential to provide a significant contribution to the rural economy in the form of new jobs, increased revenues from foreign trade, replenish the state budget through taxes, promoting the reduction of imports and intensify the use of local raw materials.

Rural green tourism is the industry of exports, which differs from other exports by one important aspect: most exporters take out products of the country to the consumer, and the consumer in tourism comes into the country to buy and consume produced products and services. This creates additional income to the agriculture budget. In addition to direct owners, who provide services of rural green tourism, most of the village population, who are engaged in embroidery, weaving, carving, painting

eggs, blacksmithing, horticulture, gardening, beekeeping, animal husbandry, including breeding, may get jobs.

Thus, systemic exposure of rural tourism on the economy of rural areas occurs because of systemic effects (economic, social, ethnic, cultural, personal and environmental) and systemic links with other subjects of economic activities (farms, food producers, shops, accommodation, construction companies, craftsmen, carriers, hunting, fishing and horse farms, etc.). As a result of these influences, a synergy of rural tourism is formed, providing the multifunctional (diversified) socio-economic development of the rural economy. The process of developing synergies of rural tourism carries incremental character, involving to the creation of complex tourism products increasingly number of participants. The maximum positive impact on rural areas can be provided under conditions of sustained, focused and systematic cooperation of all stakeholders - the subjects of tourism entrepreneurship, government and local government, i.e. the process of structuring economic relations and the establishment of formal institutions interaction (NGOs, clusters, associations, etc.) in the field of rural tourism.

Conclusion

Despite the prolonged nature of transformation of agricultural development, studies show that in its majority is not taken into account a social component which is extremely important - the interests of the farmer, not only as a producer of wealth, but also as a carrier of values of rural life, culture, knowledge and skills. Also, until now there has been increasing differentiation of economic development and quality of life in urban and rural areas. Given the disharmony in the field of agriculture and rural areas, taking into account national peculiarities and trends to improve the welfare of peasants and providing real results of economic growth to address effectively problems associated with rural development, it is appropriate to continue close cooperation between the public, private and public sectors. With this partnership a significant role for rural tourism also has an initiative activity of villagers, mobilization of local potential, including financial, logistical, and natural potentials of agricultural enterprises and peasants living in rural areas, within the given, based on rational use of local resources, forming diversified and competitive versatile farming, diversified rural economy, favorable agricultural landscapes, through the development and growth of human

and social capitals, development of partnership between government, business and communities.

Rural development based on the synergistic effects that manifest as a result of integrative interaction of rural areas elements will lead to qualitative change in its status, and ways to develop a dynamic equilibrium of the economy with a stable path of development, i.e. trinity position: performance of economic functions of rural areas; growth of the level and quality of life of the rural population; maintenance of the ecological balance in the biosphere.

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AGRITOURISM AND RURAL DEVELOPMENT

Biljana Veljković¹, Zoran Bročić²

Abstract

The overall development of rural areas requires, among other things, the involvement of the non-agrarian sector. The multifunctionality of agriculture is evidenced, inter alia, by its conjunction with tourism and environmental protection. Rural tourism is gaining increasing importance and can contribute to the development of rural communities. This article analyses the resources available in certain areas in western Serbia engaged in tourism and rural tourism, points to factors crucial to further development, and highlights necessary actions. It evaluates the capacity development and present state of rural tourism, draws attention to basic principles of development, and stresses the necessity to cooperate with complementary sectors. Some rural localities imbued with traditions, customs and cultural and historical heritage in conjunction with rural tourism are specific types of tourist attractions (ethnic villages, houses, restaurants). It is the duty of the local community to recognise, initiate and become actively involved in development strategies and master plans to take advantage of support measures and subsidies.

Key words: *rural tourism, countryside, local community.*

JEL classification: *Q19*

Introduction

The changes in global climate and economy exert the greatest impact on rural areas. To mitigate these adverse effects, local residents should be conscious enough and sufficiently strengthened to take an active part in developing their own environment. Rural areas have long been marginalised and economically underdeveloped. Therefore, in developed countries, as well as in developing economies, poverty has been an

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increasingly common problem in rural environments. Natural resources in rural areas are often threatened by the expansion of economic development and use of technologies that cause environmental pollution, as well as by urbanisation (Đekić & Vučić, 2006). To preserve the unique natural legacy, modern society has accepted the concept of sustainable economic development. Sustainable development has been defined as the integration of economic, technological, social and cultural development harmonised with the need to protect and improve the environment, which allows present and future generations to satisfy their needs and improve the quality of life (Veljković et al., 2011).

The concept of sustainable agriculture as the primary food production activity involves harmonisation between economic (high productivity), social (improvement in living conditions) and environmental (preservation of the natural milieu) aspects of sustainability. Sustainable rural development is evidenced by the multiple functions of agriculture and its conjunction with other activities, with the range of rural economic effects considerably expanding. This form of development adds substantially both to the competitiveness of the local economy and the quality of life of local residents (Ristić, 2014).

The food and agriculture sector along with other non-agrarian activities can contribute to the sustainable development of the rural economy. Through economic diversification of the rural economy, agricultural holdings earn their income not only from farming, but also from the food industry and the activities of the tertiary or service sector (Đorđević & Milovanović, 2012).

This enables rural households to generate additional income through other farming-related activities. Importantly, this ensures subsistence for small farms which struggle to adapt to the new economic reality. Through the use of all available facilities, traditional knowledge, natural resources, cultural heritage and current technologies, rural areas can offer a more diverse range of products and services on the market (Cvijanović & Mihailović, 2016), thus developing a recognisable identity (Veljković et al., 2007). For example, Ivanjica and Dragačevo are famous for the production of potatoes (Bročić et al. 2016) and raspberries, which can serve as a tool in tourism promotion. The preservation of natural resources and cultural heritage helps create a good environment for the development of rural tourism as an important supplementary activity. Some rural areas in developed countries have made profit from exploiting

their potential such as location, natural and cultural resources, and social capital (OECD, 2006).

This study analyses the development of tourism in popular tourist destinations in western and central parts of Serbia, the potential expansion of tourism offerings, and linkage with the development of rural tourism. Official statistical data and the data provided by tourism organisations have been used for the analyses.

Integrated (sustainable) rural development

The principles of sustainable development underlie the EU policy on rural development which encompasses the following three dimensions:

- - economic (economic conditions, market and competition, profit-making),
- - social (living conditions and the standard of living), and
- - environmental (preservation of the environment and biodiversity).

In other words, this refers to balanced economic growth. Through successive reforms, the EU's Common Agricultural Policy (CAP) implements measures to preserve the natural environment and develop integrated farming. Support and subsidies in agriculture, as defined in the first pillar of the CAP under the single payment scheme (SPS), can be implemented if a farm is sustainably managed and if environmental and animal welfare standards are obeyed. The second pillar of the CAP refers solely to rural development i.e. rural economy and improvement in the quality of life in rural areas through the Leader methodology (EC, 2011).

Rural development should be regarded as a complex concept (Bogdanov, 2007), as a spatial, dynamic, multi-sectoral concept (UN, 2007). It is dominated by agriculture at its base, but attention must also be given to non-agricultural and non-economic aspects of development (Subić et al., 2009). As defined by Zakić and Stojanović, (2008, p.517), integrated rural development is a complex development of a rural area based on available natural, material, infrastructural and human resources which are managed in such a way as to preserve people and the environment. In a word, the substance of the concept of integrated rural development is not only the mere revival and reruralisation of these areas, but also the improvement of the quality of life in its totality.

Serbia's Agriculture and Rural Development Strategy (2014-2020) has set the following development goals:

1. Increase in production rate, and stability of farmers' incomes;
2. Increase in competitiveness, adaptation to domestic and foreign market demands, and technical and technological improvement of the agricultural sector;
3. Sustainable management of resources and environmental protection;
4. Improvement of the quality of life in rural areas, and poverty alleviation;
5. Effective management of public policies, and improvement of the institutional framework for agriculture and rural development.

These development goals should ensure better production and economic conditions for agricultural production, greater flexibility towards market demands, and a higher level of competitiveness on both domestic and foreign markets. The judicious use of natural resources in rural areas, along with the due consideration given to the multifunctional role of agriculture, as indicated in goals 2 and 3, contributes to sustainable rural development. Creating a more favourable living environment in rural areas provides youth with a chance to find jobs more easily through diversified rural economy. Moreover, young people are the pillars of rural development; if they continue living and working in rural areas, the prospects for more equitable regional development will be enhanced.

Rural development in Serbia

According to the Agricultural Census conducted in 2012, the Republic of Serbia has 631,552 agricultural holdings, mostly family farms. The average land use per holding is 5.4 ha (i.e. 10.9 ha in Vojvodina, 3.9 ha in Šumadija and Western Serbia, 3.6 ha in Southern and Eastern Serbia, and 4.1 ha in the Belgrade region). Of the total of 3,437,423 ha of utilised agricultural land, family holdings utilise 2,830,849 ha i.e. 82%. In the Republic of Serbia, family holdings permanently employ 1,416,349 people, and the average age of the farm holder is 59 years. In 69% of cases, farm households have 1 to 2 members. Global change, migration, depopulation, deagrarianisation of rural areas and ageing of the rural population have a negative impact on small and medium-sized family holdings which are evidently declining in numbers. In rural areas, family holdings ensure food security, provide the market with basic food products, and make a significant contribution to the preservation of natural resources at the local level. Development trends in agriculture and

rural areas are largely governed by discrepancies between structural, economic, demographic, environmental, political and cultural impacts (Veljković et al., 2010a).

Demographic trends in the Republic of Serbia have been increasingly unfavourable. The 2011 Census of Population data show a 4.15% decline in total population and a 10.9% decline in rural population. These decreasing tendencies have been caused by negative natural population growth, as well as by young people leaving rural areas in search of a better life or moving abroad. Only Šumadija and Western Serbia have more people living in rural areas (52.6%) than in urban regions (Mitrović, 2015). Small agricultural households are highly heterogeneous, with three types generally prevailing:

1. Poor agricultural households, which are mostly elderly or single-person households, or households engaged in agriculture at a mere subsistence level.
2. Migrants returning from cities to the countryside, with pensioner households prevailing over young families and showing interest in alternative activities at their holdings.
3. Rural residents deriving their income from off-farm employment, either solely i.e. without any farming activities or jointly with farming as their supplementary activity.

Over time, elderly households gradually cease to exist, whereas prospects for the other types of households in rural areas lie in their involvement in innovative product and service offerings and adaptation to market demands. Non-farming activities in rural regions are gaining increasing importance, but agriculture has traditionally been the most dominant activity in the rural economy. Jointly with the non-agrarian sector such as, inter alia, trade and tourism (Veljković & Ševarlić, 2010b), agriculture can significantly help improve economic conditions, develop the local economy and enhance the quality of life for the local population.

The diversification of activities entails agricultural restructuring as implemented through the following: specialised farms engaged in sustainable production practices; building food processing plants, packaging and distribution plants for final food products, and storage and well-organised sale facilities; alternative types of farming (production of mushrooms, and medicinal and aromatic plants; beekeeping; aquaculture; etc.); development of crafts; use of renewable sources of energy; capacity building for the services sector; development of rural tourism and

agritourism;improved organisational performance of individuals and stakeholders,and promoting their better interaction.

Tourism and rural tourism

The benefits of tourism to the national economy are multiple; the development of tourism can stimulate investments and increase employment opportunities. According to WTTC data, every eleventh resident works in tourism, and every third service rendered comes from the tourism sector. As often underlined in the related literature, the development of tourism has a multiplier effect, especially on the local economy (Unković & Zečević, 2006). However, under an ineffective tourism policy, unless there is adequate national infrastructure (transport, accommodation, food etc.), revenues arising from tourism will not stay in Serbia - more precisely, they will leak away to foreign companies which have invested in Serbia's tourism. Based on the data (WTTC, 2015) for Serbia, the direct contribution of Travel & Tourism to GDP in 2014 was RSD78.5bn (2.1% of GDP),Travel & Tourism generated 35,000 jobs directly in 2014 (2.6% of total employment). As shown by the official national statistics data (Statistical Office of the Republic of Serbia), food and accommodation services accounted for 1.06% of GDP in 2014.

The effect of tourism on the national economy is primarily seen through the country's balance of payments. Indisputably, tourism is an important source of foreign exchange earnings; therefore, its development is favoured and stimulated. The tourism balance of payments can be defined as part of the country's balance of payments, with assets including all the income generated by foreign tourists – invisible exports, and liabilities including all travel expenditures by domestic travellers–invisible imports (Dobre, 2005). Data on tourism revenues in Serbia obtained from the National Bank of Serbia (NBS) are presented in Table 1.

Table 1: *The contribution of tourism to the balance of payments of Serbia, 2007-2016 (in million euros)*

tourism	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Export	630	640	617	605	710	719	792	863	945	1040
Import	759	845	686	724	791	805	841	889	993	1085
BOP	-129	-205	-69	-119	-81	-86	-49	-26	-48	-45

Source: *Balance of payments, National Bank of Serbia (NBS)*

The data show a decrease in the negative balance of payments in tourism, and a tendency for tourism to develop in Serbia. The official data provided by the Statistical Office of the Republic of Serbia on tourist arrivals and overnight stays have been analysed. These data refer to official number of registered tourists, while it is assumed that there were unregistered tourists as well.

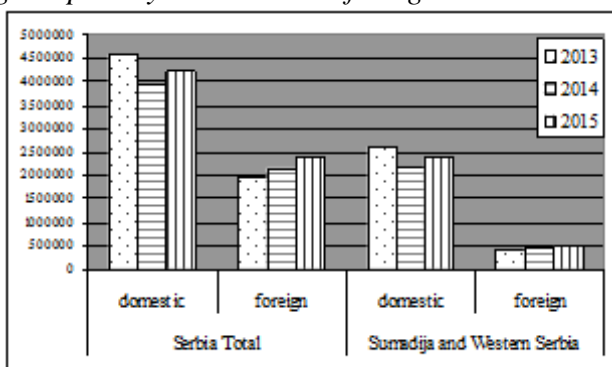
Table 2: *Tourist arrivals and overnight stays in Serbia, 2013-2014*

Region	Arrivals			Nights		
	2013	2014	2015	2013	2014	2015
Republic of Serbia	2192435	2192268	2437165	6567460	6086275	66641852
Šumadija W.Serbia	791545	737507	854448	3042876	2625382	2904523

Source: *Statistical Office of the Republic of Serbia*

As shown by the data reported by the RBS and the national Tourism Development Strategy 2016-2020, there was a significant increase in the number of foreign tourists during 2007-2015, with the number of arrivals increasing by 61.5% and the number of overnight stays increasing by 61.2%. Total arrivals and overnight stays in Serbia show a tendency to increase relative to the 2010 data, by 122% and 104%, respectively. Šumadija and Western Serbia account for 48.2% and 43.7% of total overnight stays in Serbia in 2013 and 2015, respectively (Table 2). The number of registered overnight stays in households engaged in rural tourism in Serbia in 2015 was 4,910 i.e. only 0.07% of total overnight stays in Serbia.

Figure 1: *Nights spent by domestic and foreign tourists in Serbia*



Source: *Statistical Office of the Republic of Serbia*

The ratio of the number of nights spent by foreign tourists to that of domestic tourists is presented in Graph 1. As shown, the number of overnight stays by foreign tourists is on the rise, both in Serbia, and in Šumadija and Western Serbia.

Based on the analysis of tourism in Šumadija and Western Serbia, the following popular tourist destinations of importance in these regions have been singled out:

- Mountain resorts: Zlatibor, Kopaonik, Tara, Mokra Gora, Zlatar, Divčibare, Rudnik, Rajac, Goč, Ivanjica, etc.
- Famous curativespas visited by an increasing number of (domestic and foreign) tourists: Vrnjačka Banja, Gornja Trepča, Banja Vrujci, Ribarska Banja etc.
- Large towns increasingly offering not only urban and business tourism, but also rural tourism e.g. villages in the regions of Gornji Milanovac, Topola, Knić, Valjevo, Mionica, Aleksandrovac, Raška, Ivanjica, Lučani, Čajetina, etc.

This area hosts enjoyable tourist attractions such as Drvengrad and Šarganska Osmica (Šargan's Eight), Sirogojno, Zlakusa, Potpečka Cave, Oplenac. Moreover, event tourism is attracting special interest tourists to visit the Guča Trumpet Festival, Rajac Scythe Festival, Pršutijada (Smoked Ham Festival), Kupusijada (Cabbage Festival) and other events, village fairs etc. Being the centre of this part of Serbia, Kragujevac has the largest number of arrivals and overnight stays registered, followed by other towns, as listed in Table 3.

Table 3: *Tourist arrivals and overnight stays in some towns in Šumadija and Western Serbia*

Town	Arrivals			Nights		
	2013	2014	2015	2013	2014	2015
Kragujevac	32114	33620	39187	82500	66371	76239
Kruševac	18357	14230	13131	39783	32154	29656
Kraljevo	11772	12651	13490	20229	21586	21987
Valjevo	12891	9997	12444	28020	17962	18593
Požega	8430	10501	9499	12673	16937	14477
Čačak	4977	5116	7889	8227	8424	13792

Source: *Statistical Office of the Republic of Serbia*

Table 4: *Tourist arrivals and overnight stays in major spas in Šumadija and Western Serbia*

Spa	Arrivals			Nights		
	2013	2014	2015	2013	2014	2015
Vrnjačka Banja	156240	146756	175153	594804	497893	562862
Gornja Trepča	9814	9913	9718	104300	103674	102039
Ribarska Banja	7703	7419	7538	53018	53042	50282
Banja Vrujci	9202	7688	9656	39513	29491	39311

Source: *Statistical Office of the Republic of Serbia*

Similarly to Mts. Zlatibor and Kopaonik, Vrnjačka Banja Spa is a well-developed tourist destination unique in Serbia, with the largest and increasing number of overnight stays and arrivals registered. Among spas, Gornja Trepča is a place of interest, given its considerably expanded facilities and important health tourism potential (Table 4). Mountain and winter tourism offering diverse activities is highly developed in the mountains indicated in Table 5, which feature extraordinary landscapes and a vast expanse of the natural beauty of Serbia's uplands and highlands. All these tourist destinations have the potential to develop rural tourism, which has already been initiated in some places, thus making a significant contribution to the diversity of tourist offerings.

Table 5: *Tourist arrivals and overnight stays in major mountain destinations in Šumadija and Western Serbia*

Destination	Arrivals			Nights		
	2013	2014	2015	2013	2014	2015
Zlatibor	114976	111963	148372	455759	426831	556751
Kopaonik	80375	72433	102198	341299	323133	427383
Tara	57874	52672	59236	226935	206654	221467
Divčibare	23479	16881	23128	101766	71030	99793
Goč	8031	6985	7606	49241	39368	44459
Rudnik	7214	3684	4417	47117	23293	29662
Ivanjica	14250	10140	6711	71757	42616	35127
Zlatar	6981	7369	9568	16388	21187	27541
MokraGora	14002	17608	13508	28412	36958	26041
Rajac	4219	2266	4122	14356	8473	11686

Source: *Statistical Office of the Republic of Serbia*

In modern tourism trends, increasing attention is given to rural destinations which offer a variety of tourism activities. The development of rural tourism is an important part not only of tourism development, but

also of the integrated sustainable development of villages in particular and the rural region in general (Čović, 2002; Cvijanović et al., 2011). With the number of tourist arrivals and overnight stays steadily increasing and accommodation facilities fully booked, revenues are achieved and the rate of employment is increased.

The main goals of tourism development (Serbia's Tourism Development Strategy, 2016-2020) include the following:

- Improving the quality of tourism supply and setting business standards (along with the identification of tourist destinations, attractiveness of tourism offerings, availability of tourist sites, development of related infrastructure, and human resources training)
- Positioning a tourist region on domestic and international markets, with particular emphasis on the authenticity of tourism products (using a unique marketing strategy and marketing mix instruments coupled with promotion on the Internet and through mobile applications)
- Sustainable economic development of tourist destinations (through collaboration and coordination among competent tourism-related institutions at all levels, local community involvement, initiatives and innovation in tourism, preservation of natural and cultural resources, and establishment of a management system).

The economic sustainability of tourism development requires local community involvement and strengthening of the institutional framework through partnership and common interests under the bottom-up approach (Vasiljević & Subić, 2008).

Rural tourism and agritourism

Various definitions of rural tourism are found in literature (Wikipedia). Essentially, **rural tourism** is a wider term, referring to any tourist activity practised in a rural region such as winter tourism, ecotourism, sports tourism, hunting tourism, fishing tourism, cultural tourism, countryside tourism, etc. Motives for countryside tourism generally include the natural environment, historical and cultural heritage, gastronomy and cuisine, climbing and other sports activities, wine tourism, instruction etc. The term **agritourism** is narrower than the term 'rural tourism' and wider than 'tourism'. At the agricultural household level, agritourism is associated with the village setting, farming and local craftsmanship. It can refer to staying in the countryside and participating in farming, on-site

farm labour, customs and lifestyle. Some authors use the term ‘farm tourism’ as part of agritourism (Popesku, 2002; Popesku CenORT, 2011).

The rural tourism trend has been on the rise, particularly in developed countries, showing a steady increase in the last 15-20 years (WTTC). Rural tourism makes a connection between agribusiness and tourism, with economic development viewed as a factor in ecological preservation. The most common reasons that drive tourists to visit rural areas are unspoiled nature, magnificent landscapes, clean air, safe drinking water, and an unpolluted environment. Rural tourism is beneficial to local residents who can develop their food production, food industry, trade and craftsmanship activities for the needs of tourism. The potential for the development of countryside (rural) tourism in Serbia has been underexploited. Folk traditions, customs, handicrafts and traditional crafts have been cherished in rural areas. There are cultural and historical sights in many villages, where traditional events regularly take place. The number of domestic and foreign visitors interested in spending weekends or short vacations out of town i.e. in the countryside is consistently increasing, as is the number of foreign visitors who want to learn about the culture of different parts of Serbia and enjoy traditional specialty foods, dishes and drinks.

Official data on households engaged in rural tourism have been provided by the Republic Bureau of Statistics in its Statistical Yearbook since 2014. Table 6 presents data on tourist overnight stays in rural tourism-oriented households in spa resorts, mountain villages and other tourist places. The number of overnight stays registered was almost 10 times higher in 2015, and there was a significant increase in the number of nights spent by foreign visitors. Accommodation facilities in households engaged in rural tourism have also significantly increased, including 383 rooms and 997 beds in 2015, as shown in Table 7.

Table 6: *Number of tourist overnight stays in households engaged in rural tourism by type of tourist destination*

Households engaged in rural tourism	Total	Spa resorts	Mountain villages	Other tourist destinations	Other destinations
Year	2014				
Tourists, total	502	-	-	26	476
Foreign tourists	43	-	-	20	23
Year	2015				

Tourists, total	4910	791	400	1876	1843
Foreign tourists	708	119	3	331	255

Source: *Statistical Office of the Republic of Serbia*

Table 7: *Accommodation (rooms and beds) in rural households in Serbia*

Households engaged in rural tourism	Total	Spa resorts	Mountain villages	Other tourist destinations	Other destinations
Rooms					
2014	109	98	-	5	6
2015	383	98	92	141	52
Beds					
2014	344	304	-	25	15
2015	997	304	227	319	147

Source: *Statistical Office of the Republic of Serbia*

Table 8: *Tourist arrivals and overnight stays in households engaged in rural tourism classified according to their star ratings*

House-holds engaged in rural tourism	Arrivals				Nights			
	2014		2015		2014		2015	
	Total	Foreign	Total	Foreign	Total	Foreign	Total	Foreign
Σ	164	17	1523	195	502	43	4910	708
4*	5	5	72	8	20	20	323	40
3*	94	-	746	117	350	-	2693	382
2*	6	12	575	31	6	-	1585	133
1*	59	-	130	39	126	23	309	153

Source: *Statistical Office of the Republic of Serbia*

The number of foreign tourists in rural tourism has also increased, as evidenced by the number of nights in Table 8. Accommodation facilities provided by rural tourism-oriented households have been rated since 2012 and officially statistically recorded since 2014. As reported, the number of nights was highest in 2- and 3-star facilities in 2015 (Table 8).

The analysis of the official data on rural tourism practices in Western and Central Serbia obtained from the Tourism Organisation of Serbia provides information on tourism-oriented villages and their registered households engaged in rural tourism (TOS, 2017).

Moravica District

According to the Gornji Milanovac Tourism Organisation data, households engaged in rural tourism have been registered in the villages of Trudelj, Rudnik, Dragolj, Mutanj, Majdan, Grabovica, Jablanica, Belo Polje, Donja, Crnuća Vračevšnica, Klatičevo, Velereč, Ozrem, Lozanj, Koštunići, Gojna Gora, Leušići, Brđani, Drenova, Semedraž, Bogdanica and Gornji Branetići.

These regions have a number of tourist attractions, such as Takovski Kraj (Takovo Region), Ostrovica, Suvobor, Rajac, Savinac picnic grounds, Koštunići Ethnic Village, Vračevšnica Monastery.

The Ivanjica Tourism Organisation promotes rural tourism in the villages of Komadine, Kumanica, Katići, Kušići, Rašići, Lisa and Marina Reka. Rural tourism in the Lučani Tourism Organisation is practised in the villages of Gornja Kravarica, Guča and Grab.

The Moravica District nurtures the Ovčar-Kablar Gorge, a Category 1 Outstanding Landscape area, featuring unique natural beauty and 10 monasteries referred to as Serbia's Holy Mountain.

Šumadija Region

In the Kragujevac Tourism Organisation covering a major part of Šumadija, rural tourism has been developed in the villages of Stragari, Vlakča, Veliki Šenj, Mala Vrbica, Kutlovo, Drača, Dragobraća, Grošnica, Velike Pčelice, Gornja Sabanta, Petrovac and Novi Milanovac.

Rural tourism in the Knić Tourism Organisation has been undertaken in the villages of Žunje, Čestin and Guberevac. In the Topola Tourism Organisation, the villages of Topola, Lipovac, Vinča and Ovsšte engage in rural tourism.

Šumadija is a site of well-known wineries, such as Kraljeva (Royal) Winery, Aleksandrović Winery and Art Winery. Famous tourist places of interest include monasteries originating from the 13th, 14th and 15th centuries, Oplenac, St. George's Church, Borački Rock, Knić Lake, etc.

Rasina Region

In some parts of Central Serbia, rural tourism is a poorly developed industry and, hence, the countryside vacation supply is limited, as follows: Aleksandrovac Tourism Organisation – Latkovac Village; Brus Tourism

Organisation – Kriva Reka Village; Trstenik Tourism Organisation – Brezovica Village; and Kruševac Tourism Organisation – Bela Voda Village.

Raška Region

In western parts of Serbia, rural tourism is much more developed, as shown by data. The Kraljevo Tourism Organisation offers rural tourism in the villages of Gledić, Bogutovac, Lopatnica and Rudno. Well-known tourist destinations in this region are Žiča Monastery, Studenica Monastery, Bogutovac Spa, Rudno Biosphere Reserve, Maglič medieval fortress, etc.

Zlatibor Region

Zlatibor Tourism Organisation –Šljivovica, Tripkova, Mušvete and Rožanstvo villages. Užice Tourism Organisation –Zlakusa, Kačer, Kremna and Tara villages. Kosjerić Tourism Organisation –Mionica, Skakavci, Rosići, Stojići and Mušići villages. Požega Tourism Organisation – the village of Tometno Polje. Arilje Tourism Organisation –Visoka, Mirosaljci and Bogojevići villages.

Kolubara Region

The Ljig Tourism Organisation provides rural tourism offerings in the villages of Veliševac and Slavkovića. Valjevo Tourism Organisation – the villages of Petnica, Popučke, Lelić, Struganik and Zarube. Tourist places of interest include Tršić Museums, Tronoša Monastery, numerous historical monuments originating from World War I, Cer, Gučevo, Mačkov Kamen, Tekeriš, etc.

Table 9: *Households engaged in rural tourism and accommodation across municipalities*

Municip.	Gornji Milanovac	Čačak	Ivanjica	Lučani (Dragačevo)	Kraljevo	Raška
Facilities	95	4	13	12	3	2
Beds	630	17	147	88	30	6

Source: *Data provided by Tourism Organisations of the municipalities indicated in the Table.*

In this part of Western Serbia, especially in Moravica and Raška regions, the most numerous registered households engaged in rural tourism are located in the Municipality of Gornji Milanovac (Table 9). The data provided by Gornji Milanovac, Čačak, Dragačevo (Lučani), Ivanjica,

Kraljevo and Raška Tourism Organisations refer to accommodation facilities in 2016-2017. Noteworthy, these data show seasonal variations.

Forms of rural tourism offered to tourists generally include:

- Rural experience – enjoying everyday rural life;
- Agritourism – observing and taking part in farm labour;
- Ecotourism – supporting landscape and biodiversity protection;
- Recreational tourism – engaging in hunting, fishing, climbing, hiking, cycling, etc.
- Ethnic tourism – learning about culture, history and archaeology, visiting events and festivals, and enjoying cuisine.

Apart from significantly contributing to the preservation of nature and cultural heritage, rural tourism adds economic value and creates benefits conducive to the survival and development of the countryside. Rural tourism is undertaken by households which offer food and accommodation services to tourists in ethnic-style facilities and detached houses with a maximum capacity of 30 beds. These households prepare food and beverages mostly from their own production. Rural tourism supply includes tasting and preparation of traditional dishes and drinks; instruction-oriented tours of rural regions to learn about their heritage, lifestyle, history and culture, organised either by the host or by the guide; hiking trips and different types of recreational tourism; picking medicinal plants and harvesting crops; participation in some on-site farming activities; different types of instruction and training, etc. Apart from offering tourism-related services, rural households can sell their products on their own farms, such as honey, pickled vegetables, fruit preserves, jams, juices, wine, brandy, milk and meat products, handicraft items and souvenirs.

The rural tourism potential of the studied area has been developed through good collaboration between tourism organisations and households engaged in rural tourism, permanent training and continuous improvement. Some villages providing well-developed tourism-related services are good examples of this type of tourism. Driven by the initiative to expand their business, rural householders have invested in their detached houses, villas, outbuildings, log cabins, ethnic houses, etc. However, due to the inability to achieve the continuity of business operations for lack of guests, most tourist facilities are operational only during the season or during tourist visits. Other constraints to rural tourism development include: lack of necessary infrastructure, lack of

investment funds, poor demographic conditions in the countryside, under-skilled workers, lack of organisation, competent authorities' failure to recognise common interests at all levels, etc.

Rural development and tourism support models involve interconnection and partnership among stakeholders at the local level and involvement of the public sector and competent Ministries to establish institutional mechanisms and facilitate the submission of applications for IPA grants and other types of funding and support. Eventually, the local level will have to take its share of responsibility for its own development. The Leader rural development method provides support for local bottom-up initiatives. As prescribed by the Leader methodology, a local action group (LAG) is responsible for funding, fundraising, and managing and implementing approved project proposals; moreover, LAGs must have the authorisation and social standing necessary for the purpose. To this end, local stakeholders, privately-owned rural holdings, associations, cooperatives, small enterprises, processing plants, craftsmen and individuals should be activated and involved in LAGs. Stimulating initiative in local actors helps the local community become the main agent initiating the improvement of living conditions and preservation of natural resources in rural regions, as well as an important contributor to the development of rural tourism.

Conclusion

Tourism is a complex activity able to set the wider economy in motion in rural regions; therefore, through economic development measures, the local community should plan and organise rural tourism development. Through cultural and traditional events in rural tourism and involvement of local residents, the attractiveness of some rural areas can be increased. Total revenue generated by households engaged in rural tourism is low; but in local terms, this makes an important contribution to the development of economy and, where possible, tourism. The natural environment is the greatest resource for tourism development. Agriculture is the largest utiliser of natural resources, and has the capacity to influence the appearance of the rural setting. Rural tourism development will provide effective mechanisms of environmental protection, and facilitate the recognition and sustainable management of economic and environmental benefits by the local community.

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THE MAIN DETERMINANTS OF AGRITOURISM DEVELOPMENT IN THE REPUBLIC OF SERBIA

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Abstract

The aim of this paper is to investigate whether agritourism, as additional activity of farmers, has a potential to advance their business and to determine what their conditions are for the agritourism offer.

The key methods that are applied are historical method and interview, and other standard methods are used (analysis and synthesis, description, logic, etc).

Agritourism means providing services by farmers to tourists, which contributes to the economic empowerment, agricultural development and related activities in rural areas. However, although significant progress has been made in development of agritourism activity in the Republic of Serbia, the state is not encouraging and it is necessary to make additional effort in order to help farmers to get interested in providing services to potential tourists, in order to make tourists interested in services of agricultural holdings.

For agritourism development in the Republic of Serbia, it is necessary to develop adequate strategy, to invest in infrastructure, to educate farmers and potential tourists, to make promotions, financial incentives, legal framework and standard application.

Key words: agritourism, development, agricultural holding, Serbia.

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Introduction

Agritourism is an activity of agricultural holding and additional source of income, and includes agritourism activities such as: stay on the farm,

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educational visits, recreational activities and sales (promotion) of agricultural products and products of handicrafts. Agritourism is one of the way for improvement of economic stability of rural communities and agricultural holdings.

Agritourism helps to solve some of the problems of rural areas, such as unemployment, maintenance of culture and traditions, migration of the rural population, etc. (Havlicek et al., 2009).

Agritourism is an alternative to mass tourism, which has begun to develop at the end of the last century, as a result of a new apprehension of the agriculture importance, the saturation of urban lifestyle and marketing development, which diversified tourism supply. The visitors can participate in various agricultural activities and learn traditional rural activities.

In this paper, intention is to depict the state of agritourism activity in the Republic of Serbia, as well as factors, which affect this important activity. The attitudes of farmers in connection with possibilities for agritourism development are investigated, believing that they are essential.

Given that primary agriculture with increasing difficulty provides additional source of income, and that agritourism is one of the model of rural development in the European Union countries, it seems justified to make an effort to investigate possibility of this development in the Republic of Serbia and fixing the economic status of agricultural holdings.

Development of agrotouristic activity in the Republic of Serbia is not satisfactory, but system operation could provide additional income for farmers, stimulate rural development, stop migration from village to city and bring a number of other benefits.

Recently, significant number of researchers devoted to researching the agritourism supply, so their results will be presented in this paper. We tend to show definitional elements, impact factors, attitudes of farmers, development effects and perceived advantages and disadvantages of agritourism.

The Aim of the Paper

The aim of paper is to present the possibilities for the agritourism development, to research readiness of farmers to offer agritourism supply in perspective, as well as to investigate more important impact factors on development of this potentially important activity.

Agritourism as Farmers' Activity

In recent years in the Republic of Serbia agritourism is developing as a part of rural tourism, which takes place in agricultural holdings, where there are possibilities, beside primary production, to offer food, drink and accommodation service (Miletić & Todorović, 2003).

Rural areas have the potential to develop different forms of tourism, from which agritourism can give significant results with adequate support. In a situation characterized by an army of unemployed, abundance of natural resources and relatively developed agricultural sector, agritourism development provides an opportunity for achievement of revenue, stopping the depopulation of villages, infrastructure modernization and raising the educational and cultural level of the local population.

Balanced economic, environmental and social development includes investments in rural areas and not only in primary agricultural production, but in various activities, so the business activity in rural areas takes contours of multifunctionality or diversification of income sources. Therefore, society finds interest to support programs connected to agriculture, which the EU has recognized a long time ago. Each program, which has economic validity and is environmentally suitable can be co-financed by the province, state and the EU funds. Agritourism is certainly included in an activity that deserves attention.

The diversity of rural areas and cultural attractions in the Republic of Serbia are important and present developmental potential for agritourism activity. A condition of using the potential is the improving the infrastructure, in order to understand significance of nature and agriculture, culture, history and tradition.

Various strategies of income diversification of farmers encouraged agritourism through agriculture development of small investment, historical gardens, heritage festivals and food and cultural landscapes, interactive farms, processing of traditional products (Đorđević-Milošević

& Milovanović, 2012). It is evident that only those events, festivals and agritourism activities in rural areas, which are based on originality and authenticity, will make progress in future (Potočnik-Slavič & Schmitz, 2013).

Agritourism is an activity complementary to agriculture, because it absorbs agricultural food products and in that way contributes to achievement of the basic and additional income for farmers.

Advantages of agritourism are (Chiritescu, 2011):

- diverse and unique tourist supply,
- rich natural resources,
- huge cultural, spiritual and historical heritage,
- remarkable ethnographic source, folklore and gastronomy,
- hospitality of rural population and traditional crafts (handicrafts, sculptures, and the traditional organic food),
- the interest of the country and the European Union to support the rural areas, through program development of (agri)tourism.

The supply of agritourism activity refers to sightseeing and enjoying in the village setting, entertainment and various attractions, such as purchase of local products (food, crafts and souvenirs) (Adam, 2004).

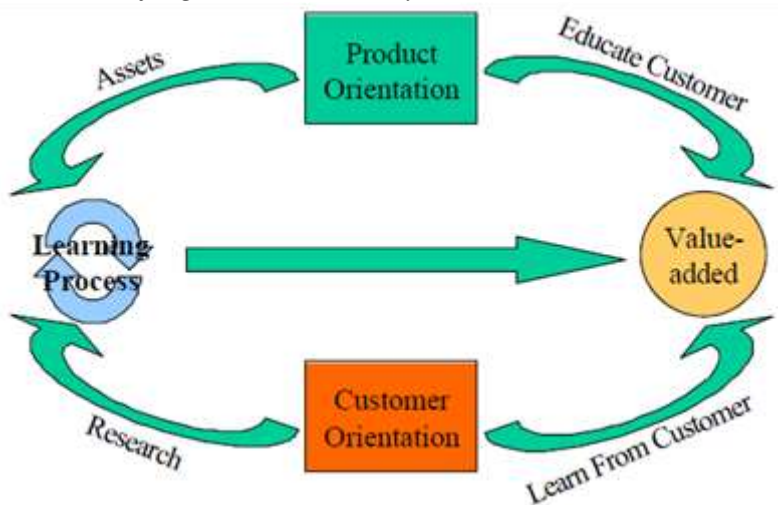
The European Union (EU) in the framework of program of rural development encourages, supports and finances development of additional activities in rural areas, where agritourism is one of the most significant activities.

The share of farms, which offer tourist services, in Sweden and Switzerland are 20%, in Austria 10%, in Germany and the Netherlands 8%, in France 4%, in Italy 2%, while in Spain, undoubtedly one of the major tourist destinations in the world, only 0.5% of farms provides tourist services (Fagioli et al., 2014).

In the recent years in the Republic of Serbia, the agritourism projects are initiated, developed and promoted, financed by both internal (budgetary and private) and international sources, mainly from the European funds. Product of agritourism is complex and is a result of some specific interactions between rural areas, people who live in these areas and local specific products. The quality of agritourism products refers to the quality of natural resources (the beauty of the environment, flora and fauna,

pollution levels), the quality of social infrastructure (welcome, tradition), the quality of accommodation capacity (local style), services quality (accommodation, food, entertainment), instruments for communication, promotional activities quality, hygiene, involvement in traditional activities (e.g. grape harvest, painting Easter eggs, etc.) (Muhcina, 2009).

Figure 1: *Focus of Agritourism Activity*



Source: *Comen and Foster, 2006*

In the study of Potočnik-Slavič & Schmitz (2013), there are two general trends of agritourism development in the European Union:

- modern prevalence of small-scale and distributed agritourism enterprises, which are mostly operated by active members of farming family (real agritourism). Ciervo (2012) claims that the real agritourism, firmly connected with agriculture, local culture, rural lifestyle, is able to resist the global market power, commoditization of culture and homogenizing the place and behavior. If the rural tradition and cultural heritage are put in attraction function, the harmony, which previously existed, can be significantly disrupted.
- progressive separation from agricultural activity, where agritourism company infiltrates in the tourist market, offering product as a response to the requirement of potential tourists (commercial agritourism). In fact, commercial agritourism is aimed to enhance the income, regardless of socio-cultural, landscape and environmental requirements. In such way, agriculture is marginalized, comes to urbanization of rural lifestyle and cultural hegemony, which may damage the reputation of the rural areas.

Agritourism in the Republic of Serbia is not recognized by the youth (Đenadić et al., 2016), which implicates that it is necessary many things to do in order to promote and improve agritourism services. Agritourism marketing is often directed to specific niches of visitors, because it is difficult to obtain the information from the market. Special magazines, local newspapers, newsletters trade associations and trade shows can be useful, because agritourism capacities are often advertised through them. After identification of customers, it is important to document clearly what requirements or specifications visitors have for products or services (Kuehn et al., 2000).

Agritourism marketing should be focused on (Ryan et al., 2007; Potočnik-Slavič & Schmitz, 2013):

- identification of clients that are interested in attractions
- research the activities that are popular or are becoming popular
- differentiation from competitors (heritage, location with attractive contents, special services and products),
- enhancing the allocation for marketing (10-30% of total income)
- branding agritourism is necessary due to current confusion of rural tourism, which results in unrecognizable tourist product.

Veselinovic (2013), finds that agritourism does not give significant economic results in the Republic of Serbia. Agritourism development will stimulate creation of normative framework by opening a multitude of opportunities for development of this type of tourism, but also agriculture development and total development of rural areas.

Factors of Agritourism Development

Nowadays lifestyle, which is characterized by stress, hurry, lack of time and lack of quality activities, contributes to development of rural tourism, giving the possibility of spending a holiday in a pleasant atmosphere, which reminds us of the ways of our ancestors (Đenadić et al., 2016).

Over time, agritourism will take a mass character, encouraged by tourism associations. In order to develop agritourism, tourist societies and associations of municipalities are founded. Agritourism activity includes farmers' associations and hospitality and tourism industry. Data of Association "Rural tourism in Serbia" for 2013 rather gives optimism for agritourism development, and it is about 970 registered sites, which could

be classified as agricultural stay and self-service bed (Petrovic et al., 2015b).

In the study by Gao et al. (2016), respondents mostly value landscape features, which can be found near the farm, especially the natural and cultural values. They want to see wildlife, water resources, historical elements and domestic animals, suggesting that they can serve as an attraction.

Peace of mind and comfort are significant motives for many tourists, and it is not surprising regarding the stress level during work, especially by the most active individuals (Nitescu, 2015).

For providing services of agritourism, farmers are motivated by diversification of income sources, social window to the outside world, clients education about possibilities of consuming the agritourism offer, through farm work and other activities. Over time, it is possible that agritourism generates more profit than primary production on the farm.

Urban population is interested in agritourism for the next reasons (Ou & Shih, 2002):

- stay in nature, recreation, rest, peace, relaxation,
- the need for new experiences,
- search for domestic quality food,
- escape from everyday activities,
- events and manifestations,
- saving money comparing to other forms of tourism,
- nostalgia of people who originate from rural areas.

Agritourist may be (Chase et al., 2007):

- someone who has an interest in preserving the farms and rural lifestyle,
- someone interested in higher food quality,
- someone interested in exploring the rural landscape,
- someone who is probably middle/aged or young and physically fit,
- groups, such as extended family, school children and so on.

If the farm location corresponds to tourist requirements, other critical factors get much attention, then agritourism has potential to prosper, independently from the basic activity of agricultural holding.

The success of agritourism is determined by numerous factors from which the most significant are (Comen & Foster, 2006; Veselinović, 2013):

- the ability of farmers to study and apply knowledge,
- attractive location (nature),
- finance,
- normative regulation of the activities of providing services,
- support of local community (financial incentives, tax cuts),
- marketing/understanding the clients' needs and their expectations,
- social skills, acting and stage skills,
- creativity,
- the ability to manage the experience of visitors.

Education, as a way to learn about legal possibilities, to start activities in agritourism area, presents the prerequisite for tourism development in the Republic of Serbia (Veselinović, 2013). In order to use full potential of agritourism and create sustainable, competitive tourism product, it is necessary to conduct market research, as the research of needs, motives and desires of consumers (tourists) (Đenadić et al., 2016).

Small and fragmented properties, orientation to other forms of tourism, underdeveloped awareness of the environmental value are some of the factors, which influenced on weak tourism development in rural areas (Todorović & Bjeljic, 2007). Seasonal character of agriculture and weather are significant problems that agritourism activity is faced to (Ryn et al., 2006).

For agritourism development, information about agritourism offer is very significant. It is often difficult to obtain the information, and there is lack of specialized portal for promotion of agritourism capacities. Seeking for information about agritourism offer often looks like looking for a needle in a haystack (Havlicek et al., 2009). The solution could be focusing on connecting the information about agritourism supply, on different levels- from the service provider (personal web site) to a national platform for agritourism support, where every farmer could have possibility to add information about their own supply.

The success of agritourism is determined by (Chase et al., 2007):

- providing the authenticity of the farm and experience;
- educating tourists and interaction with them (possibility for obtaining the recommendation) People, who decide to visit farm, seek authentic experience and they are interested in learning about it;

- providing service quality;
- providing sufficient capacity (staff and infrastructure);
- safe and accessible environment.
- joining with other similar organizations due to exchange information and experiences, promotions etc.;
- creating good relations in community (favorable public image) and
- flexible planning business and risk management.

The Attitudes of Farmers about Agritourism

Results of the research about possibilities for agritourism development of agricultural holdings are not optimistic. The farmers find numerous reasons because of which they are not able to devote themselves to services provided to tourists. Very small number of them is already included in agritourism activity or they are in the initial stage of developing capacity. The farmers are not interested in providing services to tourists (80.5%), and significant number of them, especially small producers, do not believe that there is an agritourism demand in our conditions.

Most of respondents are men, mean age 53 years, whose farm is less than 10 ha of land, which implies that they have lower income, which leaves space to increase it by the additional activities on the farm. It is interesting to remark that significant number of them acquire additional source of income from other sources (25.6%), and negligible number are those who are occupied with agritourism services (only 7.4% of them). Only 4.7% of them state that they completed agricultural education, while others attended seminars and workshops, and expert knowledge are mostly acquired from older generation.

The research covered readiness of farmers that in perspective offer some services from the area of agritourism, and by Likert scale, the answer is reached:

1. Visit the holding with aim of sightseeing - 4.1
2. Educating for agricultural activities- 3.4
3. Operation at the holding- 2.6
4. Product sale to tourists- 4.7

The farmers mostly express readiness for services of visiting agricultural holding, sale of their products, while for educating the tourists and their possible involvement in some activities on the farm, they are not ready.

They point out that working involvement on the farm could be risky for them, as well as for the owners' of holding (injury, crops damage, harassment of animals and other adverse events).

Table 1: *Agritourism in Agricultural Holdings (n/87)*

DEMOGRAPHIC CHARACTERISTICS	%
Age of farms holders	
- to 40 years	36.4
- 40-50 years	16.2
- above 50 years	47.4
Eudcation	
- formal	4.7
- informal	95.3
Annual income	
- under 5000 euros	5.1
- 5000 -10000 euros	21.7
- above 10 000 euros	73.2
Work experience	
- only on the farm	74.4
- work on farm and off farm	25.6
Offer services to tourists	
- yes	7.4
- no	92.6
Interest for providing services to tourists	
- yes	19.5
- no	80.5
The existence of a minimum prerequisite for providing services to tourists	
- yes	63.5
- no	36.5

Source: *Authors' research*

According to the survey on the attitudes of farmers about their readiness to develop agritourism capacities, we can conclude:

- education of our farmers is mostly informal (95.3%), which can be the reason for non-accepting the possibility of diversification of income sources (development of agritourism capacities). It is necessary to educate the farmers about possibilities which are provided to them through additional activities on the farm;
- $\frac{3}{4}$ of agricultural holdings generate income in self-direction;

- small number of farmers is included in providing services to tourists;
- farmers are not interested in providing services to potential tourists (80.5%), although the majority of them dispose with minimal prerequisites for these services (36.5%);
- incentives are necessary, both for farmers and for visitors due to agritourism development;
- it is necessary to develop multifunctional strategy of rural development in which agritourism would gain in importance;
- integral marketing efforts are needed (agritourism promotion).

Valorization Possibilities of Rural Areas through Agritourism Development

In the Republic of Serbia, where small and fragmented agricultural holdings dominate, the search for additional income is surely necessary, thus, training for providing service to potential tourists is offered as possibility. Wine tourism routes and festivals, wine cellars, organic food, farms visit, farm work demonstration, horse riding are just some of the options for generating additional income.

Given that consumers of organic food greatly value positive impact on health, consider it as richer in vitamins and minerals, specifically value locally grown products (Prodanović et al., 2017), agritourism supply should have it in mind.

By supply of additional contents in wineries (locally produced food, stories and anecdotes, guest accommodation, wine manifestation), development of both wine and agritourism is enabled. Numerous tourists have as travelling motive wine tasting within the rest and recreation in rural areas (Jovanović et al., 2015). The incentives for viticulture development, cultivation of indigenous and high-quality sorts, branding and protection of geographical indications are the condition of wine roads development, respectively, agritourism.

Hundreds of thousands of abandoned houses, which will be difficult to put in function of agricultural production, can be the basis of agritourism development. In many EU countries, agritourism is included in rural development strategies, by which the intention is to prevent the migration of rural population, to create new work places and to contribute to social-economic progress of less developed and underdeveloped areas (Veselinović, 2013).

On the territory of Vojvodina, there are conditions for the agritourism development, respectively, grange tourism. Granges present the record of a former way of life and work of farmers in Vojvodina, which include house for habitation, economic yard, surrounded by arable agricultural land. Currently, there is trend of reconstruction of former granges and their adaptation for providing agritourism services. Grange tourism is financially supported by grants from the provincial budget (Njegovan et al., 2015).

Almost half of population of the Republic of Serbia inhabits rural areas, where exist natural and human resources for multifunctional development, where agritourism would be just one of the possibilities. It is possible to put mentioned resources in function by empowering the capacity and support of state for rural areas. The Law on Tourism tends to stimulate this potentially important industry in the Republic of Serbia by enabling private individuals (employees, retirees, older juveniles) to be engaged lawfully in agritourism. Provider of agritourism service must certainly meet some requirements (health status, technical and sanitary hygienic conditions, record keeping, categorization). Individual provides agritourism service through local tourist organization, agency or other legal entity, and on the basis of the signed contract (Veselinović, 2013).

High participation of population in rural areas and availability should be the backbone of advancement of agricultural sector, and withal increasing the current share of agriculture and agritourism in the gross domestic product (Kuzman & Prodanović, 2017).

In order to promote rural and other forms of tourism in EU countries, a number of programs are developed (Nitescu, 2015):

- Program “EXPERT” is based on innovation principles, transferability, sustainability, sustainable development and profitability;
- Program “THE VILLAGE I LOVE” in organization EUROTER has 51 project model (organizing the competitions);
- Program “DATA BASE ON RURAL TOURISM SERVICES”- software for collecting information about services of rural tourism indicates to provider tourist services;
- Program “EUROPEAN RURAL TOURISAM NETWORK” in organization of EUROGITES in cooperation with organizers of rural tourism in 9 European countries and EUROTER. This project covers technical help for development of tourist accommodation, knowledge

about European market of rural tourism and helps in creation of exchange information program and promotion of accommodation.

European Federation for farm (agritourism) and rural tourism (EuroGites) has established unique standards for assessment of the accommodation quality. Standards refer to equipment, environment, services, attendance to guest, privacy, surroundings and security (Petrović et al., 2015a). The main aim of standard in agritourism is to network the providers of services and to improve service quality. Since the Republic of Serbia is a member of mentioned federation, it must comply with Euro Gites standards in agritourism development.

Petrović et al. (2015b), state that, in territory of the Republic of Serbia, there are 866 units with a total of 8.225 beds, which presents official number of units in agritourism supply of the Republic of Serbia. Domestic visitors are mainly consumers of agritourism services. The most agritourism units of accommodation are in the region of Western Serbia, because it is mountainous region, which has the longest tradition in rural tourism, as well as natural and cultural resources relevant for this type of tourism.

The state of agritourism development in the Republic of Serbia is not satisfactory, and it is characterized by (Đenadić et al., 2016):

- insufficient usage of already modest accommodation capacities,
- lack of apartments and other accommodation capacities at higher level, which leads to lower prices and income,
- low price of accommodation and food, combined with small volume of service results in low total income,
- lack of food supply (almost 40% of providers of services do not offer food)
- inadequate and underdeveloped promotional activities,
- limited use of the Internet,
- insufficient engagement of local tourism organizations,
- poor supply of additional services in rural holdings (sport and recreation, commerce, transportation, manufacture et.)

Development Effects of Agritourism

Agritourism connects tourist industry with agricultural production. The success of agritourism will provide incentive for farmers to expand their producing capacities in order to satisfy requirements of tourist for food

and specific products (interesting stories and anecdotes, traditional products organic food et.)

The impact of agritourism on regional development is not sufficiently studied, nor methods are established for successfully quantify that impact. Therefore, total results of agritourism on development of particular region can not be determined easily. Although agritourism activates other branches and industries in creating the most quality rural tourism product, it contributes to the development of rural areas. Also, it creates new work places and increases income, stops the migration from village to towns, stimulates birthrate, keeps the tradition, culture and identity of rural communities, raises the image of tourist destinations (Pejanović & Vujović, 2008).

For agritourism farmer, the efficiency presents the highest return of investments that invested in the form of capital and labor force or the biggest possible benefit from available resources (Kuzman & Prodanović, 2017).

Agritourism raises the aesthetic look of farms, by which their capacity for increasing the number of potential visitors is increased and it is better meeting the needs of current customers. For instance, attracting the wild ones with feeders, the propagation of native plants and like (Huffman & Kahn, 1998).

Business organization, which will maximize the current value of holdings in the long term is the objective, respectively, enabling the farm business, which is focused on maintenance of productivity and quality of resource, product and services over time, by generating the profit (Kuzman & Prodanović, 2017).

Positive implications of investing in providing the agritourism services are numerous (Nătescu, 2015):

- creating new work places (especially for vulnerable groups as women and the youth),
- development of activities which are aimed to prevent the seasonal character of agriculture, although often there is matching the high season of agriculture with providing services to tourists,
- additional income for local budget,
- stops the migration from village to town,

- improves services related to tourism (trade, transport, telecommunications, etc);
- restoration and conservation of heritage;
- the preservation and promotion of local customs and traditions;
- attracting new original or foreign private investors and so on.

Conclusion

In the Republic of Serbia, contribution of agritourism to the general tourism market is still quite modest. Agritourism has a potential to advance business of agricultural holdings, but huge number of them, although do not possess certain conditions, do not express the desire to be engaged in this activity. Agritourism has a potential to provide additional funds (product sales of benefit), in order to improve economy of agricultural holdings. Agritourism enables exploring different cultural forms, tradition and customs, which is positively reflected in social relations. Agritourism is a guarantor of stability and vitality of rural areas, an alternative for farmers and development factor of local communities.

In the Republic of Serbia, significant progress in the development and promotion of agritourism activities is made. The status is not encouraging and it is necessary to make an extra effort in order to interest farmers for providing services to potential tourists and to focus tourists, respectively, to get interested for services of agricultural holdings.

For development of agritourism in the Republic of Serbia, it is necessary to develop adequate strategy, to invest in infrastructure, to educate farmers and potential tourists, promotion, financial incentives, legal framework and application of standards. With enough thinking, ingenuity, determination and the capital, almost every farm could be adapted for agro-entertainment, providing agritourist services, respectively.

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TERTIALIZATION OF A TRANSITIONAL ECONOMY - AN OVERVIEW OF ROMANIAN TOURISM DURING 2005-2015

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Abstract

Tourism is a quite important economic activity in Romania, with a major impact in valuing the inland potential which is yet unexploited enough. Tourism has become an attribute of the modern societies, and the evolution of lifestyle has changed radically the perception on this activity. The development of tourism has direct influences on the national economy by increasing tourism share in GDP, creating jobs, but also by developing sectors contributing to tourism. The main aim of this study is the overview of the evolution of the Romanian tourism by analyzing some determinant touristic indicators in the period 2005-2015. Among the considered indicators are the number of arrivals and of overnights in the tourism structures with accommodation functions, the number of tourism structures and their accommodation capacity, separately for foreign and Romanian visitors, as well as for different tourism destinations. The conclusions after carrying out the analysis are that the Romanian tourism is competitive and it has important effects in assuring sustainable economic development for the inland economy.

Key words: *tourism, touristic destinations, activity, accommodation, overnight stays.*

JEL: *L83, Q26, Q56*

Introduction

Analyzing the influence and evolution of the Romanian tourism during a 10-year-long period of time, from 2005 to 2015, represents a topic with a

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high implication on the transformation of the inland economy. For Romanian economy, tourism has become an important activity in valuing the inland economic potential which could trigger an important economic development if it is properly valued and explained. In the process of achieving a well and high competitive market economy, tourism is now seen as a factor with a high economic potential, which could mobilize important resources in the economy, taking into account the fact that it is a branch in a continuous transformation and innovation.

As it was already stated in the previous studies (Gogonea et al., 2017; Butnaru & Nita, 2016, Andrei et al., 2014, Andrei & Ungureanu, 2014), Romanian tourism has registered a major tendency in valuing its internal potential of growing and it could be counted among the sustainable economic branches in Romania.

Tourism is an economic sector with a multiplier effect on several other sectors, however, it is not insensitive to the current difficult situation experienced not only by the Romanian economy but throughout the world economy. The strategic importance of tourism for the economy is given by its contribution in creating Gross Domestic Product (GDP). Compared to the direct competitors, the Romanian tourism is not very successful (Moraru, 2012). As (Minciu, 2000) argues, tourism is not only one creator of GDP, but has an important contribution to value added (Minciu, 2000).

In this study, by using an analysis of the statistical data published by the National Institute of Statistics, it is tried to highlight the main aspects of the evolution of the tourism in Romania during the 2005-2015 period, especially from the point of view of the type of tourism (as much as allowed by the quoted data).

The analysis of the impact and the evolution of tourism in a transitional economy as Romania is a topic of interest in literature. Numerous studies (Buiga et al., 2017; Anghelache et al., 2017; Strat et al., 2016; Manole et al., 2016), having as major topics and results the evolution of tourism is now intersecting with collateral research subjects as the study of the effects of the global crisis on the Romanian tourism (Iftime & Podina, 2013, Costea, 2009; Stănciulescu & Micu, 2009), considerations on the development of sustainable forms of tourism (Mazilu & Popescu, 2010, Rotariu, 2008, Boghean, 2007; Nistoreanu, 2007); the touristic activity in different destinations (Moraru, 2012, Cristureanu & Bobirca, 2006, Harja, 2009). In carrying out this study and performing a quick investigation in

the field, it was remarked that there are plenty of studies in literature dealing with statistics of different forms of the tourism in Romania during 2005-2015, with some results and conclusions similar to those of the present work (Chiriac, 2009). As regarding the literature, the last decade, especially, recorded the publishing of different studies referring to different elements of the tourism phenomena, the way of organization and functioning of the tourism activities.

Romanian tourism in terms of statistical indicators

One of the benefits of tourism is the reduction of unemployment by creating new jobs. Many countries have turned tourism into a key industry for the areas where there were no other industries and where the local communities had no income sources allowing them a decent way of living (Moraru, 2012).

For a comparative and complex analysis of the Romania tourism during 2005-2015, several representative statistical datasets was used taking into account the indicators useful to characterize the tourism activity for the eight regions. In this case, we consider the following: the population employed in tourism, the GDP in tourism, the existing tourism accommodation capacity, the tourism accommodation capacity in use; the index of net use of accommodation capacity in use by category of comfort, the number of arrivals (tourists stay), and the number of tourism accommodation units (total) (INS, 2017).

As (Stănciulescu & Micu, 2009) remarks, the most important features of the labor-intensive tourism jobs consist of living high and training complex, direct worker-client relationship, marked seasonality and use of model work on a part-time basis.

In Romania, the tourism sector is facing a shortage of qualified and trained personnel. This negatively influences the overall performance of tourism services. Employment in tourism industries is characterized by varying seasonal and regional demand for jobs, which is dictated by the respective peak activities.

Table 1: *The employment, by main activity of tourism, 2005-2015*

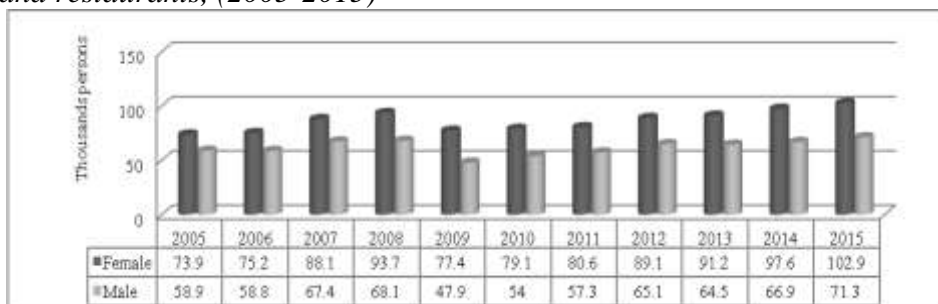
	2005	2007	2009	2011	2013	2014	2015
Totals	8390.4	8725.9	8410.7	8365.5	8530.6	8431.7	8340.6
Female	3965.3	4081.7	3964	3977.3	4005.8	3953.3	3847.8
Male	4425.1	4644.2	4446.7	4388.2	4524.8	4478.4	4492.8
Hotels and restaurants	132.8	155.5	125.3	137.9	155.7	164.5	174.2
Female	73.9	88.1	77.4	80.6	91.2	97.6	102.9
Male	58.9	67.4	47.9	57.3	64.5	66.9	71.3
Share %	1.6	1.8	1.5	1.6	1.8	2.0	2.1
Share %	1.9	2.2	2.0	2.0	2.3	2.5	2.7
Share %	1.3	1.5	1.1	1.3	1.4	1.5	1.6

Source: *author's based on (INS, 2017)*

Tourism is a field affected by seasonality specific to this sector, but creating jobs, as reflected in Table 1, where one can see that in 2015 there were 174,200 employed persons in Romanian tourism, with more than 41,400 persons than in 2005 and more than 9,700 persons in 2014 (INS, 2017). Showing a positive trend, we can say that tourism remains a sector that can absorb, even in crisis situations, people unemployed from other sectors.

As could be remarked from Table 1 and Fig.1, the tourism industries account for 2.1% of people employed in the services sector. In absolute terms, Romania had the highest employment in tourism industries in the 2015 (174,200 employed persons) (INS, 2017).

Figure 1: *The evolution of civil economically active population in Hotels and restaurants, (2005-2015)*



Source: *Author's own calculations based on (INS, 2017)*

The tourism industry is a major employer of women (Table 1, Figure 1). Compared with the total non-financial business economy, where 46.13 %

of people employed are female, the labour force of the tourism industries includes more female workers (59.07%) than male workers.

Statistical data on Romanian international tourism

Considering that the tourism product is the result of work performed by different operators, tourism involves many components with stimulating and training effects, both of production of tourism industry and other industries in the economy participating directly or indirectly to the economic growth process. In this context we consider the identification of tourism elements (tourism indicators) present in the Romanian tourism industry, activity in the economy and the need to develop strategies and policies of the institutions of decision (Cioban, 2015).

For further analysis, we discuss the existing accommodation capacity representing the number of tourist accommodations listed in the last reception, approval and classification act of the establishment of tourists' reception with functions of tourists' accommodation, excluding additional beds that can be installed if necessary.

The most important component of the technical and material basis of tourism is the network of accommodation units, because it responds to a fundamental need of tourism: the rest, spending the night (Mazilu, 2008). Romania benefits from a quite extensive hospitality network (Cristureanu & Bobirca, 2006). The accommodation sector is now all but fully privatized, with 6.821 accommodation units in 2015, representing a growth of 61.4% compared to 2005. Of the 6,821 establishments, 91.80% are private property and only 1.52% entirely owned by the State.

In the analyzed period, 2005-2015, the number of accommodation units in resorts experienced a growth trend, i.e. from 4,226 units in 2005 to 6,821 accommodation units in 2015. Since the average growth index is greater than 100%, we consider that the number of accommodation units in Romania is progressing due to the economic context of Romania and the European Union (Eurostat, 2017; INS, 2017).

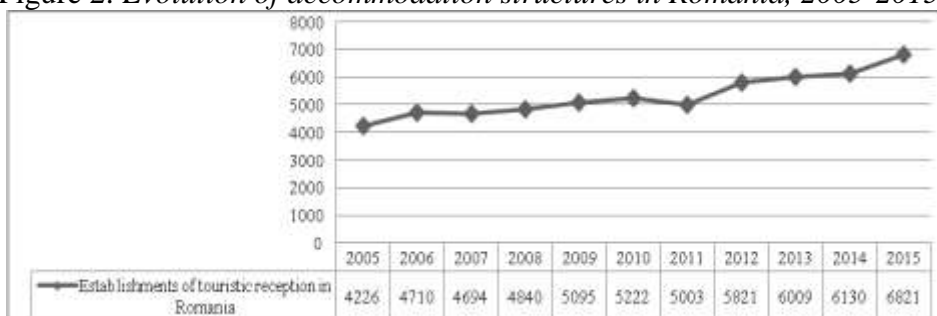
Table 2: Evolution of accommodation structures in Romanian, 2005-2015

Year	Absolute indicators			Relative indicators				Annual average			
	Level indicators	Absolute changes		Index dynamics		Growth rate		\bar{Y}	Δ	\bar{I}	\bar{R}
	Establishments of touristic reception in Romania	$\Delta_{i/1}$	$\Delta_{i/i-1}$	$I_{i/1}$	$I_{i/i-1}$	$R_{i/1}$	$R_{i/i-1}$				
2005	4226	0				0		5324.6	259.5	1.05	0.05
2006	4710	484	484	1.11	1.11	0.11	0.11				
2007	4694	468	-16	1.11	1.00	0.11	0.00				
2008	4840	614	146	1.15	1.03	0.15	0.03				
2009	5095	869	255	1.21	1.05	0.21	0.05				
2010	5222	996	127	1.24	1.02	0.24	0.02				
2011	5003	777	-219	1.18	0.96	0.18	-0.04				
2012	5821	1595	818	1.38	1.16	0.38	0.16				
2013	6009	1783	188	1.42	1.03	0.42	0.03				
2014	6130	1904	121	1.45	1.02	0.45	0.02				
2015	6821	2595	691	1.61	1.11	0.61	0.11				
Totals	58571										

Source: Author's own calculations based on (INS, 2017)

The dynamics of change in the accommodation structures in Romania are steadily increasing, when in 2015 they register a maximum of 161% compared to 2005 (year in with the minimum value recorded - 4, 226 accommodation units).

Figure 2: Evolution of accommodation structures in Romania, 2005-2015



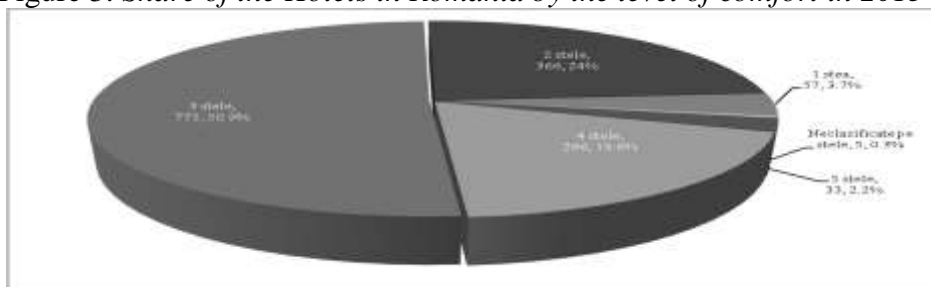
Source: Author's own calculations based on: (INS, 2017)

According to (INS, 2017), as far as the accommodation offer in Romania in 2015 is concerned, by type of units, it can be noticed that the largest

share is held by tourist and agro tourist pensions (50.5%), followed by hotels with a share of about 22.3% (1,522 units).

Significant share of hotels can be explained by the fact that these accommodation units have a complex profile, a slightly higher level of comfort than other accommodation facilities and offer their clients a much wider range of services. The total number of hotels was 1,522 in 2015, out of which: 33 were five-star hotels, 286 four-star hotels, 775 three-star hotels, 366 two-star hotels and 57 – one-star hotels. 69.71% of the hotel stock is at the upper end of the market, namely, they are three- and four-stars hotels (INS, 2017).

Figure 3: *Share of the Hotels in Romania by the level of comfort in 2015*



Source: *Author's own calculations based on (INS, 2017)*

The situation is different if we analyze the number of beds. Thus, during 2005-2015, there is an alternation of increases and decreases at a capacity of 283,194 beds in 2005 to 328,313 in 2015. The existing tourist accommodation capacity available in Romania, on the overall, had a relatively continuous upward trend from year to year, with some exceptions.

Table 3: *Evolution of existing touristic accommodation capacity in Romanian, 2005-2015*

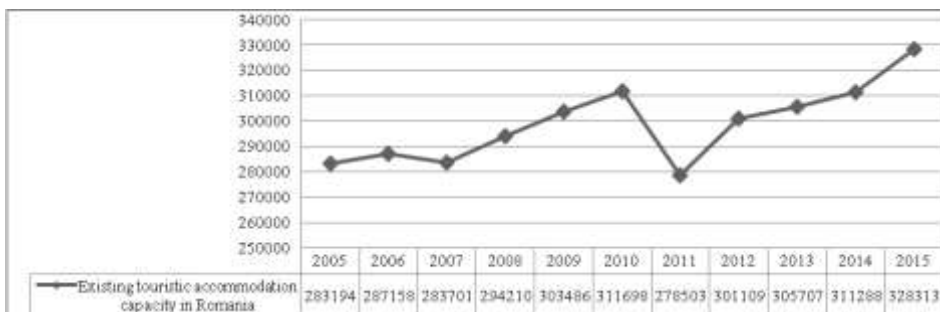
Year	Absolute indicators			Relative indicators				Annual average			
	Level indicators	Absolute changes		Index dynamics		Growth rate		\bar{Y}	Δ	\bar{I}	\bar{R}
	Existing touristic accommodation capacity in Romania	$\Delta_{i/1}$	$\Delta_{i/i-1}$	$I_{i/1}$	$I_{i/i-1}$	$R_{i/1}$	$R_{i/i-1}$				
2005	283,194	0				0		298,942.5	4,511.9	1.01	0.01
2006	287,158	3,964	3,964	1.01	1.01	0.01	0.01				
2007	283,701	507	-3,457	1.00	0.99	0.00	-0.01				
2008	294,210	11,016	10,509	1.04	1.04	0.04	0.04				

2009	303,486	20,292	9,276	1.07	1.03	0.07	0.03				
2010	311,698	28,504	8,212	1.10	1.03	0.10	0.03				
2011	278,503	-4691	-33,195	0.98	0.89	-0.02	-0.11				
2012	301,109	17,915	22,606	1.06	1.08	0.06	0.08				
2013	305,707	22,513	4,598	1.08	1.02	0.08	0.02				
2014	311,288	28,094	5,581	1.10	1.02	0.10	0.02				
2015	328,313	45,119	17,025	1.16	1.05	0.16	0.05				
Totals	3,288,367										

Source: Author's own calculations based on (INS, 2017)

Regarding the dynamics of the changes in accommodation in Romania during 2005-2015, it can be argued that there were some fluctuations, with the recorded maximum of 116% in 2015 compared to 2004, and the minimum value is noted in the year 2011, i.e. 98%, as compared to 2005. During the period 2005-2015, tourist accommodation capacity in Romania has been on a yearly average of 298,942.5 places, an increase of 4,511.9 positive environmental places, thus representing an annual progress relative of 1%. Even if after integration into the European Union the number of accommodation has increased steadily until 2010 (311.698 beds), in the following year there is a significant decrease in their number reaching a lower even than in the 2005 (base year analysis) (Eurostat, 2017).

Figure 4: Evolution of existing touristic accommodation capacity in Romania, 2005-2015



Source: Author's own calculations based on (INS, 2017)

The analysis of the indicators shows that in 2011 the existing tourism accommodation capacity decreased by 11%, compared to 2010; namely, from 311,698 seats to 278,503 (INS, 2017).

As it is argued in literature (Oroian & Ghereș, 2013; Neacus et al., 2006), the tourist accommodation capacity in operation is the number of

accommodation places available to tourists by accommodation units, taking into account the number of days the units are opened during the period considered. Excluded places in rooms or units temporarily closed due to the lack of tourists, for repair or other reasons. The tourist accommodation capacity in operation registered an upward trend after 2005. It can be appreciated that the evolution of tourist accommodation capacity in operation during 2005-2015 (thousands of places-days) is steadily increasing, registering a maximum of 141% in 2015 compared to 2005, and the minimum value was in 2005. During the period 2005-2015, the tourist accommodation capacity in operation in Romania recorded an annual average of 66,531,617.9 places-days, a positive average increase of 2,689,370.1 places-days, which represents a progress annually relative to 4% (INS, 2017).

Table 4: *Evolution of touristic accommodation capacity in function in Romania, 2005-2015*

Year	Absolute indicators			Relative indicators				Annual average			
	Level indicators	Absolute changes		Index dynamics		Growth rate		\bar{Y}	Δ	\bar{I}	\bar{R}
	Touristic accommodation capacity in function in Romania	$\Delta_{i/1}$	$\Delta_{i/i-1}$	$I_{i/1}$	$I_{i/i-1}$	$R_{i/1}$	$R_{i/i-1}$				
2005	54,978,838	0				0		66,531,179	2,689,370.1	1.04	0.04
2006	56,499,904	1,521,066	1,521,066	1.03	1.03	0.03	0.03				
2007	57,137,649	2,158,811	637,745	1.04	1.01	0.04	0.01				
2008	59,187,968	4,209,130	2,050,319	1.08	1.04	0.08	0.04				
2009	61,104,435	6,125,597	1,916,467	1.11	1.03	0.11	0.03				
2010	63,808,286	8,829,448	2,703,851	1.16	1.04	0.16	0.04				
2011	68,417,259	1,343,842 1	4,608,973	1.24	1.07	0.24	0.07				
2012	74,135,614	1,915,677 6	5,718,355	1.35	1.08	0.35	0.08				
2013	77,028,488	2,204,965 0	2,892,874	1.40	1.04	0.40	0.04				
2014	77,676,817	2,269,797 9	648,329	1.41	1.01	0.41	0.01				
2015	81,872,539	2,689,370 1	4,195,722	1.49	1.05	0.49	0.05				
Totals	731,847,797										

Source: *Author's own calculations based on (INS, 2017)*

In conclusion, the accommodation offer available to our country should be diversified by making investments in the field. These investments should be developed taking into account the existing regional and local tourism demand. Another aspect to be highlighted when developing strategies at central level is the diminishing of the negative effects of seasonality on the accommodation offer.

Table 5: *The evolution of the structures and the accommodation capacity, 2005-2015*

Index	2005	2007	2009	2011	2012	2013	2014	2015	I (%)	R (%)
Accommodation structures (number)	4226	4694	5095	5003	5821	6009	6130	6821	104.9	4.9
Evolution (%)	100	111.1	120.6	118.4	137.7	142.2	145.1	161.4		
Existing touristic accommodation capacity (places)	283194	283701	303486	278503	301109	305707	311288	328313	101.5	1.5
Evolution (%)	100	103.9	110.1	98.3	106.3	109.9	115.9	115.9		
Tourism accommodation capacity in function (thousands places-days)	54978	57137	61104	68417	74135	77028	77676	81872	104.1	4.1
Evolution (%)	100	103.9	111.1	124.4	134.8	140.1	141.3	148.9		
Index of net using the tourism accommodation capacity	33.4	36	28.4	26.3	25.9	25.1	26.1	28.7	98.5	-1.5
Evolution (%)	100	107.8	85.0	78.7	77.5	75.1	78.1	85.9		

Source: *Author's own calculations based on (INS, 2017)*

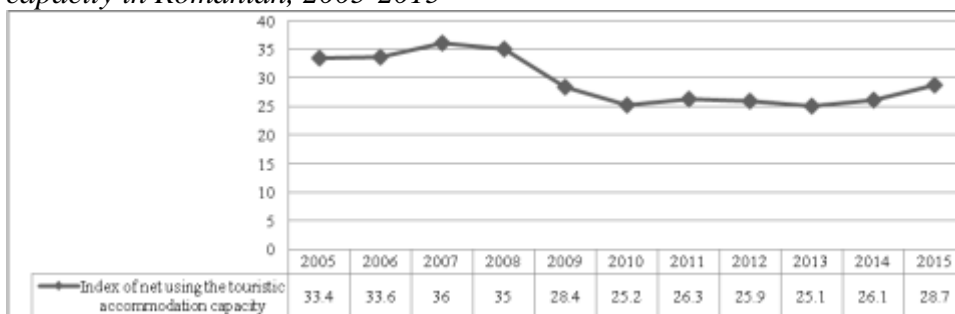
Analyzing the data in Table 5 during the eleven years compared to 2005, the key indicators of accommodation capacity are characterized by the following:

- The increase in the number of units, with an average annual rate of + 4.9%, which can be explained either by the opening of certain units that were upgraded or by building of new accommodation facilities;
- Fluctuations on the existing accommodation capacity, with a revival for the years 2005-2015, with a growth rate of + 1.5%;

- The increase in the accommodation capacity in operation, with an average annual rate of + 4.1%, owners finding ways to reduce tourism activities (meetings, team-building events, conferences, etc.).
- Decreasing occupancy, with an average annual rate of -1.5%, on one hand, because tourists prefer to spend less time in the accommodation unit and on the other, there is a still unsatisfactory level of service quality compared to the prices.

Analyzing the growth indices with fixed base (shown in 2005), the upward trend of housing units was recorded due to the new investments in material and technical basis of tourism and a significant increase in tourism demand. The same trend was registered in accommodation capacity, but rather modest compared to the growth rate of housing units in Romania. The occupancy rate of the accommodation capacity has experienced considerable fluctuations, as shown in Fig. 5, standing at 28.7 in 2015. After the occupancy reached the maximum value for the analyzed period in 2007, there is a continuous decrease until 2013. From 2013 onwards, there is a slight revival of this indicator. Unfortunately, for Romanian tourism, this increase in the employment rate is still insignificant, because at the level of 2015 we register a value of 28.7%, 4.7% less than the value recorded in 2005 (33.4%).

Figure 5: *Evolution of index of net using the tourism accommodation capacity in Romanian, 2005-2015*



Source: *Author's own calculations based on (INS, 2017)*

As (Stanciulescu & Micu, 2009) remark in their study, the values of this indicator are annual averages, which are oscillating from one month to another as a result of the seasonality phenomenon affecting tourism activity. Romanian tourism potential offers various opportunities for sustaining tourism sector growth. In the last decades, different tourism forms were developed such as mountain tourism, seaside tourism, balneal

tourism, cultural tourism, rural tourism, business tourism and so on (Surugiu et al., 2009).

Analyzing the (INS, 2017) datasets, from a total of 328,313 existing touristic accommodation capacity in 2015, the distribution by touristic destination was: Bucharest and county residence town, excluding Tulcea – 26.1%; Seaside, excluding Constanta town – 24.8%; Other localities and touristic routes – 19.7%; mountain resorts – 17.4%; Spas – 10.9% and Danube Delta area, including Tulcea town – 1.1%.(INS, 2017).

Evolution of tourist flows to and from Romania in the period 2005 - 2015

Arrivals of tourists during 2005-2015 period. As it can be noted from (INS, 2017), between 2005 and 2015, tourists' arrivals at the border fluctuated between 5.8 million in 2005, 7.1 million in 2008 and 9.9 million in 2015. This trend can be related to the overall evolution of the economic conditions, social situation and politics that marked Romania in the period under observation.

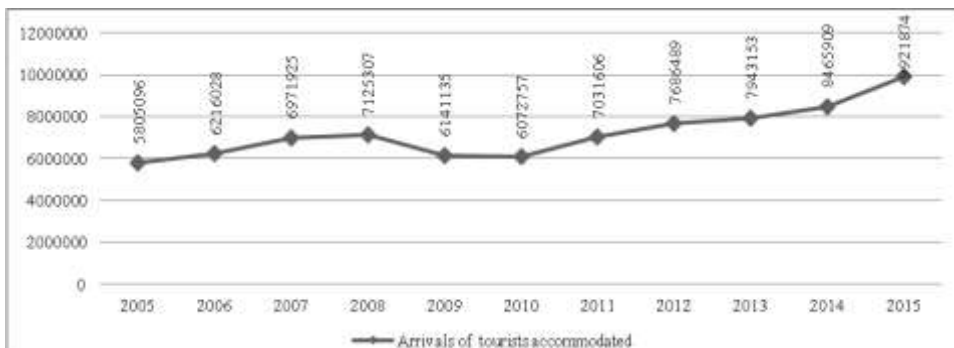
Table 6: Arrivals of tourists in tourist accommodation establishments with tourism accommodation functions, 2005-2015

Year	Absolute indicators			Relative indicators				Annual average			
	Level indicators	Absolute changes		Index dynamics		Growth rate		\bar{Y}	Δ	\bar{I}	\bar{R}
	Arrivals of tourists accommodated	$\Delta_{i/1}$	$\Delta_{i/i-1}$	$I_{i/1}$	$I_{i/i-1}$	$R_{i/1}$	$R_{i/i-1}$				
2005	5,805,096	0				0		7216479.9	411677.8	1.06	0.06
2006	6,216,028	410,932	410,932	1.07	1.07	0.07	0.07				
2007	6,971,925	1,166,829	755,897	1.20	1.12	0.20	0.12				
2008	7,125,307	1,320,211	153,382	1.23	1.02	0.23	0.02				
2009	6,141,135	336,039	-984,172	1.06	0.86	0.06	-0.14				
2010	6,072,757	267,661	-68,378	1.05	0.99	0.05	-0.01				
2011	7,031,606	1,226,510	958,849	1.21	1.16	0.21	0.16				
2012	7,686,489	1,881,393	654,883	1.32	1.09	0.32	0.09				
2013	7,943,153	2,138,057	256,664	1.37	1.03	0.37	0.03				
2014	8,465,909	2,660,813	522,756	1.46	1.07	0.46	0.07				
2015	9,921,874	4,116,778	1,455,965	1.71	1.17	0.71	0.17				
Totals	79,381,279.0										

Source: Author's own calculations based on: (INS, 2017)

The dynamics of the number of tourists' arrivals in accommodation establishments with tourism accommodation functions during the period 2005-2015 may be appreciated as being rising in the year 2015, when the maximum value of 171% is recorded. Compared to 2008, in 2009 and 2010 there was a decrease in the number of tourists arrivals.

Figure 6: Arrivals of tourists in reception facilities with the functions of accommodation, 2000-2011



Source: Author's own calculations based on (INS, 2017)

In terms of tourism in accommodation spaces in Romania - the number of accommodated tourists and overnights showed significant increases for 2015 (Table 7), instead the average length of stay decreased from 3.2 days in 2005 to 2.4 days in 2015, due to the tendency of sharing vacancies and intensifying the itinerant tourism.

Table 7: Evolution of accommodated tourists, overnight stays and average stay time in Romania, 2005-2015

Index	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Ī (%)	R (%)
Number of tourists accommodated (thousand)	5805	6216	6971	7125	6141	6072	7031	7686	7943	8465	9921	105.5	5.5
Evolution (%)	100	107.1	120.1	122.7	105.8	104.6	121.1	132.4	136.8	145.8	170.9		
Number of overnight stays (thousands)	18372	18991	20593	20725	17325	16051	17979	19166	19362	20280	23519	102.5	2.5
Evolution (%)	100	112.1	112.8	94.3	87.4	87.4	97.9	104.3	110.4	128.0	128.0		
Average duration of staying	3.2	3.1	3.0	2.9	2.8	2.6	2.6	2.5	2.4	2.4	2.4	97.2	-2.8
Evolution (%)	100	96.5	93.3	91.9	89.1	83.5	80.8	78.8	77.0	75.7	74.9		

Source: Author's own calculations based on (INS, 2017)

Arrivals in the main reception facilities with accommodation functions by type of structure in 2015

Out of 9,921,874 arrivals, 7.21 million tourists, namely 72.70% used reception facilities as the type of accommodation structure, despite the fact that Romanian hospitality industry faces major problems such as the persistence of sub-standard accommodation structures, especially in spa and seaside/mountain resorts; the lack of coagulation of business interests; the chronic lack of coherent policies - here is also the fault of employers - concerning strategies for training, recruitment, promotion, motivation and loyalty of human resources, resulting in the low quality of services; the lack of adequate road infrastructure - motorways, modern and safe roads - for both personal and motorized tourism.

Table 8: *Arrivals in main reception structures in 2015, by types of structures*

Types of tourist accommodation structures	Number of tourists
Total	9,921,874
Hotels	7,214,613
Hostels	258,106
Apartment hotels	59,249
Motels	259,961
Inns	1,994
Touristic villas	291,540
Touristic chalets	94,976
Bungalows	24,491
Holiday villages	5,932
Camping sites	60,723
Touristic halting places	17,772
Houselet type unit	11,798
School and pre-school camps	48,109
Touristic boarding houses	899,494
Agroturistic boarding houses	672,756
Ships accommodation spaces	360

Source: *Author's own calculations based on (INS, 2017)*

The hotel industry has been severely affected by the economic crisis, starting with the occupancy rate, the average tariff, and staff deployment, tourism being the barometer of other economic branches and even of social or political life. Relansing has just begun in developed tourism countries and serious institutions. In 2015, 72.7% of all tourists opted for hotel accommodation structures. In the tourists' preferences follows the

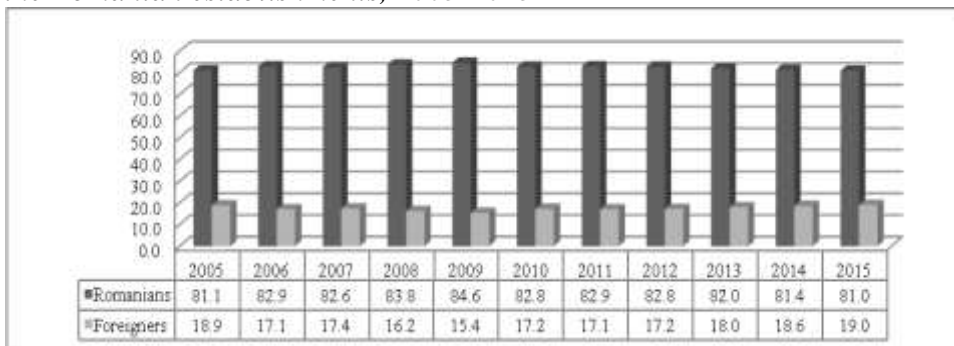
pensions, which together with the agro-touristic pensions rank on the next place with a total of 15.9%.

The distribution of arrivals and of spending the night of foreign tourists in tourism areas is of great importance. As it can be remarked by analyzing (INS, 2017), the urban tourism (the county capitals areas including Bucharest) is the form of tourism practiced by the foreign tourists (51.3%). To this we add the areas surrounding other towns with 16.5%. The mountainous areas and the seaside areas have a very small share of 15.4% and 8.3%, and the treatment resort areas even a smaller one of 7.9%. The Danube Delta has the smallest share of only 0.7%.

From the point of view of the spatial distribution, the receiving tourist flow has seen a strong concentration, as shown in the following table. Most of the tourists who visited Romania in the period 2005-2015 were Europeans, i.e. 93%, or 8.678 thousand out of a total of 9.331 thousand in 2015. In 2005, out of a total of 5,522 thousand arrivals of tourists in Europe, 51.9% came from the European Union (Eurostat, 2017). Ten years later, the number of tourists in Europe has increased to 8,678 thousand arrivals and the share of those in the European Union has increased to 61.6%. From the point of view of the country of origin, Hungarian visitors occupy the first position in 2015 with 1,661 thousand, followed by Moldova 1,633 thousand at a small distance. The podium is closed by the neighbors south of the Danube with 1,524 thousand tourists (Eurostat, 2017).

In the same manner, the number of overnight stays increased from 18,372 thousands in 2005 to 23,519 thousands in 2015, giving an increase of +28.0%. Again, increasing the number of overnight stays for foreign tourists was higher (+27.8%) than the one of Romanian tourists (+29.1%). It is important to mention that foreign tourists (Fig. 7) represent less than 20% from the total overnight stays. Therefore, it can be concluded that *tourism in Romania is mainly based on domestic customers*. Romanian tourism share is constantly high exceeding 84.6% in 2009, but decreasing to 81.0% in 2015.

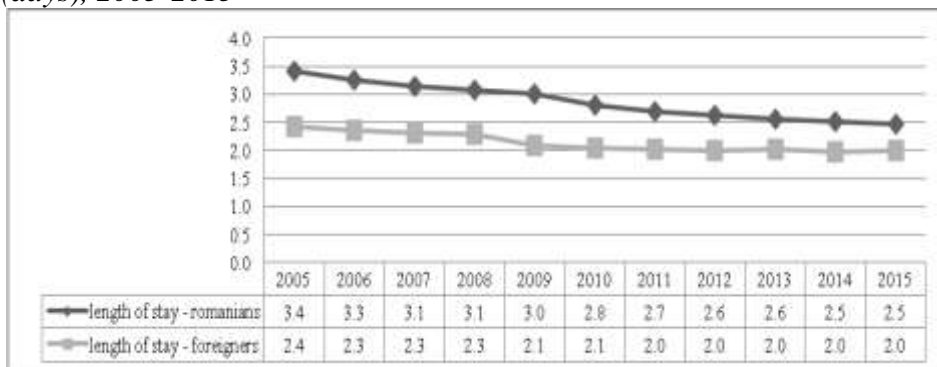
Figure 7: *Foreigners vs. Romanians share in overnight stays registered in the Romanian establishments, 2005-2015*



Source: *Author's own calculations based on (INS, 2017)*

Considering arrivals and overnight stays figures, the average length of stay could be computed. Therefore, in the period 2005-2015, the average length of stay in accommodation establishments has significantly dropped for foreign tourists, which it the trend followed by the Romanian tourists, however, only after a short period of increase (1996-2001). Nevertheless, the lowest values both for Romanian and foreigners are registered in 2015, 2.5 days for Romanians and 2.0 days for foreigners (Figure 8).

Figure 8: *Average length of stay for Romanian and foreign tourists (days), 2005-2015*



Source: *Author's own calculations based on (INS, 2017)*

Conclusions

The research allowed us to reach a series of conclusions and to suggest some recommendations.

- The Romanian tourist offer has not changed throughout the time becoming less competitive in comparison with the exigencies of the tourist request and with other similar tourism products on the international market;
- The tourist structures and mostly the entertainment offer are old, less competitive, the tourism services programs are performed as a routine and with a modest quality and the balance quality/price is inconclusive;
- Tourism development in Romania must be an objective and a means of economic and social development, in the context of the national development policy and the integration into European structures;
- The Romanian tourism has not occupied an important place in the Romanian economy, which was illustrated by the contribution to the GDP of the last ten years. The share of Romanian tourism in the national economic system is relatively small;
- To enjoy international competitiveness, Romanian tourism should increase both quantitatively and qualitatively, the number of care facilities, catering units but also the places of leisure;
- It is very important not only to modernize touring structures and resorts, but also to create new touring products, resorts, attractive original programs that can, by means of sustained activity of promotion on the international market, to redirect important touring incoming to Romania.

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REGIONAL FEATURES OF TOURISM AND HOTEL INDUSTRY IN THE REPUBLIC OF SERBIA

Sonja Jovanović¹; Ivana Ilić²

Abstract

The hotel industry is one of the important pillars of economic development in Europe and an economic generator of almost every country. The importance of the hotel sector is reflected in its impact on employment and economic development. The hotel industry in Europe's economy has a critically important role in economic and social life. Like most European countries, Serbia has great potential for the development of the hotel industry, which is the driving force of some other industries, mainly tourism, but also transport, food manufacturing industry, construction, and consumer goods sector. The research subject in this paper is the capacities of the hotel industry, by regions of the Republic of Serbia. The aim of the paper is to analyze the possibilities of further development of tourism and the hotel industry, following the achieved number of tourist's nights by accommodation facilities and categories.

Key words: *hotel industry, development, Serbia, regions, tourist nights*
JEL classification: *Z32, Z38, R11*

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Introduction

Development of the economy, industry and transport, especially after the World War II, as well as the removal of barriers between countries, has created a favorable environment for tourism development. Tourism has

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developed into a global phenomenon and one of the most important economic sectors and social activities in the modern age. Tourism is considered to be a driver of economic growth, investment and general social prosperity and environmental sustainability (Pindžo, Barjaktarović, 2016). There is a close link between tourism and the hotel industry. In this regard, development of tourism has greatly affected the development and changes in the hotel industry.

The hotel industry is primarily focused on the provision of accommodation, and, in this respect, practice knows and theory recognizes the existence of hotel-type services in combination with or without food. Performing services that the hotel industry offers requires a large number of employees and consumes products of a large number of industries. In this way, tourism participates in the overall economic and social development of the areas in which it operates. Therefore, the hotel industry is one of the most important segments of the global tourism offer.

Over time, tourism and the hotel industry have become the leading industries in the world, with a significant and growing share in total gross domestic product (GDP). The Republic of Serbia has the potential and opportunities for tourism and the hotel industry development, particularly because of its territorial position, since it is located at the intersection of the main roads of Asia and Europe. The research subject in this paper are the capacities of the hotel industry, by regions of the Republic of Serbia. The aim of the paper is to analyze the possibilities of further tourism and hotel industry development, following the achieved number of overnight stays by accommodation facilities and categories.

Literature review

Tourism is widely considered as a generator of economic and social development, due to numerous interactions with other industries. Despite the financial crisis, tourism industry has had a certain level of growth in recent years, and retained its importance as a strategic sector in the world. “Tourism as a sector can significantly contribute to the recovery of the national economy” (Jovanović et al., 2014a).

Tourism industry can be defined as “the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and purposes other than being

employed in the place visited” (UN, 2008). Tourism is an important sector especially in less developed countries. With significant economic implications, it should be emphasized that tourism contributes to environmental preservation and protection and to rural development (Ilić et al., 2017).

Very often, tourism and hospitality are grouped together as one industry, but they should be considered separately, even though they overlap and complement each other, because one sector without the other cannot completely successfully work. The role of tourism in the economy is often seen only through hospitality and services provided by travel agencies, considering it as the main sector of services in many countries (Jovanović & Ilić, 2015). Tourism is not the subsector of the hospitality, which is regarded as a merely source of the tourist services (Baum, 2008). One can say that tourism is a dominant factor in the overall economic development, and it is not only one industry, but an amalgam of many. Relationship between tourism and hospitality is shown in Figure 1.

Figure 1: *Relationship between tourism and hospitality*



Source: *British Hospitality Association (2011). Hospitality: driving local economies*, <https://dip9shwvohtcn.cloudfront.net/wordpress/wp-content/uploads/2013/08/ENGLAND-HOSPITALITY-DRIVING-LOCAL-ECONOMIES-REPORT-FINAL-OCT-11.pdf>

Hospitality involves dealing with two types of activities, such as preparing and selling food and drinks in a special way and renting furnished rooms for overnight stay (Nejkov, 1981). Specifically, hospitality is the economic activity that involves preparation, production

and serving of food, on one side, and the provision of accommodation services, on the other side (Kosar, 2002).

The hotel industry is often said to be a representative hospitality industry because of specific spatial, technical and technological, organizational and human resource capabilities, enabling achievement of full hospitality service, i.e. a combination of accommodation, food and drinks services (Lončar, 2008).

The importance of the hotel industry for the economy of a country is remarkable if one takes into account that tourism provides jobs for a large number of people, and in some countries the number of employees in the service industry is the criterion for assessing a living standard. Contemporary hotel industry is much more than just the material basis of tourism. The relationship between supply (rigid, unchanging) and demand (elastic, variable) in the hotel industry changes over time in the direction of adapting supply to the requirements on the demand side. The hotel industry with its flexibility more and more boldly breaks a thesis about the offer rigidity, directly involving in the creation of a specialized tourist product (Macić, 2013).

The following hotel industry determinants have been recognized as the key ones for the period until 2020 (Amadeus, 2014):

1. Guests will be able to tailor every aspect of their hotel experience. Emphasis is placed on personalized service. Technology, services, accommodation, bedroom, additional facilities at the given price, as well as the mode of communication should be adapted to the customer requirements.
2. The hotel of the future will be more personal, connected and responsive. With the increase in the volume of services and the changing requirements of hotel guests, hotels will be forced to take care of multiple needs and requirements which they are exposed to. They will strive to innovation, such as intelligent furniture, adaptive room environment, and fun personalization in spare time, individually tailored food and “thought control” of guest facing systems and appliances.
3. Horizon scanning, anticipation and rapid implementation will become some of the hallmarks of successful hotel groups. The success of hotels in the future is related to the ability to recognize risk and possibilities of its

overcoming, acceptance of innovation, developing effective strategies and implementation of programs of rapid changes. In particular, the role of technology systems in the survival of hotels and better adaptation to guest's requirements is emphasized.

Trends prevailing on the world's tourism market determine trends in the hotel industry. Some of them are: changing needs, work and life conditions, longer life expectancy, increased awareness, greater need for security and health preservation, focus on ecology and healthy food, stay in pure nature, growing demand for adventure (innovative) contents and excitement, congress facilities, visits to towns and major events (sporting, cultural, religious, business, etc.), and new travel motivations. For creation of better hotel offer, there is a need to constantly study the mentioned trends and adapt to the demands and needs of modern tourists, continuously following their habits and needs.

Hotel development has an impact on tourism industry development, because tourism destinations gain value only with quality hotel accommodation. In this way, one can say that hotel industry affects the scope and characteristics of tourism activities and spending in a particular tourist destination.

Along with hotel industry development, tourism industry develops, because tourism destinations gain value only with high-quality hotel accommodation. In this way, one can say that hotel industry affects the scope and characteristics of tourism activities and spending in a particular tourist destination, as well as the preservation of the natural environment. Therefore, the focus is more and more on respect for the postulates of green economy in the field of tourism (Đekić & Ilić, 2015).

Trends in the tourism and hotel industry

Tourism industry has for decades recorded continuous expansion and growth. The next two decades can expect further positive growth. According to the World Tourism Organization (UNWTO) estimates, tourism is the second largest industry in the world, which has for many years recorded constant positive growth, and participates in world GDP with 9.8% (7.2 billion USD). The share of tourism in world exports of goods and services amounts to 7% (1.5 trillion USD), while in many developing countries tourism is ranked as the main export sector. At the same time, it employs about 284 million people, i.e. 1 out of 11 jobs is in

the tourism sector. That tourism is on the rise around the world is seen in the change from 25 million tourists in 1950 to 1186 million tourists in 2015 (UNWTO, 2016). Tourism has become one of the largest economic sectors in the world (Ilić et al., 2015).

Tourism sector will grow by 3.3% annually in the future (2010-2030), and the average annual growth rate of tourism consumption will be around 11%. This projected growth rate for the period of 2010-2030, represents an increase of about 43 million international tourist arrivals on average annually. By comparison, to indicate that this is a positive growth trend, it should be emphasized that the average increase in international tourist arrivals amounted to about 28 million annually in the period 1995-2010. Europe, one of the most visited regions in the world, in the future will represent the most important place in the world tourism with a share of 41% in the total number of arrivals of international tourists (UNWTO, 2011).

Growth in the tourism industry is closely linked to growth of the hotel industry, which represents a segment of tourism industry. Hotel industry is becoming a leading industry in the world, but also the most common form of accommodation offer. Revenue from the global hotel industry is projected to reach about 550 billion dollars in 2018, whereas in 2016 global hotel industry revenues amounted to 490 billion dollars. According to projections, income should grow by around 12% by 2018, which is likely to be achieved if the positive trend of growth as in previous years continues (The Statistics Portal, 2017).

Hotel industry is one of the main development pillars of the economy in Europe and an economic generator for almost every country in the region. It is conditioned by the increase in the number of tourists globally. The importance of hotel industry in Europe is reflected in its impact on employment and economic development. More specifically, hotel industry in Europe plays a critically important role in economic and social life.

Hospitality sector, which includes hotel business, makes a significant contribution to the European economy, which is reflected primarily in a share of 3.7% in GDP, and 16.6 million jobs (1 out of 13 jobs in Europe is in the hospitality sector). In addition, the European hospitality sector grew by 38% in the period 2000-2010, with an average annual growth rate of 3.3%. In 2010, the contribution of the European hospitality sector to

output was over €1.0 billion, or 8.1% of total economic output. The total effect of this was that for every 1 euro spent in the hospitality sector, a further 1.16 euro was stimulated elsewhere in the European economy (Hotrec, 2013).

Of the total number of jobs in the hospitality sector in Europe, 10.2 million are jobs that are directly related to hospitality, while the remaining 6.4 million jobs were stimulated through additional supply chain demand and spending of employees' wages on other goods and services. The number of enterprises in the hospitality sector grew by 3% in the same period (albeit against an annual average of 17% growth over the whole period, 2000 to 2010). Accommodation grew by 9% in total and restaurant, bars and catering by 18% (Hotrec, 2013).

The occupancy rate (the share of total rooms available which are occupied or rented at and given time) increases annually, globally viewed, which indicates increase of demand in the hotel industry. In 2014, Europe was the leading region in the world according to the occupancy of hotel capacities. Occupancy rate of hotel rooms amounted to 68.8%, while daily room rates amounted to 139.99 US dollars (HospitalityNet, 2014). Central and Eastern Europe are still important destinations for foreign capital investment, particularly in the hotel industry, which has led to an increase in the number of hotels in the Balkans (Pavlović et al., 2014).

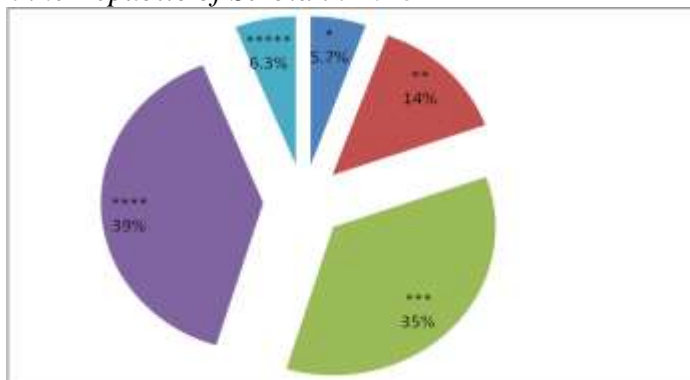
Characteristics of the tourism and hotel industry in Serbia

Like most European countries, Serbia has great potential for hotel industry development, which is the driving force for some industries, mainly tourism, but also transports, food processing, construction and consumer goods industry. Improving the tourism sector in the Republic of Serbia is considered one of the development priorities. Republic of Serbia has adopted Tourism Development Strategy for the period until 2025, which aims at systematic access to tourism, striving towards sustainable economic, environmental and social development of tourism, strengthening competitiveness of tourism industry and related activities, increasing direct and total share of tourism sector in GDP and employment, as well as improving the overall image of the Republic of Serbia in the region, Europe and the world (Tourism Development Strategy of the Republic of Serbia for the period 2016-2025).

According to the data for 2015, total contribution of tourism sector to GDP of the Republic of Serbia amounted to 6.4%, while its direct contribution was 2.2%. Tourism and hospitality, perceived together, accounted for 30000 jobs directly and about 157000 taking into account wider impacts. The share of tourism in total exports of the Republic of Serbia was 7.3% and nearly 29% of the value of exports of services. The realized visitor export in 2015 amounted to 1,048 million US dollars. Investment in the tourism sector amounted to 4.1% of total investment in the Republic of Serbia (Tourism Development Strategy of the Republic of Serbia for the period 2016-2025). “The amount of government investment in tourism may favourably influence investors to contribute more to its development” (Jovanovi et al., 2014b).

The basic units of the hotel industry are hotels, which are considered the most representative hospitality facilities for tourist accommodation. They are also the best known and most widely used accommodation facilities, which offer quality accommodation services and highly trained personnel, able to respond to the demands of modern tourists. In the total number of accommodation facilities in Serbia, hotels have the largest share, both in terms of the number of facilities and the number of units and beds. Over time, following from 2013 onwards to 2017, the total number of hotels and garni hotels in the Republic of Serbia has increased and percentage change is approximately 13% (there were 300 hotels and garni hotels in 2013 and 341 in 2017).

Figure 2: *Percentage share of tourist nights in hotels and garni hotels by category in the Republic of Serbia in 2015*

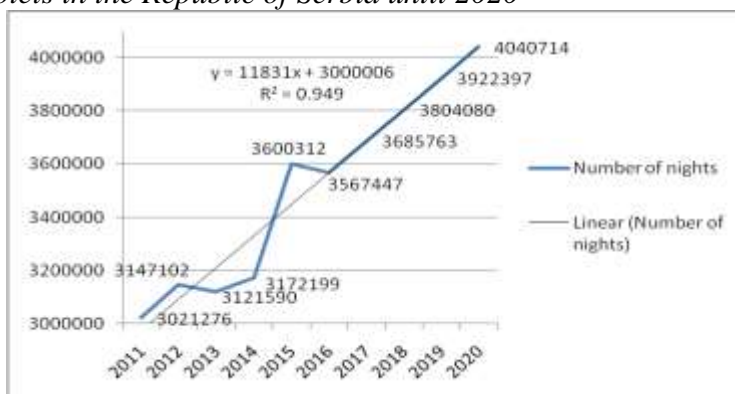


Source: *Statistical Yearbook of the Republic of Serbia, 2016*

According to the category of hotels and garni hotels, in which most tourists stayed in 2015, those with four stars can be distinguished, with a share of 39% in the total number of tourist nights. These are followed by hotels and garni hotels with three stars, or, more precisely, with percentage share of 35%, while about the same proportion of tourist nights by category in 2015 was achieved in those with one and five stars (about 6%) (Figure 2).

Based on the actual *number of* tourist overnight stays in hotels and garni hotels in the period from 2011 to 2015, the projection of the future number of tourist overnight stays in these accommodation facilities in the Republic of Serbia for the period up to 2020 is carried out. The period 2011-2015 is characterized by a constant increase in the number of tourist overnight stays, except for 2013, when there was a slight decrease in the number of tourist overnight stays in hotels and garni hotels. The projected period 2016-2020 is characterized by an increase in the number of tourist overnight stays in hotels and garni hotels, regardless of the category, with a negative peak in 2016 compared to 2015. Applying the trend analysis in the number of tourist overnight stays in the observed period, by the year 2020 about 4 million tourist overnight stays in hotels and garni hotels in the Republic of Serbia are foreseen (Figure 3). This projection has the same tendency as the projected number of tourist overnight stays in hotels and similar facilities, which is presented through a model of growth from 2016 to 2020 within the Tourism Development Strategy of the Republic of Serbia until 2025 (Tourism Development Strategy of the Republic of Serbia for the period 2016-2025).

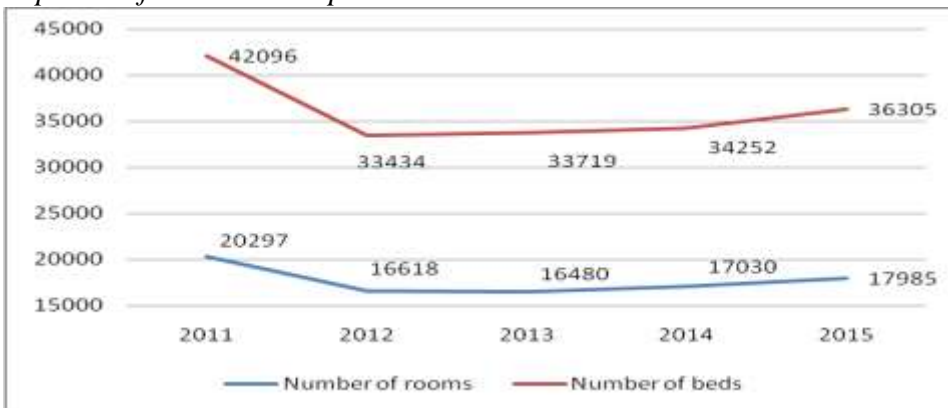
Figure 3: *The projected number of tourist overnight stays in hotels and garni hotels in the Republic of Serbia until 2020*



Source: Authors` presentation according to the Statistical Yearbook data

Another indicator of hotel industry development in Serbia is the *number of rooms and beds in hotels and garni hotels*. The number of categorized rooms and beds in these accommodation facilities significantly decreased during 2012, after which, following by 2015, it achieved a slight increase. Comparing 2011 and 2015 according to this indicator, there was a decrease of 13% (Figure 4).

Figure 4: *Number of rooms and beds in hotels and garni hotels in the Republic of Serbia in the period 2011-2015*



Source: *Authors' presentation according to data from the Statistical Yearbooks of the Republic of Serbia for 2012, 2013, 2014, 2015, 2016 year*

Analyzing the *utilization of available capacities in hotels and garni hotels* by categories in 2014, it is recognized that the most utilized facilities are hotels and garni hotels with five stars, with 35.5%. Slightly lower utilization is observed in hotels with three and four stars. The lowest percentage share in capacity utilization in hotels and garni hotels during the year observed is in those categorized with one star, 20.5% (Table 1).

Table 1: *Capacity utilization by category of hotels and garni hotels in 2014*

Category	*	**	***	****	*****
Number of tourist nights in hotels and garni hotels	166102	573802	1063518	1164282	204495
Number of possible nights = number of beds *365	807380	2095100	3106880	3441220	575240
%	20,57	27,39	34,23	33,83	35,55

Source: *Authors' calculation according to data from the Statistical Yearbook of the Republic of Serbia for 2015 and the Ministry of Trade, Tourism and Telecommunications on the categorized accommodation facilities in December 2014*

Turnover realized in hospitality sector, whose part is the hotel industry, over the years (2011-2015) increased in proportion to the increase in the number of tourists` arrivals and nights in the Republic of Serbia. On the other hand, the total number of rooms and beds in all accommodation facilities recorded a constant drop in the analyzed period.

Regional characteristics of hotel industry in Serbia

In accordance with the subject and aim of this work, hotels and garni hotels on the territory of the Republic of Serbia are classified according to regions, and they are: Belgrade region, regions of Vojvodina, Šumadija and Western Serbia, Southern and Eastern Serbia and region of Kosovo and Metohija (Law on Regional Development, 2015). Number of categorized hotels grew in the period from 2013 to 2017 in total and by categories and regions (Table 2).

By analysis of the *number of hotels and garni hotels according to categorization* in Serbia, the most represented are hotels with three stars, whose number increased during the period in all regions. The same case is with the total number of hotels and garni hotels with four stars. In contrast, hotels and garni hotels with one star decreased or declined their share in the total number of hotels and garni hotels in the Republic of Serbia.

Table 2: *Number of hotels and garni hotels according to categories and regions*

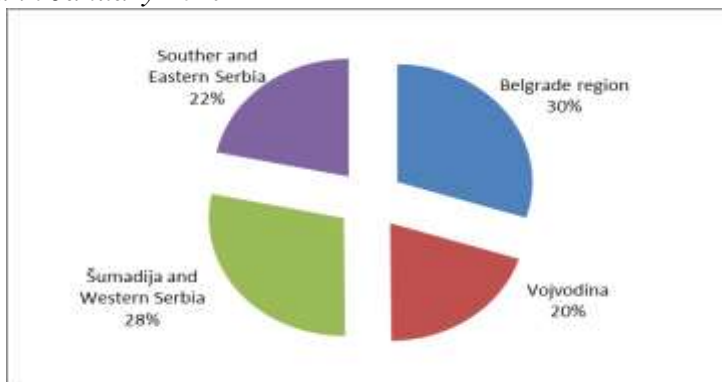
Category/ Year	Region												
	Belgrade region			Vojvodina			Šumadija and Western Serbia			Southern and Eastern Serbia			Kosovo and Metohija
	2013	2014	2017	2013	2014	2017	2013	2014	2017	2013	2014	2017	
*	2	4	2	2	1	2	12	10	6	9	7	6	/
**	14	14	10	14	16	14	39	32	34	29	29	25	/
***	23	29	35	24	24	25	27	33	37	17	14	28	/
****	30	41	51	17	19	23	12	14	20	12	10	15	/
*****	5	5	4	6	5	4	0	0	0	0	0	0	/
Total	74	93	102	63	65	68	90	92	97	67	70	74	/

Source: *Ministry of Trade, Tourism and Telecommunications, Categorized accommodation facilities in January 2017*, <http://mtt.gov.rs/sektori/sektor-za-turizam/korisne-informacije-turisticki-promet-srbija-categorization/>

Regional distribution of hotels is different depending on observed year. Thus, in 2013, most of the hotels and garni hotels were in the region of Šumadija and Western Serbia, more precisely 90. Out of that number, 39 hotels were categorized with two stars, 27 with three stars, 12 hotels and garni hotels with one star, and also 12 with four stars, while there were no five-star hotels. Typical for the region of Šumadija and Western Serbia and the region of Southern and Eastern Serbia is that, over the years, there were no five-star hotels. In 2014 and 2017, the dominant is Belgrade region according to the total number of hotels and garni hotels, unlike the region of Vojvodina, which is characterized by the lowest number of hotels and garni hotes during all analyzed years.

In the Republic of Serbia, according to the report of the Ministry of Trade, Tourism and Telecommunications on the categorized accommodation facilities in January 2017, there are a total 341 hotels and garni hotels.

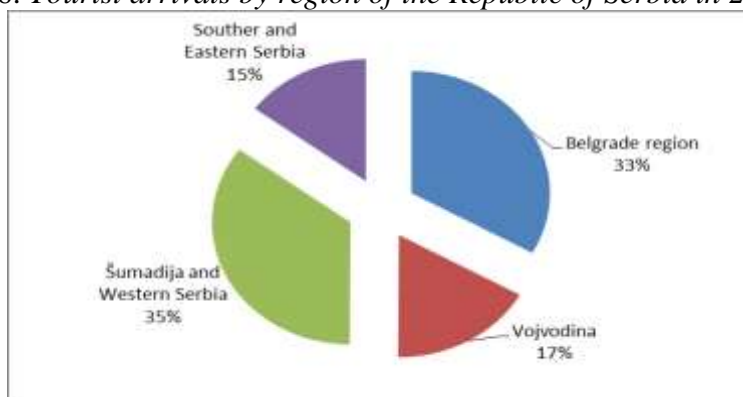
Figure 5: *Share of hotels and garni hotels in the regions of the Republic of Serbia in January 2017*



Source: *Ministry of Trade, Tourism and Telecommunications, Categorized accommodation facilities in January 2017, <http://mtt.gov.rs/sektori/sektor-za-turizam/korisne-informacije-turisticki-promet-srbija-categorization/>*

Most hotels and garni hotels in 2017 belong to the region of Belgrade - 30%, followed by the region of Šumadija and Western Serbia - 28%, region of Southern and Eastern Serbia with 22%, and region of Vojvodina with 20% (Figure 5).

Figure 6: *Tourist arrivals by region of the Republic of Serbia in 2015*



Source: *Statistical Yearbook of the Republic of Serbia, 2016*

Tourist arrivals by region in the period from 2011-2015 significantly increased. The largest percentage increase in tourist arrivals is in Vojvodina, where there has been an increase of about 43%, comparing the number of tourist arrivals in 2015 with those in 2011. The most visited region in 2015 is Šumadija and Western Serbia with a share of 35% in the total number of tourist arrivals in the Republic of Serbia, while slightly lower share (33%) is in the Belgrade region (Figure 6).

Table 3: *Number of tourist nights by regions of the Republic of Serbia in the period 2011-2015*

Year/ Region	2011		2012		2013		2014		2015	
	Number	%	Number	%	Number	%	Number	%	Number	%
Belgrade region	1337199	20.12	1431384	22.07	1489801	22.68	1535341	25.23	1686017	25.35
Vojvodina	756723	11.39	758981	11.70	928606	14.14	929604	15.27	994314	14.95
Šumadija and Western Serbia	3200295	48.16	2978903	45.94	3042876	46.33	2625382	43.14	2904523	43.66
Southern and Eastern Serbia	1350521	20.32	1315434	20.29	1106177	16.84	995948	16.36	1066998	16.04
Kosovo and Metohija	/		/		/		/		/	
Total	6644738	100	6484702	100	6567460	100	6086275	100	6651852	100

Source: *Statistical Yearbook of the Republic of Serbia for 2012, 2013, 2014, 2015 and 2016*

Following on tourist arrivals by region of the Republic of Serbia in the period 2011-2015, the *number of tourist overnight stays by region* was

monitored. As the region of Šumadija and Western Serbia is the most visited, it is not surprising that the largest number of tourist overnight stays in 2015 was realized exactly in this region, as much as 44% of total tourist overnight stays in the Republic of Serbia. On the other hand, looking at this region and the region of Southern and Eastern Serbia over the years, the decline in the number of tourist overnight stays can be noticed, while Belgrade and Vojvodina region achieved an increase in the number of of tourist overnight stays from 2011 to 2015 (Table 3).

Conclusion

Between tourism and hotel industry there is a close link. In this regard, development of tourism has greatly affected the development and changes in the hotel industry. Growth in the tourism industry is closely linked to growth of the hotel industry, which represents a segment of tourism industry.

Tourism is the second largest industry in the world, which has for many years recorded constant positive growth, and participates in world GDP with 9.8% (7.2 billion USD). Hospitality sector, which includes hotel business, makes a significant contribution to the European economy, which is reflected primarily in a share of 3.7% in GDP, and 16.6 million jobs (1 out of 13 jobs in Europe is in the hospitality sector).

Like most European countries, Serbia has a great potential for the hotel industry development, which is the driving force for some industries, mainly tourism, but also transport, food processing, construction and consumer goods industry. According to the data for 2015, total contribution of the tourism sector to the GDP of the Republic of Serbia amounted to 6.4%, while its direct contribution was 2.2%. Tourism and hospitality, perceived together, accounted for 30000 jobs directly and about 157000 taking into account wider impacts.

Regional distribution of hotels is different depending on observed year. Thus, in 2013, most of the hotels and garni hotels were in the region of Šumadija and Western Serbia. Typical for the region of Šumadija and Western Serbia and the region of Southern and Eastern Serbia is that, over the years, there were no five-star hotels. Most hotels and garni hotels in 2017 belong to the region of Belgrade - 30%, followed by the region of Šumadija and Western Serbia - 28%, region of Southern and Eastern Serbia with 22%, and region of Vojvodina with 20%. The most visited

region in 2015 is Šumadija and Western Serbia with a share of 35% in the total number of tourist arrivals in the Republic of Serbia.

It is observed dominance of Belgrade region according to the total number of hotels and garni hotels, but also lagging regions of Southern and Eastern Serbia and Šumadija and Western Serbia according to hotels of higher categories. Also, there was the largest percentage increase in tourist arrivals in Vojvodina. Information on trends in tourism and hotel industry in the regions of Serbia are important for policy makers of tourism development, both at national and regional levels, in order to better utilize the available resources, recognize the possibilities for the development of less developed regions, as well as to establish a cooperation between regions in order to create a joint tourism product.

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THE IMPACT OF GLOBALIZATION ON TRENDS IN TOURISM

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Abstract

Globalization refers to the process of opening up and liberalizing national markets that then become an integral part of a global market. Globalization exerts enormous influence on the economy of every country in the world. A close attention has been directed to the effects of globalization on economic and political spheres so far. The aim of this paper was to analyze both positive and negative effects of globalization on tourism industry. Furthermore, a special emphasis was placed on the impact of globalization which creates opportunities for tourism development. This paper employed meta-analytic research method in order to examine the phenomenon of globalization in tourism and drew upon primary sources and the available statistical data. Therefore, the author reached a conclusion that while globalization does exert impact on tourism, it is insufficiently employed to develop tourism. There is not much research into this field in Serbia. It is of paramount importance to make every effort to research the topics in connection with the impact of globalization on tourism.

Key words: *globalization, tourism, globalization trends, tourism trends, changes*

JEL: *F01, F6, Z3*

Introduction

Globalization is an unstoppable process which is affected by a wide variety of factors. Some factors are easily recognizable, while some are hidden and still have a significant influence on social events. On the other hand, globalization exerts impact on many events in the world, transferring that impact on each and every country. The difficulty of defining these kinds of terms, such as globalization, leads to underestimating the vital role globalization has on social trends. That role

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is reflected in the rise of unique work and cultural environments that some managers might find new and unknown. Globalization impels the world to become borderless which gives rise to new characteristic phenomena in international relations.

The world is becoming borderless and that is resulting in the disappearance of national identity which is the last tool for safeguarding national integrity. Lastly, the tremendous impact of globalization on families is a consequence of creating new “globalist soldiers” which find a career to be more important than personal life.

Tourism is one of the most promising industries. The results this industry has produced are worthy of respect. This has proven to be one of the primary reasons for taking a closer look at things that affect tourism development.

Globalization impacts every industry to an extent. This paper delved deeper into the following issue: How globalism influences an important industry – tourism? The aim, derived from the aforementioned issue, was to explain the connections between globalization and tourism which have brought about numerous changes on tourism market. The goal was to analyze, based on the primary sources, the ways in which globalization impacted the development and changes in tourism and whether those changes were beneficial or detrimental.

Globalization is ubiquitous in research papers around the world. Primarily, attention is devoted to economic issues. Many authors still look into the issue of globalization even though the pressure on it is significantly lower. The relation between globalization and tourism has not been thoroughly researched when compared to other fields, but there is a vast number of works mentioned in this paper. One thing is for sure – there will be much research into this topic because of the importance of tourism. Unfortunately, there is a small number of studies in Serbia. Serbian researchers have been interested in globalization as a universal phenomenon (Milenković, 2016).

The first part of this paper deals with globalization and issues faced by every researcher who opts to research this complicated and complex term which, as a continuous process, is difficult to define. The second part of this paper deals with tourism as a vital industry for every economy in the world and its growing importance. Many countries generate high incomes

and receive benefits from tourism today. The third part deals with the relation between globalization and industry. Lastly, the pivotal role of managers in this process is not overlooked. Managers who readily adapt to different cultures of some countries and regions are increasingly needed.

Methodology

This paper employed meta-analytic research method which entailed the research into the phenomenon of globalization in tourism with the help of secondary data, primary sources and available statistical data. On one hand, the researchers in this field have noticed that there is insufficient number of papers dealing with globalization and tourism (Johnson & Vanetti, 2005). On the other hand, there is a huge body of literature on the general topic of globalization. The reason behind this is the fact that tourism is a unique industry. It is not greatly affected by positive and negative effects of globalization when likened to other industries (Hjalager, 2007).

The main issue in this paper was: to what extent does globalization influence the trends in tourism? The goal of this research was pragmatic. The author wrote the paper with the aim of describing both positive and negative characteristics of globalization in tourism. The descriptive analysis, by depicting events and trends, helped in shedding light on this issue and in predicting the further development of tourism.

Globalism

A considerable confusion and ambiguity surrounds the term *globalization*. A vast number of opponents have stated that it is a term which has not been precisely defined and that its use is, even in scientific parlance, highly optional. The skeptics have stressed that this term gives rise to discussion and that globalization plays a crucial role in understanding social changes in the modern world (Milanović, 2016).

The term globalization (globalize) can be traced back to 1940, along with the term globalism (Pieterse, 2012). It first appeared in an English dictionary in 1961 (Merriam-Webster, 2017). However, globalism would become influential twenty years later, around 1980, as an instrument used for making sense of complex social phenomena. Sociology along with Robertson (1983) was the first science to interpret the present through

globalism. Also, Lewitt, in economics, wrote about globalization of markets (Lewitt, 1983). After that, the concept of globalization spread across other fields concerned with society. Economists were the first to perceive the events in economy as a direct consequence of globalism. Although a myriad of scholars have been dealing with globalization since 2000, it seems that this term is, because of its complexity, difficult to define (Kovačević & Pavlović, 2016).

The scholars have not still reached an agreement whether globalism is a positive or negative occurrence. This is the reason why many analyses start from the assumption that globalization has both positive and negative sides. History is written by the strongest, thus globalization is defended by governments of the richest countries, while the poor countries stress its negative consequences (Reinert, 2004).

Scholte (2000) provides a definition of globalization developed with the help of five different definitions which taken together adequately explain globalization. As Scholte states, if we perceive these definitions separately then that will not be enough to explain the phenomenon of globalism. According to him, the definition of globalism is an amalgamation of all five definitions and means more than the sum of its parts.

1. Firstly, globalization as internalization refers to cross-border relations, trade and trade relations, flow of goods and capital, and interdependence of people in different countries.
2. Globalization as liberalization refers to the process of removing trade barriers, capital controls and flow of goods and movement of people between different countries. The world economy has started to resemble a “free trade”.
3. Globalization as universalization refers to the process of establishing standards in many fields. Universalization has been accepted in the fields of engineering, computer science and television.
4. Globalization as westernization or modernization is perhaps the most criticized part of this definition insofar as many authors have not agreed whether this model truly exists. Westernization or Americanization, as it is popularly called, is clearly present in the field of education. The Bologna process is nothing short of one of the process of Americanization of universities (Lissemann, 2009).

5. Globalization as deterritorialization along with the process of supraterritoriality transforms social geography, so that borders and remote places are eliminated.

One of the most important characteristics of globalization is its impact on the events occurring at a local level. Saeed (2004) has stated that what happens globally directly governs the events at a local level through following dimensions:

1. The world economy is strengthened. Globalization is a process in which economies of certain countries are assimilated and interdependent.
2. Socio-cultural dimension refers to the homogenization of lifestyles. The way people live, watch television programmes, connect on the social networks, travel and develop tourism are identical in different countries and cultures and they are slowly becoming global.
3. Technological dimension, under the influence of globalization, refers to the process of smooth implementation of innovations, fast flow of information and communication. Knowledge has become the most significant factor, far more significant than capital and labor. The developed countries are now knowledge-based (Andrews & Criscuolo, 2013).
4. International relations. The policy of every country should adapt to the pressures created by globalization. It is no longer a matter of choice, but of survival. The World Bank, the European Union, The World Trade Organization, the World Health Organization, the World Tourism Organization all exert impact on the policies of a country.
5. Ecological dimension has occupied a prominent place because of environmental protection, ecosystem regulation and global warming in the last couple of decades. The issues in ecology are turning into global which impels every country to take steps to resolve them.

Not only does globalization have positive but it also has negative effects and influences on countries. Every country has unique characteristics, which means that globalization can be at the same time beneficial to one country and detrimental to another (Hjalager, 2007).

As Saeed (2004) emphasizes the advantages of globalization are reflected in the connection of production processes and communications technology. One might say that communications technology has created the conditions necessary to stimulate global processes. The Internet has enabled access to information and resources across the world. The

exchange of ideas and promotion of good internships are one of the positive sides of globalization. The aforementioned technical and technological achievements are now at everyone's disposal or people are at least aware of them. Economies of countries are based on knowledge in globalization, with a view to help organization learn. Daily training courses and investments which help managers advance indicate that organizations are keen on participating competitively on the market. Knowledge has increased productivity and efficiency. Higher productivity levels result in an increase in income and profit of the organization. Globalization has created new workplaces in every field: industry, service sectors and agriculture. The consequence of globalization is the centralization of knowledge and spread of global brands. Apart from this, the global development of tourism has led people to understand geography properly. Also, globalization has enabled individuals to better understand cultures of other nations. To put it simply, to understand the whole world.

Aside from positive impacts of globalization, it appears that negative impacts are greater in number. The critics of globalization start from the assumption that national governments have fallen from power while multinational companies have risen to power (Pečujlić, 2002). Globalization leads to the increase in polarization which is in favor of stronger economies (Reiner, 2006; Milanović, 2016). The poor are becoming poorer and dependent on the actions of stronger economies, such as the USA or Germany (Milanović, 2016). They express reasonable doubt in the good intentions of the richest and most powerful economies. The distribution of knowledge is not even. The poor countries cannot acquire knowledge without previously paying exorbitant sums of money for licenses and finished goods (Reinert, 2006). This particularly occurs in the field of science insofar as research is expensive and poor countries cannot actively participate in it.

Globalization exerts negative impact even when multinational companies use cheap labor force and resources in poor countries. These give rise to economic inequality, unemployment and generally terrible working conditions in those countries. The development of infrastructure of multinational companies is not aimed at public needs but those of multinational companies (Reisinger, 2009). Globalization decreases direct interaction among people. Many services are not in the vicinity of some people, they are offered in distant centers, even on another continent. This also happens with shops, boutiques and craft-workshops. There is a rise in

shopping malls which sell goods of leading brands and small-scale manufacturers have small chances to get on the market and compete with them. It seems that migration is increasing. People are moving from rural to urban areas, from one country to another, from one region to another, from one continent to another. Skilled and astute individuals are moving from their home countries, especially from poor ones, but this is also affecting rich countries (for instance, German doctors migrate to the USA). Managers have to possess a crucial skill which helps them persuade people to stay, and that is more important than hiring new employees (Drucker, 2004).

The dire need to resemble Western culture is something else. There is a widespread belief that accepting westernization would raise someone's social status and self-respect. This leads to standardization of tourism products and the disappearance of recognizable cultural trademarks.

Environmental degradation is also mentioned as one of the negative effects of globalization. The exploitation of natural resources radically changes their quality. Nature has become marketable. Spas have shopping malls, residential and other buildings. All of this has affected environment to change so that residents now opt out of participating in the decision-making process concerning their destinies. There is a risk of transmitting new diseases, viruses and substances which harm both nature and people.

Serbia in the Globalization Process

Serbia is the intersection of the roads from Eastern to Western Europe and vice versa. The consequence of such geostrategic position is a unique globalization which is characterized by development of integration processes and enhancement of political, economical and cultural co-operation.

Serbia entered the globalization process as an underdeveloped country with remnants of socialist system. It was a weak starting position in globalization process for Serbia. As it has been mentioned, the complexity of globalization has brought about difficulty in determining all positive and negative effects of globalization on Serbia. Serbia could not avert its economy from becoming a part of a global system. It is usually emphasized that positive effects of globalization are stronger insofar as Serbia has become a part of the world, where competition is fierce and the levels of import and export are higher. The emphasis is

specially placed on the fact that Serbia has adopted new information technology and that now several multinational companies operate there, for instance Yura and Fiat. Fiat is the leading exporter from Serbia with €1,18 billion (www.mfing.gov.rs).

There are many proponents of the negative sides of globalization in Serbia. Drobnyak, analyzing globalization, states that neocolonial globalization exists and that it is based on the internalization of force, political and economic coercion and exploitation of the weaker, the increase in poverty and growth of wealth in rich countries. Aside from neocolonial, he mentions ideological globalization which involves a world without borders, faith, tradition, culture and individual human values (Drobnyak, 2011). Mićunović et al. (2015) also speak about negative impacts of globalization stating that its basic purpose is to generate profit. Small and underdeveloped countries, such as Serbia, have to make dramatic and radical changes through global strategic planning which is the only thing that is beneficial to transitional industry.

According to Hrustić, globalization will compel all countries to adhere to market principles. The competition will be determined by knowledge and technological progress in the future economic development. It is necessary for the countries caught in the globalization process to adapt to changes in the world (Hrustić, 2010).

Tourism – an Important Industry

Tourism refers to the process of travelling and recreation, and it also refers to services that will achieve that goal (Unković, 1988). UNWTO states that a tourist is a person who travels at least 80 kilometers away from his/her residence. The term tourism is derived from an English word *tour* which means the pleasure of travelling and staying in different places. Tourism is a part of service industry which involves a huge number of systems: transport, hospitality industry, hotel management and many other services.

According to Friedman (1995), tourism is one of the biggest industries in the world. Tourism includes increased flows of goods and services and movement of people in the world. Tourism is one of the fastest growing industries in the world. According to the data of the World Tourism Organization (UNWTO), tourism is listed among the five biggest export industries in over 85% countries in the world (www.unwto.org). The most

important countries for tourism are usually located in the North America and in the European Union.

The data about a major expansion of tourism can be found on the website of UNWTO (www.unwto.org). UNWTO provides an answer to the question of why tourism:

- International tourist arrivals grew by 4.6 % in 2015 which is the biggest growth in industry.
- International tourism generates over US\$ 1.5 billion in export earnings.
- UNWTO forecasts a growth in international tourist arrivals of over 4%.
- By 2030, UNWTO forecasts international tourist arrivals to reach \$1.8 billion.

The Relation between Globalism and Tourism

In the previous section we have discussed the important impact of globalism on tourism industry. Globalization has created new possibilities for the development of tourism through the advancements in technology, communications and transport (Perić, 2005).

New information systems have been introduced and owing to them now one can book or order a tourism product at a remarkable speed. Information technology has led to the improvement of efficiency in tourism which has simultaneously improved the quality of services. It has given rise to offers such as those on the websites Trip Advisor, Booking, etc. Now one can order and book any kind of service online without having to visit some agency.

Digital marketing has replaced booklets and people can now find travel offers with ease. The fact that we are now surrounded with offers has resulted in the decrease in their prices. Also, the quality has been increased in this industry. Apart from this, the guests in hotels have Internet access; they can travel from one destination to another and gain information that they find interesting. Now, tourists are satisfied, tourism service is improved, offers are cheaper and one is not in dire need of mediators. Tourists can now create their own destinations.

Also, the Internet has become a part of transport industry. This industry has also gone through dramatic changes. Air transport is cheaper so that

destinations, which only a few could afford in the past, have now become available to a vast number of people.

The Types of Globalization in Tourism

According to Pavlić (2004), there are many types of globalization in tourism. Globalization in air transport is of paramount importance inasmuch as it has brought about faster and cheaper transport. Liberalization of air traffic has created market for private transport, international airline associations, foreign investments in national airlines, joint venture between airlines, and other things which have drastically decreased the price of airline tickets. The introduction of charter flights and the ability to book service via the internet has contributed to the great expansion of tourism. There are hundreds of websites which offer favorable conditions for transport. The customer only has to, from the comfort of his/her own home, opt for what he/she likes. This kind of advancement of air traffic has removed obstacles such as not being able to travel to some destination due to the exorbitant prices of transport.

When it comes to hotels, there are hotel corporations (hotel chains), joint investments, franchising, and consortium of independent hotels. The examples would be International Hotels (the UK), Accor (France), Cendat, Marriott (the USA), etc. Marriot has over 1.2 million rooms, 5700 real estates, and operates in 110 countries (www.marriott.com).

The retail sector has partnerships, integration and concessions. Tour operators and travel agencies collaborate with hotels, airlines, trade distributors and cruise companies. The main tour operators today are NTA, ABA (the USA), ABTA (UK), and TUE (Germany). Tour operators exert a major impact on local operators to change their ways of doing business so as to match those of global companies.

The New Type of Tourists

Globalization and technological development have created a new type of tourists. Globalization has taken an interest in consumers' attitudes and tastes, because they demand good offers and lower prices now. This has called into question the quality of offer, but now a myriad of people can afford to travel across the world.

The new type of tourist is aware of and informed about other cultures. Information technology has lowered the differences among cultures and

has taught people how others live in different environments. People now ask for better and diverse offers, higher quality, cheaper transport, numerous dates. Due to the growing number of terrorist attacks, tourists now seek safety on their trips.

The today's consumers question their attitudes towards the leisure time, they seek to balance their careers and personal lives, and they question work and free time. Last-minute offers have been created; tourists seek new experiences and they are developing an ecological conscience. Tourists are now asking for authentic and original experiences (the so-called experimental tourism).

Travel agencies have to take into account what tourists want. They now offer a vast number of cultural events which fulfill needs for new identities, self-actualization and personal development. There is a decrease in the traditional offers which involve recreation and rest. People devote their attention to the needs of their families and environmental protection. Also, the customers are now seeking to devise their own vacations.

The New Type of Tourism is under the Influence of Globalism

The research indicates that mass tourism (or also called traditional tourism) is still ubiquitous. However, traditional tourism is transforming into a new type, called responsible, green or sustainable tourism. New types of tourism are: cultural, health, wellness and spa, nature-based, educational, wildlife, geo, genealogic, gastronomic (food and wine), photographic, experiential, space, ethical or moral, and community tourism. Even peculiar types of tourism have been created. Those are: atomic tourism (visiting the ruins of nuclear plants), dark tourism (visiting the places where accidents have happened), and visits to places which have inspired famous writers and musicians. It is obvious that a wide of variety of offers can become a tourism product. Innovation, imagination and a good marketing are needed to promote something that tourists will find interesting and new.

New types of tourism compel travel agencies to adapt to them and work on their marketing.

- Tourists in community tourism look for social events which will bring about the feeling of togetherness. They want to satisfy their social needs with this kind of tourism.
- In cultural tourism culture takes first place. They seek travel offers which include the following: art, music, film, museum, galleries, and concerts.
- Ecotourism emphasizes the importance of saving, protecting and preserving natural resources. Tourists are in need of organic products, ecotourism, natural tourism and unspoiled nature, wildlife tourism.
- Educational tourism finds that education is the best investment. Tourists demand products which encourage learning: books, educational tourism, wildlife tourism, food and wine tourism.
- In order to stress the importance of family values, travel agencies have created tourism which requires families to participate and it involves: games, hunting and fishing, family vacation, community tourism.
- Similar to family values, people also find friendship to be paramount. Travel agencies have to prepare offers which enable people to spend time with their friends: games, food and wine, visiting friends, community tourism.
- Travel agencies also plan social events, ethical and moral tourism, community tourism in order to achieve social harmony.
- The concern for others is becoming paramount to the contemporary man. The travel agencies develop offers for elderly, disabled people, unemployed, special needs tourism, and non-profit tourism.
- The feelings of love are related to ethical and moral tourism, visiting places where one can listen to music and recite poetry, go on a romantic cruise.
- Safety has already been mentioned as one of the most important parts of travel offers. Today, tourists are interested in places where they can be safe, where they would feel at ease and comfortable.
- In order to satisfy the spiritual needs, travel agencies have prepared pilgrimages, health and wellness, spa, religious tourism, and trips to sacred sites.

Serbia has a possibility to succeed in the aforementioned new types of tourism. Serbia has beautiful spas and unspoiled nature which, once turned into a tourism product, can attract a huge number of tourists.

Rural tourism also has its advantages. The overview of new types of tourism (community, love, friendly, family, educational, etc) indicates that there is room for the development of rural tourism (Pavlović, 2016).

Positive and Negative Aspects of Globalism and Tourism

Globalization has brought enormous benefits to tourism, more than in any other industry. Globalization has caused an increase in trade, flow of capital and movement of people, and it has created new workplaces. The infrastructure in popular destinations has improved and this is why roads, pipelines, airports have been built. Some underdeveloped countries have generated large incomes and have improved living standards.

People who engage in travelling are responsible for reconciling differences between cultures and shedding light on environmental and ecosystem protection.

However, globalization also exerts negative influence. It brings about colonial control. Multinational companies are more concerned with generating profit than with protecting nature and ecosystems. The development of infrastructure reduces cultural and national values. Forests and natural habitats are being destroyed in order to construct a hotel. The influx of tourists harms ecosystems of the most popular tourist attractions.

Saee (2004) notices that globalization wants to standardize and homogenize travel offers. It destroys local, regional and national character. It tends to offer impersonal service, superficial communication and poor content.

The future compels people to retain local characters and national cultures. If these values disappear then it will bring about the disappearance of tourism products. Namely, tourists will not be interested in visiting a country that is like the others.

Serbia takes into account these consequences of globalization when developing its tourism. Foreign companies which want to operate in Serbia have to be the ones adapting to its environment, not the other way around. A good globalization calls for respect and demands from tourists to understand cultures and needs of people in different environments. It is essential to stress that interculturalism in communication, showing respect for legal, ethical and moral norms which traditionally exist in one country are of paramount importance (Brdar et al., 2015). Companies which operate in Serbia, such as McDonald's or Yura, have already been working on this. They have emphasized the importance of treating

Serbian cultural values with respect and they have increased social responsibility.

Globalism is a Challenge for Managers

Organizations which operate only in one country are not faced with problems of economic, legal and cultural differences (Dessler, 2015). However, organizations involved in tourism cannot afford to engage in homogenous business. A manager who does business and works with organizations outside of his home country or is a representative of his organization in another country has to possess knowledge and adapt his policies and practices to those of the countries he is conducting business with (Earley & Peterson, 2004).

Countries differ in cultures. This would mean that they also differ in values, but also in organizational culture. Hofstede's research (2001) has indicated that societies differ according to:

- **Power Distance** which expresses the degree to which a society accepts that power is distributed unequally.
- **Uncertainty Avoidance** expresses the degree to which members of a society feel uncomfortable with uncertainty and ambiguity.
- **Individualism versus Ambiguity** indicates who accepts responsibility for his/her own destiny.
- **Masculinity versus Femininity** shows preference for achievements, results and assertiveness.

Hofstede (2001) claims that every society has its unique characteristics and that it is fundamentally different from other societies. These results help managers in tourism to adapt their behavior to the cultures of societies they operate in. Being acquainted with someone's culture brings about easier communication.

Apart from this, it is important to be acquainted with company policies of some countries. The example for this is a stark difference between countries which are a part of the same union. For instance, the employees in Portugal spend more time working than those in Germany, even though these two countries are members of the European Union. Also, there are differences in salaries (www.wordbank.org).

Managers have to be aware of legal and political systems of different countries because they also differ. It is paramount to become acquainted

with employee rights or those of their clients. Errors might lead to enormous expenses.

Differences in cultures of countries have already been mentioned. The consequences are differences in ethics and in codes of conduct for managers. If one is not familiar with rules of behavior, then the consequences will not only be ridiculous, but also detrimental to business.

Is it better to hire managers from one's own country or from the country the company is operating in? The answer to this question is complex and open for interpretation. Some suggest that the best solution is to hire managers from the country the company is operating in, and have those managers train the ones from your own country. This can be expensive, but it ensures that employees will be trained on how to deal with problems which might arise in the new environment.

Conclusion

Globalization is an unstoppable process and there are no obstacles for its development. The rich countries have capital and the poor countries are in dire need of it insofar as it will help them preserve their industries. Globalization is spreading with the help of capital and individuals are disregarding numerous critics aimed at its negative aspects.

The good aspects of globalization are reflected in the use of information systems which help poor countries acquire information and compete with other underdeveloped countries. The poor countries still cannot compete with the rich ones. This part of globalization has been widely criticized because it does not remove differences. On the contrary, it broadens the differences among them. Multinational companies allow the underprivileged countries to thrive in sectors which will not aid them in becoming upper middle income countries.

The situation is similar in tourism. Globalization has affected this industry a long time ago. This process is creating new types of tourists and tourism. The replacement of traditional tourism compels travel agencies to prepare tourism products and travel offers which will satisfy consumers.

Perceiving globalization as beneficial for tourism requires from Serbia to enact new policies which need highly skilled individuals. In addition to

this, those individuals have to possess the necessary knowledge and skills related to information technology and they have to assimilate tourists in Serbia. One of the most important things is to encourage innovations in tourism products which tourists across the world will recognize and find attractive.

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GLOBALIZATION AS A PART OF SERBIA'S TOURISM DEVELOPMENT

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Abstract

Globalization is a phenomenon that is increasingly being called upon in the analysis of tourism development. Among more visible manifestations of globalization, there are the international trade of goods and services, financial capital, information and people. Globalization can bring Serbia many benefits through attracting foreign investments, increasing movement of tourists, creating jobs, and increasing national income. This paper presents a comparative analysis of the development of tourism in Serbia and the competitive countries. In conclusion, we would emphasize the positive impacts of globalization that Serbia can use in the development of its tourism industry.

Key Words: *Globalization, Tourism, Development, Competition*

JEL classification: *F60, Z32, F63, O57*

Introduction

Globalization is one of the key concepts of our time. It is used by both the right and the left as the cornerstone of their analysis of the international economy and policy. In both political and academic discussions, the assumption is commonly made that the process of economic globalization is well under way and that this represents a qualitatively new stage in the development of international capitalism (Hirst, Thompson and Bromley, 2015).

Jan Aart Scholte (2005) considers that globalization is best understood as a reconfiguration of social geography marked by the growth of transplanetary and supraterritorial connections between people. According to Vasiliu (2003), the process of globalization has evolved

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gradually, upon three major phases, mainly taking place in the second half of the 20th century:

- Internationalization of commerce, by its becoming free and by the un-regulating policy, so that, starting with the 50s of the last century, the growth rhythm of the commerce has become higher than that of the production;
- Trans-nationalization of the capital flows, which starting with the 1980s has evolved in a more alert rhythm than the international commerce;
- Occurrence of the informational society and globalization of the informational flows, which has developed more alert than the commercial flows and the capital flows.

Globalization can be defined as the unfolding resolution of the contradiction between ever expanding capital and its national, political and social formations. Globalization also represents the shift of the main venue of capital accumulation from the national to the supranational or global level (Teepel, 2000).

Bringing about economic, social, political and even cultural changes, it drives the expansion of a unified global market that greatly facilitates the movement of capital, goods and people. Globalization also has its immeasurable dimension that fosters a free flow of ideas, thus creating new attitudes and behaviors of individuals. There are many positive aspects of globalization. It promotes economic growth, influences the creation of new jobs, increases competitiveness of enterprises thus expanding the range of products and reducing their prices. Globalization of national economies creates the basis for disseminating technical knowledge and education, generates innovation and enhanced product quality and fosters democratic ideals and cultural exchange and international understanding (Dwyer).

The prosperity of a region as a result of tourism development occurs in several phases (Ene, Baraitaru, 2010):

- immediately, following the direct consumption of tourism products;
- short term, by continuing to absorb labor to welcome and encourage trade;
- Long term, by the capital concentration in investment in general infrastructure and the tourism, travel and accommodation structures in development of urban services.

But there are also critics of the negative effects of globalization. Namely, globalization can generate income inequalities, have a bad influence on local industries, create greater dependency of developing economies on developed ones, have an adverse effects on small business, etc. (Dwayer). On local level, globalization can increase the prices of consumer goods and services, and influence the increased price of land and housing beyond local affordability. By increasing the inflow of people, demands on public services and facilities will also be increased. The presence of negative effects cannot be neutralized, but countries may undertake activities that will partially control the amount and time of risk realization and the consequent damages. These activities are referred to as risk management and, if successfully implemented, can reduce the costs of realized losses (Obadović et al., 2010).

As main drivers of globalization, four factors can be distinguished: economic, technological, demographic and political. Economic factor of globalization drives the integration of national economic systems, including greater trade in goods and services, the creation of trading blocks, liberating the trading across borders, and increasing the volumes of world trade.

Information and communication technology is gradually transforming the world into a global village. Today, we witness a global free market economy, a global growth or recession, global companies, a global democratization process, a global awareness of the importance of protecting the physical environment and healthy habitat, and a global revitalization of local community's expectations and participation in socio economic change – particularly in developing countries (Axford, 1995). Kenichi Ohmae (1991) asserted that globalization is the product of many converging forces - technology, transnational corporations, and new methods of communication and distribution systems as well as new vistas of competition – all of which are instrumental in creating a global market, an economy conceived of as mainly the same in all its parts.

Age structure change and population growth is important demographic driver of globalization. In developed countries population is ageing as a consequence of an increased longevity, caused by a high standard of public health. Parallel to changes in demography, there are changes in people's values and needs, aspirations and expectations (Dwayer). An increased sense of deservingness with emphasis on quality, individualism,

money, time, and hedonistic, social and environmental consciousness is increasing worldwide.

The main political contribution to the world globalization is increasing liberalization of trade and capital markets. Economic growth has been spurred by a rapid expansion of the private sector in many emerging market economies, generating competitive pressures to use resources more efficiently. Consumer protection in many countries is rising, providing certain environment to businesses and consumers.

Influence of Globalization on Tourism

Many new destinations have emerged in addition to the traditional favorites of Europe and North America. Of all industries, tourism is one of the most international, increasing international competitiveness with both the public and private sectors.

Tourism is one of the most important areas affected by globalization. The rapid growth of tourism sector has come with globalization. International tourism is generating more than 10% of global economic output and employment (Salazar, 2005), creating increased interdependence between countries, economies and people. The quantity of tourists that are involved in international tourism is increasing, due to ease of access to transport and accommodation over the globe. Globalization has contributed to the difficulty of defining or maintaining national borders. In addition, technological advances in communications and transport are helping tourists to overcome barriers of physical distance (Knowles et al., 2001).

Globalization has multiple impacts on tourism industry. Due to increased travelling, peoples are being opened up to appreciate and embrace new ideas, cultures and values that unite and diversify the world. Besides, the growth of technology has facilitated easy access and spread of information across the continent.

Among the major indicators of globalization there is the growing mobility of population, which was enabled by developing transport and communication and the ease of access, one manifestation of which is the thriving foreign tourism. The liberalization in world economy supported the economic growth which was not necessarily sourced by the increase of production, but the increase of the trade.

People all around the world are traveling for various purposes like holidays, business, health, etc., which is increasing the market of multiple industries in the country. This has a lot of influence on economy of the country, thus globalization helps to pump in money into the country. With increased tourist arrivals, the need for creating new jobs is opening as well as infrastructure building and upgrading existing and creating new products and services to satisfy this increase. Economic globalization creates more tourism markets and provides reliable and convenient services for tourists, which increases the number of tourists who travel. Consequently, tourism industry produces more economic benefits.

The structure of societies is continuously changing: The world population is forecast to grow to 8.3 billion in 2030, life expectancy is projected to increase in most of the world, households and families are becoming more diverse, and migration is changing the face of societies³. All these changes will impact the types of tourists, where they originate from, where they travel to, the types of accommodation they require and the activities they engage in while travelling. Quality, production conditions, the role of public authorities, corporate structure and price strategies in tourism are going to exert profound reciprocal influences on globalization trends in tourism – but in varying proportions. Therefore, researching the future orientation of tourist-generating markets should be the point of departure in any analysis of the globalization process (Cooper & Wahab, 2005).

In addition to the many positive impacts on tourism development in the country, there are lot of challenges that globalization brings. Language barrier is one of them, bringing the possible miscommunication between people; due to globalization we have to meet different cultures and different languages.

While some multinational corporations and few countries benefit enormously from globalization, many countries experience just the opposite. With political deregulations and various free trade agreements globalization has resulted in foreign ownership of tourism businesses. Great amount of revenues of multinational corporations operating in tourism industry, do not stay in destination but flow back to the corporate home country. It not only destroys local tourism industry but also loses

³ Demographic Change and Tourism, 2010, UNWTO Publications

most of the capital gained from turnover. Countries that are unable to keep up with the advancement in technology tend to lose out.

Global financial crisis has affected tourism worldwide, making less people want to spend money or travel. Globalization has also raised concerns about global security. The ease of movement has encouraged criminals to move through porous borders from one country to another, thus increasing the spread of criminal activities in the entire continent. Terrorism acts on tourism destinations have become scarecrows that impede tourists from visiting those places. Besides, peace and stability is key to the success of the tourism industry and the lack of it results in issuance of travel advisories; these are not only damaging to the continent's image but also lead to lost revenue.

Competition would take up a new course under the pressures of globalization which would reshape the production conditions in various tourist destinations and change their marketing strategies. According to the Travel & Tourism Competitiveness Index (TTCI) which measures “the set of factors and policies that enable the sustainable development of the Travel & Tourism (T&T) sector (competitiveness of 141 economies), which in turn, contributes to the development and competitiveness of a country” four key findings have emerged⁴:

- First, the T&T industry continues to grow more quickly than the global economy as a whole. As proof of its resilience, the analysis shows that the sector’s growth—whether in terms of global air passenger traffic, occupancy rates or international arrivals—tends to return to trend quickly after a shock.
- Second, countries performing more strongly on the TTCI are those that are better prepared to capture the opportunities of new trends: growing demand from emerging and developing countries; the differing preferences of travelers from aging populations and a new generation of younger travelers; and the growing importance of online services and marketing, especially through mobile internet.
- Third, developing the T&T sector provides growth opportunities and social benefits for all countries, regardless of their wealth. Several developing and emerging economies are ranked among the 50 most T&T competitive economies. A strong T&T sector translates into job opportunities at all skill levels.

4 The Travel & Tourism Competitiveness Report 2015, World Economic Forum, Geneva, 2015

- Fourth, the development of the T&T industry is complex, requiring inter-ministerial coordination and often international and public-private partnerships to overcome financial, institutional and organizational bottlenecks.

International tourist arrivals have increased from 25 million globally in 1950 to 278 million in 1980, 674 million in 2000, and 1186 million in 2015. Likewise, international tourism receipts earned by destinations worldwide have surged from US\$ 2 billion in 1950 to US\$ 104 billion in 1980, US\$ 495 billion in 2000, and US\$ 1260 billion in 2015.⁵

The number of international tourist arrivals (overnight visitors) in 2015 reached a total of 1.186 million, an increase of 52 million over the previous year. Representing an increase of close to 5%, this marks the 6th consecutive year of above average growth following the 2009 global economic crisis, with international arrivals increasing by 4% or more every year since 2010. Tourism flows were influenced by three major factors in 2015: the unusually strong exchange rate fluctuations, the decline in the price of oil and other commodities, and increased global concern about safety and security (UNWTO, July 2016).

Expenditure by international visitors on accommodation, food and drink, entertainment, shopping and other services and goods in the destinations reached US\$ 1.260 billion (€1.136 billion) in 2015. In real terms, i.e. taking into account exchange rate fluctuations and inflation, this represents an increase of 4.4% over 2014, mirroring the growth in international arrivals. International tourism also generated US\$ 211 billion in exports through international passenger transport services rendered to non-residents in 2015. For many countries inbound tourism is a vital source of foreign currency earnings and an important contributor to the economy, creating much needed employment and further opportunities for development (UNWTO, July 2016).

Given the importance of economic, social and political development of tourism, its overall contribution to the development of a region, the necessity for the development, implementation and promotion of the tourism development strategies seems obvious, not only nationally but also regionally. One aspect that should be taken into account in developing such strategies is the compliance principles of sustainable

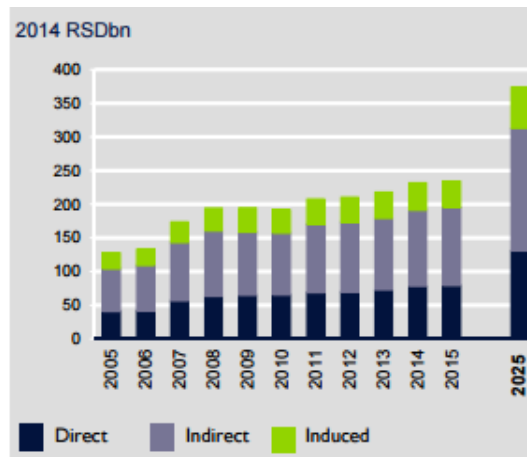
5 UNWTO Tourism Highlights, 2016 Edition, World Tourism Organisation

development, aiming at the development of tourism while respecting the requirements for protecting the natural environment, taking into account the specific objectives of each area or region (Ene & Baraitaru, 2010).

Tourism of Serbia: Facts and Figures

According to WTTC (World Travel and Tourism Council) the total contribution of Travel & Tourism to GDP (including wider effects from investment, the supply chain and induced income impacts, (see Figure 1) was RSD231.7bn in 2014 (6.1% of GDP) and is expected to grow by 1.1% to RSD234.2bn (6.2% of GDP) in 2015. It is forecast to rise by 4.8% to RSD373.8bn by 2025 (7.2% of GDP).

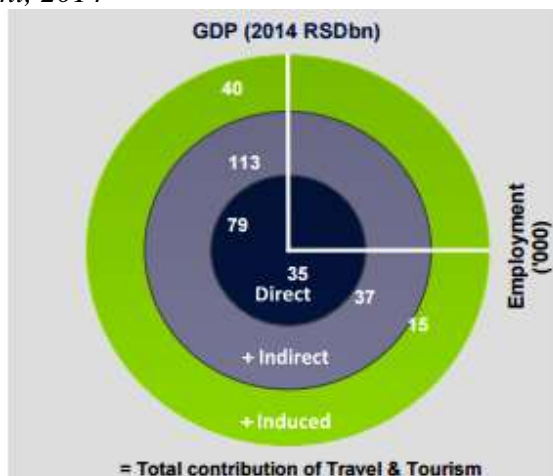
Figure 1: *Total Contribution of Travel & Tourism to GDP in the period 2005-2015*



Source: *WTTC Travel & Tourism Economic Impact 2015, Serbia*

The total contribution of Travel & Tourism to employment (including wider effects from investment, the supply chain and induced income impacts, (see Figure 2) was 87,500 jobs in 2014 (6.4% of total employment). This is forecast to raise by 0.7% in 2015 to 88,000 jobs (6.4% of total employment).

Figure 2: *Breakdown of Travel & Tourism Total Contribution to GDP and Employment, 2014*



Source: *WTTC Travel & Tourism Economic Impact 2015, Serbia*

In the period 2011-2015, tourist arrivals in Serbia have recorded a constant increase, especially in 2015 when it amounted to 2.437 thousand which recorded an increase of 17.81% from 2011 and 11.16% of increase from 2014. Domestic arrivals recorded a small but constant fall during the years until 2015 when it came back to the level of 2011. Unlike domestic arrivals, foreign arrivals have recorded a significant increase and in 2015 it was by 48% higher than in 2011 (see Figures 3,4).

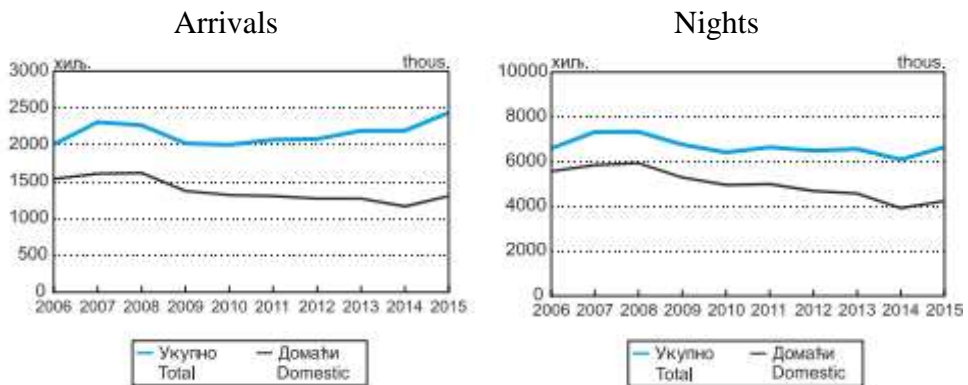
Realized tourists nights recorded a number of 6.651 thousand, which is only a slight increase from 2011 of 0.11%, but 9% of an increase from 2014. Even though not significant changes were recorded during the years in total tourists' nights, there were significant changes in the structure of tourists. Domestic tourist nights fell down by 15% in 2015 compared to 2011, and foreign tourist nights rose for 46.66% (see Figures 3,4). These figures show us that a positive environment has been created, for more and more foreign tourists are attracted to Serbia as a destination. On the other side, lowering the life standard in the Republic of Serbia has decreased a number of domestic tourist traffic.

Figure 3: *Tourist's arrivals and nights in the Republic of Serbia from 2011 to 2015*

Year	Arrivals	Index	Nights	Index
Total				
2011	2068610	100	6644738	100
2012	2079643	100,53	6484702	97,60
2013	2192435	105,99	6567460	98,84
2014	2192268	105,98	6086275	91,59
2015	2437165	117,81	6651852	100,11
Domestic				
2011	1304443	100	5001684	100
2012	1269676	97,33	4688485	93,74
2013	1270667	97,41	4579067	91,55
2014	1163536	89,19	3925221	78,48
2015	1304944	100,04	4242172	84,81
Foreign				
2011	764167	100	1643054	100
2012	809967	106	1796217	109,32
2013	921768	120,63	1988393	121,02
2014	1028732	134,62	2161054	131,53
2015	1132221	148,16	2409680	146,66

Source: Authors calculation based on data collected from Statistical Office of the Republic of Serbia

Figure 4: *Tourist's arrivals and nights in the Republic of Serbia from 2011 to 2015*



Source: Statistical Office of the Republic of Serbia

Foreign currency inflow from tourism in the last few years recorded a constant increase, except in years 2009 and 2010 in which, the global economic crisis evidently affected the reduction of foreign exchange inflow. In the years of recovery after the crisis, there was an increase in

the foreign exchange inflow with a growth rate of 3.3% in Euros, i.e., 9.8% in USD. Foreign currency outflow has also seen a constant growth in Euros, except for the period of crisis, but in USD it recorded a fluctuation during the years and fall of outflow in 2015, lowering to the level below the outflow in 2008 (see Figure 5).

Figure 5: *Foreign currency inflow and outflow from tourism in the Republic of Serbia from 2007 to 2015*

Year	Inflow in EUR (in mil.)	Inflow Index	Outflow in EUR (in mil.)	Index	Inflow in USD (in mil.)	Index	Outflow in USD (in mil.)	Index
2007	630	100	759	100	531	100	1.041	100
2008	640	101	845	111	944	177	1.254	120
2009	617	97	686	81	865	92	959	76
2010	605	98	724	105	798	92	953	99
2011	710	117	791	109	992	124	1.114	117
2012	708	100	805	102	906	91	1.350	121
2013	792	110	841	104	1.053	116	1.117	83
2014	863	109	849	101	1.139	108	1.177	105
2015	945	109	993	112	1.048	92	1.097	93

Source: *National Bank of Serbia*

The structure of foreign tourists' nights shows that there was 53.4% (1286 thousand) of tourists in Grad Beograd, 7.6% (184 thousand) in Grad Novi Sad, 9.6% (231 thousand) in spas and 10.1% (242 thousand) in mountain resorts, out of total number of foreign tourists' nights (2410). The largest number of foreign tourists who visited the Republic of Serbia in 2015 were tourists from Bosnia and Herzegovina (87 thous. arrivals, 192 thous. nights), Bulgaria (71 thous. arrivals, 120 thous. nights), Croatia (66 thous. arrivals, 121 thous. nights), Slovenia (66 thous. arrivals, 115 thous. nights), and Turkey (64 thous. arrivals, 115 thous. nights)⁶.

Travel & Tourism is expected to have attracted capital investment of RSD28.0bn in 2014. This was expected to rise by 2.9% in 2015, continue rising by 2.6% over the next ten years to RSD37.1bn in 2025. Travel & Tourism's share of total national investment will fall from 4.4% in 2015 to 4.2% in 2025 (see Figure 6).

⁶ Statal yearbook of the Republic of Serbia – Tourism, 2016, Statistical Office of the Republic of Serbia

Figure 6: *Capital Investment in Travel & Tourism Sector in Serbia*



Source: *WTTC Travel & Tourism Economic Impact 2015, Serbia*

Strategies for Placing Globalization in Function of Tourism Development of the Republic of Serbia

The Republic of Serbia is a part of Europe, which is the world's leading tourist destination. Serbia has a lot of comparative advantages as a tourism destination. Its unique geographical, geo-strategic and macro-regional position is giving it a very important transit role. Good geographic location of Serbia, its plant and animal life, rivers, lakes, specific relief and climate, historical monuments as well as culture is a foundation for development of diversified tourist products that are connected to development of selective tourism like ecotourism, health, cultural, rural, etc.

In order to place globalization in function of tourism development, Serbia need to discover its comparative advantages and opportunities and use them in the way that will open it internationally to develop more receptive tourism and consequently new investments and product development. As an economic branch of major interest and availability, the Serbian tourism must become an important component of global economic system. The tourism sector of the national economy is influenced by other sectors and also has an increasing influence on their development.

According to domestic and foreign analysis (according to Methodology of Oxford Economics) tourism sector in Serbia has a good starting point for the new ten-year development⁷:

1. The total contribution to GDP of the Republic of Serbia in 2015 was 6.4%;
2. Tourism contributes directly to GDP of the Republic of Serbia with 2.2%;
3. Tourism and hospitality (according to the above methodology) includes about 30,000 (directly) of the newly employed, while there is about 157,000 in total, newly employed in tourism and related industries with a large number of new micro and small companies in the field of tourism and hospitality sector and related fields;
4. "Invisible export" represents the 7.3% of the total export of Serbia and almost 29% of the value of exports of services;
5. Investment in tourism constitutes 4.1% of the investments in Serbia. In 2015, the total foreign exchange inflow from tourism amounted to USD 1.048 million. In the period from 2007 to 2015 there was a growth of foreign exchange earnings from tourism for 97.4%, with an average annual growth rate of 10.8%.

Although tourism in Serbia currently has only a modest share of GDP, it is widely recognized for its ability to become a vital sector of national economy in a context that will meet national targets in this area.

To attract investments that will affect the development of the tourism sector and the whole concerned region, achieving a sustainable tourism market has become a necessity. That means that development strategies of tourism must meet the developing requirements of the country and its regions. According to Hanciuc (2003), a following aspects has to be considered to achieve sustainable tourism development planning at local and regional levels:

- Identifying and planning of the tourism resources, and attracting the private households to practice tourism;
- Achieving some form of regional or local training level for practicing some specific trades;
- Providing financial assistance to obtain bank loans for the start-up of tourism activities;

7 Tourism Development Strategy of the Republic of Serbia for the Period 2016 – 2025, Serbian Government Ministry of Trade, Tourism and Telecommunications, 2016

- Support individuals in obtaining approval certificates for the interest structures and professional licensing and patents in the field;
- Preparing the local experts in the matters of tourism.

Serbia has diversified tourist attractions, but they are not well developed. In order to develop them, significant investments in the infrastructure, technology, human resources etc. need to be made. Domestic resources for the investments are poor, and in order to attract foreign investment in tourism, legislative and institutional framework of the Republic of Serbia must provide favorable conditions for the investors.

Information revolution is very important factor of globalization. Internet is making tourist destination, companies and organisation visible to everyone in the world. Companies that operate in tourism sector and Tourist Organization that has realized that by incorporating information technologies in business and the use of the Internet as a way of promotion, branding and creation of image, can improve their competitive position, and have a chance for growth and further business development. The use of web marketing and social networks can bring companies closer to their customers all over the world, making it easier to understand their needs, and sending messages to them about the company's activities.

Innovation in tourism is very important for the development of tourism sector. The possibility to adjust to the changes and to innovate is the prerequisite for the positioning of a tourism company in growing competitive environment. Behavior of tourists has changed because of globalization. Their needs and preferences have changed and influenced the changes in tourism product.

In order to attract international tourists and develop receptive tourism, Serbian tourism market needs to be current with new trends and products popular in the global tourism market. Joint ventures with international companies can bring Serbia closer to new markets and their users, and it can be introduced to new products and the way of doing business.

In order to become a tourism destination, Serbia needs to adopt trends that are current in the global tourism market. More tourists are choosing city break, meeting new cultures and destinations as a way to spend their holidays, so promoting Serbian cities and cultural heritage can be the way to attract tourists. Serbia is yet to be explored by international tourists.

In terms of destination choice, tourists in the years to come will be more likely to travel closer to home. Domestic tourism is expected to boom as a repercussion of global economic recession, and segments such as VFR, repeat visitors, special-interest, and independent travelers are expected to be more resilient. In the meantime, decline in the length of stay and international tourism expenditure will be more pronounced than volume (or number of arrivals); value-for-money destinations (e.g. places with favorable exchange rates) are likely to be preferred destinations among the traveling public. In such a context, cooperation between public and private sectors appears critical for the sustaining of international tourism in a region (Ilić & Leković, 2016).

Positive vision of tourism sector in the Republic of Serbia by 2025 made by the Ministry of Tourism and Trade is definitely a good starting point in including Serbia into the global tourism market:

1. In 2025, the Republic of Serbia will become a globally recognized tourist destination as a result of the established system development and sustainable resource management and coordination of the activity of all subjects of importance for the development of tourism;
2. Tourism and related activities will become one of the dominant industries that effectively provide new added value and sustainable employment and contributes significantly to local and regional development;
3. the tourism sector of the Republic of Serbia will be able to efficiently and flexibly adjusts its offer with modern trends in the global tourism market and offer an authentic experience and high quality products, which will, along with the traditional hospitality, be the basis of recognition from the competition;
4. Tourism will become the leading promoter of the Republic of Serbia's image in the world as a modern and visitation, holiday and business - desirable destinations, providing constant innovative feature in the application of modern standards, new technologies and the protection of nature;
5. Its constant modernization, accepting and taking global standards and models of business and management, tourism will become the preferred sector for employment and career development, particularly for young people;
6. The Republic of Serbia will, on the global competitiveness tourism scale, become high-ranking and popular as a destination.

Conclusion

It is clear that tourism and globalization goes hand in hand, as tourism is not an individual sector for itself, but an all embracing and pervasive domain of service and industrial activities. Tourism as one of the largest and fastest growing sectors in the world has become a key driver of socio-economic progress, through the creation of jobs and enterprises, export-revenues, and infrastructure development, due to always increasing number of new destinations worldwide and investments made in these destinations.

Tourism can bring both advantages and disadvantages for a region. Through careful planning, tourism can also create new jobs and increased revenue. Expansion of tourism activity even leads to the creation of new jobs and has beneficial effects on the qualification and training level of the workforce.

Incorporating and developing tourism in regional profile is a comprehensive and lasting process that cannot be achieved in a short period of time. In order to develop a strategy for developing tourism sector, it is necessary to view the current state of Serbian tourism and to anticipate future developments. A coherent set of objectives, priorities and means for its achievement are strategies that need to be set to achieve the tourism's regional development.

However, it is necessary that available comparative advantages of Serbia as a tourism destination be transformed into competitive advantages, including its capacity use its resources efficiently in order to attract tourists, increase their own prosperity and general welfare.

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ANALYSIS OF TOURIST TRENDS FROM THE REPUBLIC OF SERBIA TO THE REPUBLIC OF MACEDONIA

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Abstract

This study analyses the decades of tourist movements from Serbia to Macedonia. The main objective of the analysis is to determine the dynamics of attendance, reason and places of residence of tourists based on the statistics on the realized tourist nights. The stages of the life cycle in the country as an important tourist destination for tourists from Serbia are identified in the paper. Descriptive and graphical results are presented as well as recommendations to overcome the problems that the current tourist visits to R. Macedonia are facing.

Key Words: *analysis, tourists, overnight stays, lifecycle, Serbia, Macedonia*

JEL classification: Z3

Introduction

Tourist movements between Serbia and Macedonia have years-long tradition. In fact, the beginnings of tourist movements date back a hundred years. Our research aims to provide a deeper insight into these movements and therefore investigates their several stages. After the proto-tourism stage, lasting from the end of XIX century until 1914, i.e. the First World War, the tourism stage followed including three sub-periods: the Kingdom of Yugoslavia period (1919-1941), the SFR Yugoslavia period (1945-1999) and a period of independent states of the Republic of Macedonia and Republic of Serbia (previously FR Yugoslavia, and then Serbia and Montenegro), from 1991 until now.

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The survey is focused on the tourist trends during the proto-tourism stage, but only on the route Serbia - Macedonia. The analysis of tourism seen in this direction includes the following facts: first proto tourist contacts date back to the late XIX century, whereas major tourist visits from Serbia to Macedonia date back to the mid-twenties of the XX century.

Guests from Serbia mostly stayed in Skopje, Bitola, Ohrid, and in hotels and restaurants owned by Serbs.

Other data indicative of tourism reveal the following changes since mid-twenties of the last century in Macedonia: many hotels, restaurants, two children's resorts, mountain lodges etc. have been built, bathrooms have been renovated, travel companies set up.

Within the period of the tourism expansion, from the sixties of the twentieth century until today, the contents of the tourist offer have been significantly improved and enriched.

The analysis of tourist movements on the survey route Macedonia - Serbia imposed a collaboration of researchers from the two countries.

Based on an occasion for joint research, the following facts will be thoroughly discussed: firstly, in a proto-tourism stage, an important role was played by the hundreds of Macedonian migrant workers, bakers, inn owners, confectioners and the like, moving to Belgrade, Kragujevac, Kraljevo, Niš and other cities to have their bakeries, pastry shops, restaurants and hotels built.

Further, the first group travel from Macedonia to Serbia was organized in 1914, whereas larger groups of tourists from Macedonia to Serbia were recorded in the thirties of last century. The most frequently visited destinations by Macedonian guests were Belgrade, Kragujevac, Niš, and the spas, Vrnjačka Banja, Niška Banja, Soko Banja and others.

The period from the mid-sixties of the twentieth century until today is, certainly, a very intense stage of tourism characterized by mass travel and new contents.

Proto-tourism stage

It is difficult to determine exactly the beginnings of proto-tourism movements from Serbia to Macedonia since, throughout history and prior to separation, the peoples of both countries lived together constituting a whole.

According to the data, the first movements of greater number of Serbs to Macedonian major cities of Skoplje, Bitola and Ohrid started in the end of XIX century. At the time, Macedonia was a part of the Ottoman Empire.

The hotel "Belgrade" (1893), situated in Bitola (Monastir), was the facility where guests from Serbia mostly stayed and which was a gathering of the Serbian colony in Bitola (Matkovski, A. 2005). Also, well visited by the guests from Serbia was Skoplje and, because of the lake, Ohrid and St. Naum Monastery.

Figure 1: *Hotel "Belgrade" in Bitola, 1893*



Source: *Naidov, D. (2014). Bitola through old postcards, p. 23*

Tourism stage

Tourism stage, which started in the mid-twenties of the XX century, includes three sub-periods: the Kingdom of Yugoslavia period (1919-1941), SFR Yugoslavia period (1945-1991) and the travel period of the

independent states of R. Macedonia and R. Serbia - previously FR Jugoslavija, and Serbia and Montenegro (1991 until today).

First tourist period (1919-1941)

The first tourist period begins in 1919 and lasts until 1945. During this period, the territory of R. Macedonia is part of the Kingdom of SHS - the Kingdom of Yugoslavia (1919-1941), which ended with the outbreak of the Second World War (1941-1945).

In 1925 and 1926, were built the first collective accommodation facilities in Macedonia - two children's resorts, "Shtamparevac" or "Sanatorium" Pelister (4 barracks and 200 beds) and "Sula Mina" near Kruševo (6 boarding houses and 200 beds). Besides Macedonian children, these resorts provided accommodation to many children from the area of Serbia, as well.

Figure 2: *Children's Resort "Shtamparevac" Pelister*



Source: *Naidov, D. (2014). Bitola through old postcards, p. 143*

Figure 3: *Children's Resort "Shula Mina" Kruševo*



Source: *www.delcampe.net (20 March 2017)*

In the period from 1924 to 1938 in Skopje, Bitola, Ohrid, Prilep, Tetovo, Shtip, Krusevo, Kumanovo, Veles, Kocani, tourism and mountaineering associations were formed and the first mountain lodges built. In that period were recorded and organized the first ascents of the highest Macedonian peaks with visiting climbers from other parts of the Kingdom of Yugoslavia, especially the climbers from Serbia.

In 1927 the first tourist company "South" was established in Skoplje. The founding of the Advisory Board for tourism development followed in 1930, and in the same year a branch of the travel agency "Putnik" from

Belgrade (founded in 1923) was opened. As later on travel companies were set up in several cities in Macedonia, a Board Association of tourist companies started working and became a member of the Mountaineering Association of Yugoslavia. With the expansion of tourism activity, numerous travel companies were established in Skoplje, Tetovo, Ohrid, Bitola, Prilep, Stip and other cities. (Spirovski, S. 1974. Stamenkov, C. 1987; Stojmilov, A. & Toshevska, B. 1992).

Not long afterwards, it was also printed the tourist guide featuring major hotels and restaurants in Skoplje, Ohrid and Bitola. In 1928 the army had 6 buildings erected in the Osogovo Mountains in place Ponikva for the puposes of its members. Army personnel, in fact, had been coming here since 1924, but stayed in tents at first.

Figure 4: *Ponikva - military resort, 1928*



Source: *Stojmilov, A. (1976) Attractive - recreational features and tourist sites of the mountain Osogovo - spatial planning prouchuvnja year-old collection, Faculty of Geography, Volume 22, p. 48*

The first published statistics on tourism (number of tourists - domestic and foreign overnight stays, hotels, rooms, beds etc.) covered the period from 1929 to 1941 showing the statistical items separately for each administrative territorial unit - regional unit (*banovina*).

According to the statistics from 1929 to 1940, at the territory of Macedonia (then Vardar Banovina, which, besides Macedonia, covered parts of southern Serbia with Kosovo and Metohija) 11 resorts are mentioned including: Skoplje, Ohrid, Bitola, Kruševo, Prilep, Veles, Kumanovo, Tetovo, Katlanovo, Debar Kosovrast resort and spa.

Of all abovelisted, the most attractive destination was Ohrid lake that attracted great number of tourists for holidays who visited Biljana sources Studencica, Gorica monastery St. Naum and Struga and the monastery St. Mary in Kalista. Apart from the area of Macedonia, tourists come from Serbia, especially from Belgrade, Novi Sad, Kragujevac, Niš and other cities.

Based on the statistics, we found out that for 10 years (1929-1939), the number of tourists traveling ranged from 78193 to 55122, and overnight stays from 135.792 to 195.788 with the average number of days of stay at 1.7 to 3.5 days. It should be noted that there is no detailed review of the movement of domestic tourists in regional units, only of the movements of foreign tourists by the country of arrival and stay in their regional units.

The statistics reveals the number of hotels, rooms and beds. In the period 1919-1941, the maximum number of hotels in R. Macedonia was 160, of which 56 in Skoplje, Bitola 25, Shtip 12, Ohrid 8, Kumanovo 7, Đevđelia 6, Prilep 6, Veles 5, Strumica 4, Tetovo 4 etc. (Statistical yearbook 1929-1940).

The data also shows that the first hotels in Macedonia whose owners were Serbs were opened in Skoplje, Bitola, Ohrid, Stip, Struga, Strumica, Tetovo and probably there were some in other places.

Regarding the restaurant, the top restaurant in Skoplje, the restaurant "Zrinski", was built in 1912. It was the largest and most facility which offered local and foreign cuisine with various drinks. The restaurant hall could accommodate about 400 guests. In the same year, the restaurant "Marger" was opened.

The second largest was the restaurant "Palas", which mentioned that it was the most visited in 1920. Other famous cafes in Skopje were: restaurant "Apollo", built in 1925, the tavern "Metropol" opened in 1935, the tavern "Paris," "Cekichevik basement", "Theatar Cafe Lux" cafe "Zagreb", "Mostar", "Ujedinjenje", "Greater Serbia", "Car Dusan", "Brcko", "Hajduk Veljko", "Bosnia", "Serbian Crown", "Kosmaj", "Bačka", "Bečar", "Kragujevac", "Crown", "Jelen", "Sarajevo", "Beograd", "Herzegovina" and others.

Among very famous restaurants and hotels restaurants were Hotel "Serbian King", the owner - hotelier Vasa Avramović, which operated with 42 rooms containing 60 beds with hot and cold water and central heating and the cafe "Metropol". The hotel "Serbian Queen", the owner - Miloje Todorovic-Miche, had 30 beds at its disposal.

Figure 5: Hotel "Bristol" and hotel "Serbian King"



Figure 6: Hotel "Ujedinjenje", Hotel "Sarajevo" and Theater Cafe "Lux"



Source: http://www.build.mk/forum/forum_posts.asp?TID=830&OB=DESC&PN=2 (20 March 2017)

The hotel "Splendid", opened in 1932, offered 25 modernly decorated rooms, with 60 beds, with warm and cold water, bathroom and central heating. The hotel bar and reception was shared with the hotel "Bristol". The owner of both hotels was hotelier Vladan A. Bogdanović, who also served as president of the Association of Hoteliers and an advocate for the development of hotel business in Macedonia before World War II.

Hotel "Bristol", owned by Vasilije Avramović, was renovated in 1933. It offered 35 modern rooms with hot and cold water, central heating, with 60 beds and featured a hotel pub and a room for meetings and banquets. (Kocevski, D. 2008)

In the period 1923-25, a modern hotel "Moscow" was built, which was equipped with modern and elegant furniture, delicious homemade dishes, clean and natural drinks and fast attendants. Owners were Dorothea and Nikola Stojanović C. Siddic.

Other respectable hotels were the Hotel "Bitolj" (with 25 beds, the owner Jovan Račić), "Yugoslavia", "Beli Orao", "Sarajevo - Marger," "Ujedinjenje," "Apollo Beograd", "Jadran", "Russia", "Grand", "Car Dusan", "Bečar", "Kragujevac "hotel" Crown "and others.

The further development of the hotel included the investments in modern comfort and they were below anything with regards to the other cities, which contributed to the development of tourism in the former Vardar Banovina.

In Bitola, in the period between the two world wars were registered the following hotels whose owners were Serbs. It is a hotel "Bosnia" and "Grand Hotel Jeftić", which were often visited by guests from Serbia. (Dimitrov, N. 2015/17)

Figure 7: *Hotel "Bosna"*



Figure 8: *Grand Hotel "Jeftić" with poster*



Source: *Catalog (2000). Bitola Babam Bitola Museum Bitola*

Source: *Najdov, D. (2014): Bitola through old postcards, p.156 and 161*

The owner of the Grand Hotel "Jevtic" was Nikifor Jeftic. The hotel operated with 22 rooms, 33 beds and an excellent restaurant. The rooms offered full comfort, each room had running water (Najdov, D. 2014).

In Bitola, famous restaurants included: "Belgrade", "Šumadija", "Yugoslavia" (hotel and restaurant), "Serbian King" and others.

After the War, the first hotel in Ohrid was built in 1923/24. The hotel "Serbian King", built in the attractive architecture appropriate to the

downtown area, erected on the town square, the hotel strongly attracted the attention of visitors. It offered 14 rooms and 24 beds and the ground floor housed a restaurant with 200 chairs and a modern kitchen and a summer terrace for 120 guests. Then followed the hotel "Radić" with 12 rooms and 20 beds.

Greater tourists visits Ohrid recorded in 1929, and especially in 1930, when it was visited by 2000 tourists from various places in Yugoslavia, but also from Slovakia, Chehija and others.

Figure 9: *Motorized tourists in Ohrid, 1929*



Source: *Stefanovski, M. (2001) Traffic in Macedonia, p.23*

Figure 10: *Motorized tourists before monastery of St. Naum*



Source: <http://www.build.mk/forum/forumposts.asp?TID=1011>
(23.03.2017)

The tourism in Ohrid was initiated by the company "Putnik" from Belgrade and "Fruska Gora" from Novi Sad. In 1931 the number of tourists increased by 30-40%, and from 1938 to 1941, Ohrid was visited by 3,000 to 4,000 tourists: Yugoslavs - (Serbs, Croats, Slovenes and others.), Czechs, Germans, British, Austrians, and other tourists.

In 1930/34, the engineer Thomas Krstić, the industrialist from Niš, built the hotel "Belvi".

The first tourists who popularized tourism in Ohrid were Serbs and Czechs, including Branko Adzimovic a diplomat, Siniša Stanković a university Professor, Director of the Belgrade National Theater in 1934, Dragoljub Goločević - the industrialist from Belgrade and other Belgrade, Novi Sad, Skopje and other cities. (Ahiv Ohrid. Fund SAP, Ohrid, Doc. Br.897)

Figure 11: *Hotel "Belvi"*



Figure 12: *Hotel "Serbian King"*



Source: <https://okno.mk/node/58985> (23 March 2017)

In the thirties of the last century, in Ohrid were built hotels "Greater Serbia" and "Serbian King" and the Struga hotels "Southern Serbia", "Beograd", which were closed due to unclean unhygienic conditions. At that time, despite Ohrid and Struga, the monastery St. Naum was very well visited. In Štip, in 1920 the hotel "King Alexander" was built, which was named as "Serbian King" or just "Kralj" and then followed the hotel "Savin Hotel" with 30 beds, and the hotel and restaurant "Grand Hotel", later renamed "New Belgrade", as well as the hotel and restaurant "Spring" (erected in 1928, the owner Lazar Tasić) with 25 beds, the hotel "Nice view" and cantina "Avala" and others.

Figure 13: *"Savin hotel" in Stip*



Figure 14: *Hotel "Serbian King" in Strumica*



Source: *Museum of the town of Schtip* <http://stipskokorzo.weebly.com> (23 March 2017)

Source: *Museum of the town of Strumica*

In Strumica, the hotel "Serbian King" was built. With a capacity of 35 beds it also featured a restaurant in the ground floor and a hotel - brothel on both floors. In Tetovo, the working hotel and restaurant "Beograd" with 40 beds, as well as hotel and restaurant "Yugoslavia", with 35 beds, were well visited. In Kumanovo operated the hotel "Moscow" Stevan Sremac, with a capacity of 30 beds. (Dimitrov, N. 2015/17)

Second tourist period (1945-1991)

The second travel period, covering 45 years, is a period when Serbia and Macedonia are part of FNR Yugoslavia, or SFR Yugoslavia. The analysis of the movement of tourists and overnight stays for the period from 1961 to 1991 follows.

During this period we may distinguish several stages in the life cycle of tourism (Butler, R. W. 1980, 5-12), in relation Serbia - Macedonia. Thus, based on the number of tourists for this period the following phases can be singled out.

The research phase (1953-1960) It followed the period of the centralized administrative system of planning and management, and the introduction of workers' self-starting process stimulation of tourism.

That phase introduced recourses in catering facilities for the discount, donations for lodging and food, which resulted in an increased tourist traffic. The republic statistical data for this period are not available, but it is considered that the number of tourists from Serbia was insignificant.

The involvement phase (1961-1969) It is characterized with building new accommodation facilities offering discounts for domestic tourists and steadily increasing number of tourists. The Tourist Federation of Yugoslavia started working at the level of federation and the like. The number of tourists and overnight stays from Serbia begins to increase.

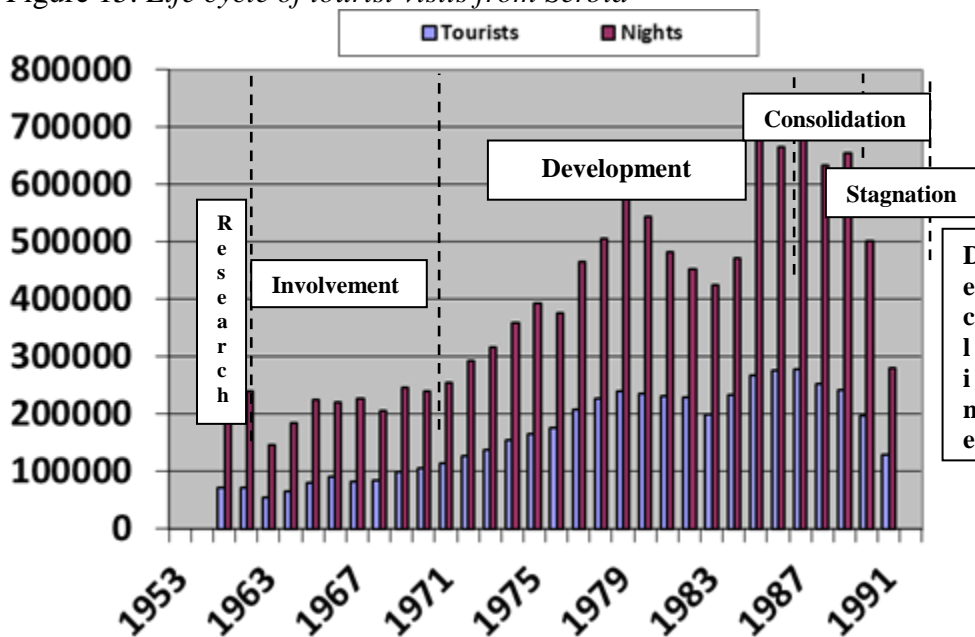
The development phase (1970-1984) Tourism was identified as a priority sector, introducing tax incentives to stimulate the development, build bigger accommodation capacities, build tourist villages, resorts, overall domestic tourism show continuous growth and visit of tourists from Serbia in growth.

Consolidation phase (1985-1987) It is characterized by activities and measures to encourage the development of tourism, promote and enrich the tourist offer. At this stage were registered maximum values of tourism turnover realized from Serbia.

The stagnation phase (1988-1989) It show unfavorable trends in tourism as a result of economic and political crisis, shrink investment in hospitality and tourism, thereby reducing the number of tourist trade in general, and even the Republic of Serbia.

The decline phase (1990-1991) In this period economic and political crisis continued and ended with armed conflicts and disintegration of SFR Yugoslavia. This phase is characterized by the start of a continuous process of reducing the total number of tourists and overnight stays, especially the tourist trade of the Republic of Serbia.

Figure 15: *Life cycle of tourist visits from Serbia*



Source: *Statistical Yearbook of the SRM (1962-1991)*

Table 1: *Development of tourist trade in the Republic Macedonia and tourists from the Republic of Serbia in the period 1961 - 1991 (for 55 years)*

Year	Total tourists	Foreign tourists	Tourists from Serbia	Total nights	Foreign tourists	Tourists from Serbia
Socialist Federal Republic of Yugoslavia (SFRY)						
1961	327024	144688	71499	1005891	359442	210022
1962	340585	152111	71411	1183384	400881	239470
1963	253792	121964	55380	762743	275171	146879
1964	295938	159466	66301	929600	376258	184943
1965	330392	196954	79843	967677	447717	224224
1966	378572	220853	91483	1141467	490861	221579
1967	380758	234104	83410	1040420	516364	227042
1968	389583	224556	85580	1089205	464476	206797
1969	432952	242214	98808	1342048	541747	247314
1970	465450	270762	106770	1281891	565826	239991
1971	507385	308558	114009	1426398	612850	254846
1972	549652	331800	126287	1579065	686976	293336
1973	612141	384785	138046	1663438	773327	315849
1974	600112	361986	153985	1828910	800586	359196
1975	685314	431008	166541	2033038	927567	393240
1976	715629	452534	175624	2006973	892492	376240
1977	820746	511723	207633	2307136	1016952	465012
1978	869571	536781	226916	2519690	1105737	506652
1979	885010	532282	240572	2912045	1210657	581663
1980	970387	578327	234940	3081372	1202005	544934
1981	973518	566425	232498	3122190	1114355	482325
1982	1006104	566469	228999	3305140	1066652	453041
1983	985224	519356	200249	3334031	998237	424111
1984	1059246	584207	234310	3300412	1077966	471534
1985	1141599	658644	267873	3707354	1448719	678197
1986	1180806	671903	275754	3907111	1461270	666149
1987	1183160	689016	278858	3978028	1551920	694666
1988	1111187	645097	252213	3734832	1416692	634231
1989	1032072	590230	242872	3522747	1348095	654221
1990	974537	562411	197087	3099508	1170516	500913
1991	710278	294323	128316	2740484	576338	281411
Вкупно	22168724	12745537	5134067	69854228	26898652	12180028
Federal Republic of Yugoslava (FRY)						
1992	585699	219062	85305	2139631	382376	137631
1993	647728	208191	66570	2706373	362663	99810
1994	613154	185414	65638	2476998	335530	105871

1995	503837	147007	48423	1804310	275749	82731
1996	476205	136137	33509	1696930	277265	63296
1997	451871	121337	30079	1587146	265524	61033
1998	575080	156670	31112	2426461	359538	70199
1999	549630	180788	29346	2313142	474394	58269
2000	632523	224016	35522	2434639	493867	79087
2001	333308	98946	16429	1254582	212751	31946
2002	441712	122861	23239	1850384	274720	50496
Вкупно	5810747	1800429	465172	22690596	3714377	840369
Serbia and Montenegro (S-M)						
2003	483151	157692	27325	2006867	346200	58799
2004	465015	165306	30771	1865434	360589	63415
2005	509706	197216	39147	1970041	442988	87125
2006	499473	202357	38208	1917395	442845	84513
2007	536212	230080	44661	2019712	518088	116909
Вкупно	2493557	952651	180112	9779449	2110710	410761
Republic Serbia (RS)						
2008	605320	254957	45134	2235520	587447	99985
2009	587770	259204	38744	2101606	583796	88882
2010	586241	261696	35840	2020217	559032	74959
2011	647568	327471	35692	2173034	755166	72601
2012	663633	351359	36530	2151692	811746	71153
2013	701794	399680	38127	2157175	881375	74076
2014	735650	425314	41013	2195883	922513	76630
2015	816067	485530	43613	2394205	1036383	85042
Total	5344043	2765211	314693	17429332	6137458	643328
A total of						
1961-2015	35817071	18263828	6094044	119753605	38861197	14074486

Note: *SFR Yugoslavia (1945-1991), data from 1961 to 1991; Yugoslavia, data from 1992 to 2002; Serbia and Montenegro, data from 2003 to 2007; R.Serbia, data from 2008 without Kosovo. Source: Statistical Yearbook of the SRM (1962-1991) and Macedonia (1992-2016). Calculated by the author.*

From Table 1, the following details can be outlined. On the whole, with a few exceptions, over the entire period sizable movement of tourists from Serbia to Macedonia increased. Thus, in 1961, Macedonia registered 71.499 tourists from Serbia who realized 210.022 overnight stays. Maximum values of the Serbian tourists visits was in 1987 with 278.858 tourists and 694.666 overnight stays. The increase was about 207.359

tourists (almost 3 times or 290%) with an increase of 484.644 overnight stays (2.3 times or 231%).

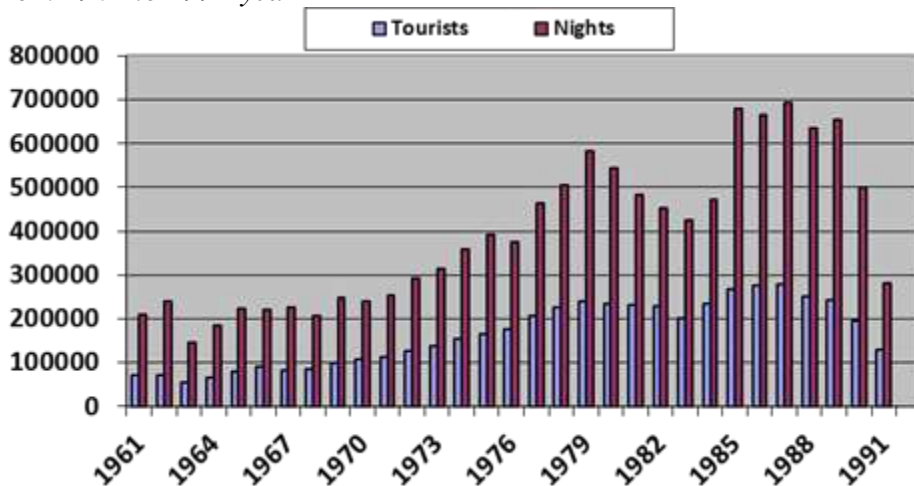
Immediately after a process of gradual reduction of the tourist visit until shortly before the dissolution of Yugoslavia, in 1991 the number of tourists dropped to 128.316 (or a decrease of 150.542 tourists, or 54%, and realized 281.411 overnight stays, or cut for 413.255 overnight stays, i.e. 59.5%). See Table 1.

The tourist travel was organized through travel agencies, among which t dominated "Putnik", "Feroturist" Centroturist " and other agencies, or carried out independently. The stay was realized in private accommodation or workers resorts.

Several labor organizations from Serbia, especially from Belgrade, Kragujevac and Niš (Hotel - Resort "El Niš" with 70 beds and a restaurant in Dojran) had their resorts on the shores of Ohrid Lake (in 1957 camp settlement with 150 beds was opened by car factory "Crvena Zastava" from Kragujevac) and fewer on Prespa Lake (a resort since 1958 was transferred to the Central Board of Trade unions of railway workers of Yugoslavia) and Dojran Lake (children resort "Tito's pioneers" in which children from Serbia spent summer holidays). In Pretor there was Ferijal company at state and federal level, where guets from Serbia came.

The most common destinations for tourists from Serbia were: Ohrid, Struga, St. Naum, Customs, Oteševo, Pretor, Dojran, Skopje, Mavrovo, Popova Shapka, Krusevo, Pelister, Katlanovo, Debar Baths, Bitola and others. Also worth mentioning are children's resorts on Pelister, Kruševo, Bunec - Mavrovo, "Tito's pioneers" in Dojran, mountain huts in Macedonia, ferial resort vacation and Scout Association (in Ohrid, Pretor, etc.) and so on. The number of young people from Belgrade, Kragujevac, Subotica, Nis, Novi Sad and other cities in Serbia spending their summer holidays in Macedonia was distinctive. Throughout the specified period, tourists from Serbia were the most numerous and in the total number of foreign tourists participated with values of 35 to 50%, and the overnight from 41 to 60%. Serbs were the most numerous tourists, with stable numbers without major fluctuations, and then follow tourists from other areas of Croatia, Greece, Slovenia, Bosnia and Herzegovina, Germany, Bulgaria, the Netherlands, Montenegro, Great Britain, Italy and so on, but with variables.

Figure 16: *Movement of Serbian tourists and overnight stays for a period from 1961 to 1991 year*

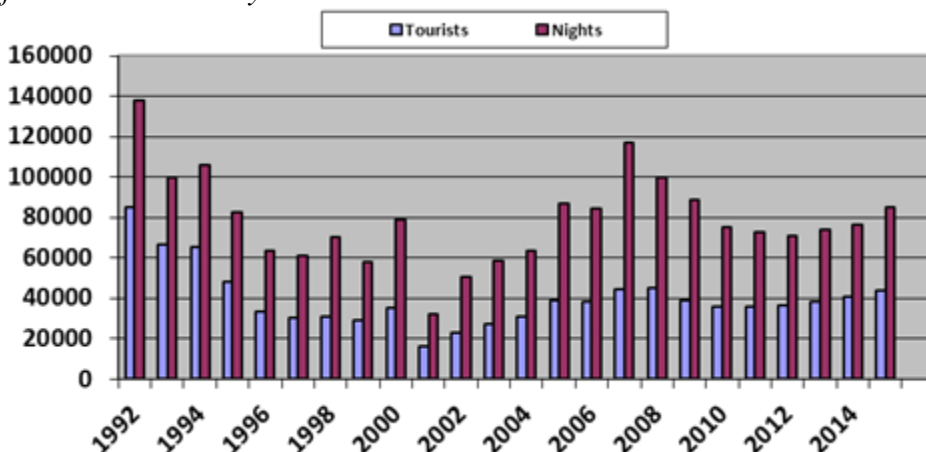


Source: *Statistical Yearbook of the SRM (1962-1991)*

Third tourist period (1992 onwards)

The third tourist period begins after the breakup of SFR Yugoslavia. Namely, it is the period of the Federal Republic of Yugoslavia (statistics from 1991 to 2002) then the joint state of Serbia and Montenegro (Statistics 2003-2007) and the period of the Republic of Serbia (statistics from 2008 onwards).

Figure 17: *Movement of Serbian tourists and overnight stays for a period from 1992 to 2015 year*



Source: *Statistical Yearbook of the R. Macedonia (1992-2016)*.

Throughout the third period, the variables of tourists and tourist visits are registered as a result of the political and economic situation in both countries and the immediate surroundings. The highest values of tourists and overnight stays made by the Republic of Serbia in the Republic of Macedonia were in 1992, 85305 tourists and 137.631 overnight stays, then began the process of continuous decline, with minimal values in 2001 of 16429 tourists (down by 80, 7%) and 31946 overnight stays (decrease of 76.8%).

The process of the gradually increasing values was registered in 2002 onwards. Thus, in 2002 it recorded 23239 tourists and 50496 nights stays in 2015, 43613 tourists with 85047 overnight stays, an increase of 87% in the number of tourists by 30% in overnights. However, it is significantly lower when compared with tourists from Turkey, Greece and the Netherlands.

The following facts confirm this, namely, the dominance of tourists from Serbia in the total number of foreign tourists lasted until 2010 (with 35840 tourists), and from 2011 onwards primacy was taken by the tourists from Greece (45,509) and Turkey (39251).

The number of foreign tourists in Macedonia for 2015 is as follows: tourists from Turkey are the most numerous (90857), followed by tourists from Serbia (43613), Greece (38829), the Netherlands (32217), Bulgaria (29314), etc.

The same is with the values of nights, dominated by nights realized by tourists from Turkey (135.255), the Netherlands (169.413), whereas the third place in overnight stays was occupied by tourists from Serbia (85042), then Greece (64176), Bulgaria (52748), etc.

The reasons for changing the leading role of Serbian tourists should be sought in the tourist offer, promotion, increased interest of tourists from these states to the Republic of Macedonia and others.

Conclusion

Tourism as an economic activity can contribute to linking the two countries and peoples. Travel data present evidence of the mutual cooperation between the Republic Serbia and R. Macedonia, which has a long tradition. To extend and increase tourism cooperation, a well-

designed tourist offer and promotion of the two countries are required. Also, in addition to the presented research, the exploring the tourist movements from the Republic of Macedonia to the Republic of Serbia could be useful. The research could reveal many unknown facts that can initiate cooperation based on firmer grounds.

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EMPIRICAL MODELS AS A METHOD FOR MEASURING COMPETITIVE POSITION IN TOURISM

Jasmina Leković¹;

Abstract

In the increasingly saturated market, the development and promotion of tourism destinations should be guided by an analytical framework relating to the concept of competitiveness. The answer to the question of how to achieve success lies in addressing tourism destination competitiveness. This paper examines the competitiveness of Serbian tourism. This analysis is primarily based on one of the most popular competitiveness indexes, The Global Competitiveness Index, developed by the World Economic Forum. This model is used to measure competitiveness, and as such is the only basis for comparison of the competitiveness of countries in tourism. The aim of this paper is to analyze the relevant items on which they are based globally recognized conceptual models for establishing the competitive position of tourism destinations. This study presents a method of establishing competitiveness sets for international tourism destinations by using both quantitative and qualitative data collection. Methodological issues and limitations are also discussed.

Key words: *competitiveness, competitiveness Index, empirical models, competitive position, tourism destination*

JEL classification: *L83, N17*

Introduction

Being a successful destination implies that its overall attractiveness and integrity of experiences offered to visitors should be equal or exceed those offered by other competitive destinations. In the increasingly saturated market, the development and promotion of tourism destinations should be guided by an analytical framework relating to the concept of competitiveness.

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The international environment is nowadays increasingly demanding and fast changing, so is the pressure of competition which companies and countries in the global market growing are exposed to.

The answer to the question of how to achieve success in the implementation of the development of tourism destinations lies in addressing its competitiveness. Competitiveness is the ability of destinations to successfully compete with their main rivals in the world to create wealth above the average, to maintain over time, with the least social and environmental costs. Many industries that are involved in the planning and development of the destinations require the use of a model of competitiveness that controls that relations between all the actors involved in the design and creation of added value, comply with the resource destination, at the same time maintaining the market position compared to other competitors. This paper examines the competitiveness of Serbian tourism and the analysis is primarily based on one of the most popular competitiveness index The Global Competitiveness Index, developed by the World Economic Forum. Model Travel and Tourism Competitiveness World Economic Forum is the only model which is now used in practice for measuring competitiveness, and as such it is the only basis for comparison of the competitiveness of countries in tourism.

The aim of this paper is to critically examine the importance of individual empirical model developed for the purpose of determining the comparative degree of competitiveness of tourism activities in some countries and highlight the limitations to the methodological and conceptual nature.

Competitiveness in tourism

Tourism has taken a prominent place in all spheres of economic and social progress which requires serious effort of economic and social planning. At the same time, this status brings many obligations that include the need to significantly improve the quality of information used in planning and decision-making, the establishment of political consensus on the main issues relating to economic, social and environmental well-being of destinations, and finally to develop an approach to competitiveness.

In order for the tourism sector to be profitable in the long term, its development and management should be in accordance with the new

model of competitiveness (Ritchie & Crouch, 1993). Competitiveness is now widely accepted as the most important factor determining the long-term success of organizations, industries, regions and countries (Kozak & Rimmington, 1999, p. 274).

”The strategy of competitiveness is the search for a favorable competitive position in the market. It aims to establish a profitable and sustainable position in relation to the forces that determine the competitiveness of the industry“ (Porter, 1990, p. 14). Forces and factors that determine the competitiveness of the tourism industry is an area that is not sufficiently investigated (Dwyer et al., 2003, p. 63). In tourism, many authors apply the concept of competitiveness to different areas, such as economics, marketing, strategy, price, quality and customer satisfaction.

In order to determine the competitiveness of the tourism sector, we should point out two important facts (Kunst, 2009, p. 130):

- Unlike other (traditional) economic activities, "tourism product" represents the collective category (overnight stay, food and beverage services, entertainment services, recreational services, trade, etc.), or
- Tourism product is always tied to a particular destination, from which it can be concluded that the competitiveness of the tourism sector is reduced, in fact, the competitiveness broadly or narrowly construed tourism destinations.

Competitiveness of tourism destinations

Tourism destinations are the central element of tourism. Characteristics of destinations can be classified into two groups (Laws, 1995, p. 26). First, it is its primary function, which includes the destination climate, ecology, culture and traditional architecture. Secondary function of other destinations includes dedicated elements for the development of tourism (hotels, catering, transport and entertainment). Together, these two groups contribute to the overall attractiveness of a tourism destination.

Furthermore, Laws says (1995) that the experience of other tourism destinations that are directly competitive, their perception of the quality and overall experience have a significant role on the retrial for the same destination or recommending to friends (p. 28). Implicitly or explicitly, tourists make comparisons of facilities, attractions and quality of services for various destinations. Discussing the issue of competitiveness of tourism destinations is based on the view that the experience, i.e.

experience acquired by tourists in the tourism destination of the product is fundamental in tourism (Popescu, 2008: p. 29). Consequently, competition in tourism focuses on tourism destination.

Factors determining the competitiveness of the micro and macro levels represent the logical starting point in the approach to the issue of competitiveness in tourism, regardless of the fact that it presents a specific economic tourism area which combines a number of interrelated economic activities. For this reason, the level of any tourism destination is faced with a need to provide more comprehensive tourism value chain (Yilmaz & Bititci, 2006, p. 343). It should also be noted that the tourism product is always tied to a destination.

The competitiveness of tourism destinations is the ability of a tourism destination to contribute to the economic prosperity that will enable a better quality of life and ensure high standard of living destinations (Crouch & Ritchie, 1999, p. 137). The same authors state that the competitiveness of tourism destinations can be considered as its ability to increase tourist spending to attract significantly more tourists by providing them with experiences that they meet and which are remembered and at the same time it does so in a profitable way by improving the welfare of inhabitants of destinations and storage of natural treasure for future generations (Ritchie & Crouch, 2005, p. 2).

Poon (1993) says that destinations should follow some key principles in order to be competitive and ensure the development of new and sustainable tourism - "in the first place to put the environment; set tourism as a leading sector; strengthen the distribution channels in the market; and create a dynamic private sector" (p. 24). Often, the private sector controls the operation of companies that provide tourism product and are supported by the public sector.

The research of today's global competition reveals that changes in its components are radically changing its structure. The implication of this restructuring, imposed by those who are responsible for the management of destinations, is to do business applying the rules in accordance with the variable nature of competitiveness. Although the factors that determine the attractiveness of a destination may be relatively constant, the nature of competition requires constant review of the capabilities of destination to maintain or improve its position in a competitive market.

Competition among tourism destinations is just one manifestation of a broader phenomenon in the new economic competition (Ash & Wolfe, 2001), even in the wider phenomenon of human competition, which includes social, technological, cultural and political spheres.

Empirical models

In this paper, we will focus on the two models which are relevant in understanding the factors which directly influence the determination of the positions of the market place and which appear in the literature. These are the empirical model - Model Gooroochurn competitiveness and Sugiyarto model and the World Economic Forum.

The attempts to measure destination performance have limited success (Vengesayi, 2003). According to Kozak and Rimmington (Kozak & Rimmington, 1999), the competitiveness of the destination can be judged and evaluated quantitatively and qualitatively. Quantitative performance indicators of a destination can be data on arrivals and tourist spending, employment created in tourism development, while qualitative indicators assess the various aspects and features of destinations which tourists compare with those of other destinations they visited.

The lack of comparable national data that could be used to assess the competitive position of countries in the world caused WTTC in 2001 to pass the index of competitiveness of the tourism sector, similar by its nature to the one developed by the World Economic Forum's for the ranking of global competitiveness of countries (Zečević, 2011).

Several empirical models of destination competitiveness have been developed in order to facilitate international comparison of the achieved quality level, determine the competitive position of individual countries as a tourism destination and, based on that, establish conditions for maintaining adequate destination policy.

Gooroochurn and Sugiyarto Model

This model is based on 23 indicators, which are divided into eight categories (Gooroochurn & Sugiyarto 2005, p. 27):

1. Price competitiveness,
2. Free stock,
3. Technology,

4. Infrastructure,
5. Benefits of tourism,
6. Social development,
7. The environment and
8. Human resources.

Those categories represent a methodological framework known as WTTC competitiveness monitor.

The survey included 200 countries. The methodological approach is oriented solely on publicly available and mutually comparable data previously published in the relevant publications of the World Bank, UN (United Nations) and UNDP (United Nations Development Programme).

In order to express the degree of competitiveness of tourism destinations in relation to the other, all the individual indicators of destination competitiveness are presented in the form of an index. Further, the indices are classified according to individual regions into a single index for each of the eight categories separated. Using eight aggregate indices, policy makers in each destination can easily identify their own strong and weak competitive areas and accordingly make strategic business decisions.

The methodology used in this model can be described in three steps (Kunst, 2009, p. 145):

- First, formula for the calculation of each of the 23 indicators of the destination competitiveness is defined.
- Second, undertake the calculation (statistical) of the original value of each of the 23 indicators as well as normalization of the competitiveness with respect to other countries in the sample using the following formula:

$$normalization = \frac{real\ value - minimum\ value}{largest\ value - minimum\ value}$$

- In the third step, the arithmetic mean of the indicator is found, and aggregate index for each of the eight categories assigned.

The authors suggested the methodological approach which establishes a unique index by calculating a weighted arithmetic mean, where the weight factor for each of the eight categories is calculated using a factor analysis.

World Economic Forum competitiveness model

Published every two years, the Report provides a strategic tool for both business and governments: it allows for cross-country comparison of the drivers of T&T competitiveness, for benchmarking countries' policy progress and for making investment decisions related to business and industry development. It also offers an opportunity for the T&T industry to highlight the challenges to T&T competitiveness that require policy attention to national policymakers, and to generate multi-stakeholder dialogue on formulating appropriate policies and action (TTC Report, 2015, p. 3).

The analysis of competitiveness in the concept of the World Economic Forum, although not the first to deal with this issue, is a widely accepted concept in which economists are often invited. However, unlike the others, this concept tends to diversity and detailing, taking variables in economics, management and other disciplines, not analyzing whether they are unnecessary, relevant, interrelated (i.e. preferring to aggregate all the variables; namely, it is looking for the ones that are most relevant). This, to some extent, it is not surprising, given that the concept of competitiveness (and strategies associated with it) comes from the business literature, specifically from what is known as Porter's "diamond of competitiveness". It is believed that countries operate at relatively similar principle as well as companies - fighting for markets and resources, measuring competitiveness by observing the relative market shares, innovation and growth, competitiveness and use strategies to improve their market performance. There are few researchers who realized that such a broad set of ideas about competitiveness only makes sense for specific activities and markets, i.e. it sounds meaningful that a country is less competitive in a specific activity, and more in another, but they argued that as the economy has become more or less competitive is not properly (Manić, 2008, p. 32).

Travel & Tourism Competitiveness Index - TTCI measures the success of some countries in the sector of travel and tourism, and is divided into four subindexes, which include:

1. Enabling environment,
2. T&T Policy and Enabling Conditions,
3. Infrastructure, and
4. Natural and Cultural Resources.

Within these categories monitored by several factors, there are pillars of competitiveness (14 in total) and 90 individual indicators distributed among different pillars:

- Parameters considered within the first category are business environment, safety and security, health and hygiene, human resources and ICT readiness.
- The second category includes the prioritization of travel and tourism, international openness, price competitiveness and environmental sustainability.
- The third category covers air transport infrastructure, ground and port infrastructure and tourism service infrastructure.
- The fourth category includes factors such as natural and cultural resources.

Each of these pillars is composed of a series of individual variables obtained from the annual survey of the opinions of the Director of the World Economic Forum, as well as quantitative data from various available sources, international organizations and experts (such as: IATA, IUCN, UNWTO, WTTC, UNCTAD, UNESCO).

In terms of methodology this model involves three steps (Kunst, 2009, p. 147):

- First, define the relevant indicators for each of the 14 selected pillars of competitiveness, and the manner of their determination,
- Then, determine the value of the quantitative and qualitative indicators, where qualitative indicators are evaluated by the Likert scale of 1 (worst possible) to 7 (best possible), while the actual value of the quantitative indicators necessary to normalize is to be comparable to the qualitative indicators. For this purpose, the following formula is used:

$$normalization = 6 \times \frac{real\ value - minimum\ value}{largest\ value - minimum\ value} + 1$$

- Finally, in the third step, the application of the mean normalized quantitative and qualitative indicators of established originally, establishes the average value of each of the 14 columns of competition, each of the 4 categories, namely total evaluation of each country. The ranking of individual tourism destination is determined by and associated with the established values of the average.

The limitations of existing models

In practice, applied empirical models determining the competitive position of tourism destinations come down to the relatively superficial and not too relevant on the world ranking table competitiveness, mainly due to reliance on a large number of indicators of socio-economic development, as well as the neglect of the tourism experience.

What is the problem TTCI index, is the fact that all the determinants of competitiveness are treated equally. However, the same determinants have different relative importance to different destinations. The essence is that the significance of the individual factors of competitiveness can be varied depending on the place of the production mix and the target market segment (Zečević, 2011).

There are almost no destinations that compete with each other in all market segments. The large, developed countries with a broad resource base and diversified structure of the attraction can offer tourism experiences suited for a large number of market segments, which is not the case with other countries. These countries need to target only those segments whose requirements can be met in accordance with the scope and nature of its resources. It is, therefore, necessary to identify those competing attributes that are critical to the individual, selected segments of the market (Crouch, 2007).

Analysis of Competitiveness Index of Travel and Tourism shows that the developed countries are ranked higher than developing ones. This is inevitable, because developed countries have better general conditions for development in general. However, if you compare the ranks to the level of development, some countries are better able to create conditions for tourism development than others. Nevertheless, the impression remains that TTCI favors developed economies and insufficiently reflects the progress achieved in developing countries (Zečević, 2011).

There is a small number of papers which connect the broader concept of the competitiveness of travel destinations from their development and evolution, as well as those which indicate the differences in the importance of some of the key variables in the competitiveness of the different stages of development (Wilde & Cox, 2008).

An alternative approach using a model of competitiveness

This begs the question whether it is possible to determine the competitiveness of a tourism destination in comparison to another tourism destination. The answer to this question could be yes, assuming that the destination determining competitiveness is approached to a fundamentally different way.

Determination of the competitiveness of a tourism destination could be implemented in two interrelated steps (Kunst, 2009, p. 151): First, it would be necessary to determine the competitiveness of integrated destination mix of experiences that then, in the second step, determine the competitiveness of individual tourism products.

The proposed approach implies that the competitiveness of a destination evaluated in relation to the perceived “ideal state” of certain factors of destination is to be pursued. However, since that time, the perception of an “ideal state” is gradually changing; it is expected that the evaluation of competitive ability of individual countries more or less approaches the ideal state, which could not be reached (Kunst, 2009, p. 152).

Analysis of the competitive position of Serbia as a tourism destination through WEF model

In this paper, we analyze the competitive position of Serbia as a tourism destination through the model of competitiveness by the World Economic Forum which calculates the index of competitiveness of tourism and travel.

Serbia as a tourism destination, according to the level of tourism development, is under its realistic possibilities. Without looking into the reasons of such a situation, it should be noted that the pace of further development depends on a number of factors, where the development of awareness and commitment to the development of tourism of key stakeholders from the private and public sectors are at the forefront when it comes to importance. In any case, the private sector should take the initiative in improving their competitiveness, innovation and improving the quality of services, and, in that respect, human resources development. The private sector needs to develop and improve their representative bodies/associations for better cooperation and coordination with each other and with companies and institutions outside the tourism

sector, but also with institutions and public sector organizations (Zečević, 2005, p. 18).

Trends in international tourism embodied primarily in the exceptional competition and the tendency of many countries to achieve development goals through the development of tourism indicate that the abundance of natural resources must be properly assessed, especially in relation to other competitive countries (Popesku, 2008, p. 39).

Table 1: *Serbia competitiveness TTCI 2015*

	Pillars	Rank	Index
I	Enabling environment		
1.	Business Environment	133	3.38
2.	Safety and Security	59	5.46
3.	Health and Hygiene	38	6.04
4.	Human Resources	89	4.29
5.	ICT Readiness	56	4.45
II	T&T Policy and Enabling Conditions		
6.	Prioritization of T&T	113	3.83
7.	International Openness	101	2.39
8.	Price Competitiveness	78	4,56
9.	Environmental Sustainability	72	4.08
III	Infrastructure		
10.	Air transport infrastructure	102	2.13
11.	Ground and port infrastructure	98	2.95
12.	Tourism service infrastructure	63	4.50
IV	Natural and Cultural Resources		
13.	Natural Resources	135	1.90
14.	Cultural Resources&Business Travel	67	1.61

Source: *Adapted from: Travel and Tourism Competitiveness Report 2015*; World Economic Forum, retrieved from: http://www3.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf

The research for that report was conducted in 141 countries and data were collected as statistics from international organizations as well as the annual survey of the World Economic Studies of public opinion. The survey was conducted on a sample of 15,000 leading commercial enterprises and international organizations (Deloitte, IATA, ICCA, ILO, ITU, IUCN, UNESCO, UN Statistics Division, UNWTO, WHO, World Bank/IFC Doing Business, World Bank's World Development Indicators,

World Resources Institute, World Road Statistics, WTO, WTTC, Yale-CIESIN Environmental Performance Index and Visa Analytics, ect.).

Serbia is in the final report of the World Economic Forum TTCI 2015 ranked the 95th position among 141 countries. Compared to the previous report in 2013, Serbia noted a decline in position on global competitiveness. Namely, in 2013, it had 89th position among 140 countries. Serbian tourism competitiveness index is 3.34, while the highest in the world amounts to 5.31.

The overall conclusion on the economic competitiveness of Serbia as a tourism destination can also be based on the data and conclusions listed in the survey. In this regard, the low estimated natural resources of Serbia, which places it at the 135th position in the world, is emphasized as a special problem. It is also a very low ranked in terms of business environment, prioritization of travel and tourism, aviation and transport infrastructure as well as price competitiveness. The general assessment of the basic determinants of economic competitiveness of Serbia as a tourism destination is very low.

Table 2: *Countries that are best placed globally*

Country	Rank 2015	Index	Rank 2013
Spain	1	5.31	4
France	2	5.24	7
Germany	3	5.22	2
United States	4	5.12	6
United Kingdom	5	5.12	5

Source: *Adapted from: Travel and Tourism Competitiveness Report 2015;* World Economic Forum, retrieved from: http://www3.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf

Table 2 provides an overview of the countries that are best placed after the index of tourism and travel. As seen from the Table, the same countries were the best performers in the previous report. All these countries are also the largest generators of tourism demand and supply on the international tourism market.

Table 3: *European Countries that are best placed globally*

Country	Rank 2015	Index	Rank 2013
Spain	1	5.31	4
France	2	5.24	6
Germany	3	5.22	2
United Kingdom	5	5.12	5
Switzerland	6	4.99	1

Source: *Adapted from: Travel and Tourism Competitiveness Report 2015; World Economic Forum, retrieved from: http://www3.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf*

Somewhat clearer picture is obtained when looking at the place occupied by Serbia in Europe compared to the neighboring countries as well as its direct competitors. Serbia is here (Table 4) at the bottom of the rankings at 35th place.

Table 4: *Comparison of the competitive position of Serbia with neighboring countries at European level*

	Country	Regional rank	Global rank	Index
1.	Italy	6	8	4.98
2.	Greece	18	31	4.36
3.	Croatia	19	33	4.30
4.	Slovenia	23	39	4.17
5.	Hungary	25	41	4.14
6.	Bulgaria	28	49	4.05
7.	Romania	32	66	3.78
8.	Montenegro	33	67	3.75
9.	Macedonia	34	82	3.50
10.	Serbia	35	95	3.34
11.	Albania	36	106	3.22

Source: *Adapted from: Travel and Tourism Competitiveness Report 2015; World Economic Forum, retrieved from: http://www3.weforum.org/docs/TT15/WEF_Global_Travel&Tourism_Report_2015.pdf*

This review clearly shows that Serbia, at the 35th place, is significantly behind those countries. In the ranking by TTCI 2015, the only worse ranked country was Albania, which is second to last at 36 place. The best placed countries in the region were Italy and Greece, and there are now and the former Republic of Yugoslavia, Croatia and Slovenia. The

countries that are better placed than Serbia are Hungary, Montenegro, Bulgaria, Romania and Macedonia.

It can be said that not only do all countries take the same race, but that each country participates in the race defined by its own unique position in tourism and has its own tourism development goals. Some destinations are never direct competitors, due to the fact that there are various types of products or simply due to the fact that for a destination there is a problem of access - long distance, complicated transport, high costs, while the other is easily accessible.

Conclusion

Destinations are fighting each other to get into the group that tourists generally consider as the goal of their journey. The variety of tourism destinations makes it difficult to place them all into the same group and they are meaningfully ranked according to certain criteria ranging from the best/most competitive to the weakest/least competitive. Competitiveness and the resulting success can be compared only within the same competitive zone. When the destinations are compared, it is necessary to determine which destinations are the key competitors.

In the context of the preceding facts, it would be necessary to determine who are Serbia's competitors. If competitiveness analysis is valid, then the indices of competitiveness can help to establish standards for comparisons between countries. This ranking helps policy makers to formulate and evaluate national results in terms of competition, which further helps companies to improve competitiveness as opposed to others. This is also helpful for investors to allocate resources among the countries and researchers to discuss economic issues in a comparable way (Manić, 2008,. 26). In this sense, it would be desirable that the concept of competitiveness benefits of benchmarking, and not some kind of a priori norms, because many aspects of performance are better evaluated when the rapper is an obvious example from practice, not theory.

Competitiveness in tourism is of particular importance to those countries that are committed to the highest possible market share. Manager of tourism must identify and explore the competitive advantages and to analyze the competitive position of the destination. The degree in which that country can benefit from tourism largely depends on the competitive position in the international tourism market.

A significant benefit of the tourism competitiveness index is the possibility of analyzing the position of Serbia as a tourism destination in the international market. Without this and other information, it would not be clear in which way to give priority to the process of improving the competitiveness of Serbia in the international tourism market.

Ever more crucial factor of the competitiveness of tourism destinations would become how much diversity, or how much intensity of individual tourism experience and the very experience can offer compared to other destinations.

The reasons for this should be sought in the fact that in terms of diversity demand requires the rapid development of the growing number of the so-called new market niches, i.e. maximum individualized approach to a potential buyer of the tourism experience. It can be expected that the decisions of potential consumers on the choice of destinations are linked to identified items of destination competitiveness.

In general, it can be concluded that in modern conditions the competitiveness of a tourism destination has to be less and less linked to the achieved level of its socio-economic, political and regulatory development. More focus should be given to the attractiveness of its experiential mix, where the emphasis should be placed on the attractiveness of each tourist experience.

Due to the large number of indicators which are potentially relevant for determining the competitiveness of the integrated destination experiential mix, the inability to precisely define the relative importance of individual indicators, as well as the fact that the contribution to each destination competitiveness is different from case to case (from a land to a land), we conclude that is not possible to more accurately determine the competition of some tourism destinations; it could be assessed only with more or less accuracy.

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TOURISM ECONOMY OF VOJVODINA AS A SOURCE OF COMPETITIVE ADVANTAGES OF SERBIAN ECONOMY

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Abstract

Constant tendency to increase the competitiveness of Serbian economy in global terms imposed by the need to find new sources for creating competitive advantage have their origin in the field of tourism. Tourism, as an increasingly important economic sector provides the necessary preconditions for creating new competitive advantages of Serbia in the international context. The fertile plains, Fruška Gora, rivers, lakes, farms and cultural and historical heritage of Vojvodina are all placed in one of the most important tourism regions in Serbia, as well as in the European context. The paper will provide an analysis of a business and economic structure of Vojvodina, its natural and social characteristics, the potentials of tourism development, the current market - tourism trends and potential future economic and tourism development with special focus on agritourism. All tourism peculiarities and economic benefits of Vojvodina as economically most developed part of Serbia should be valorized in the monograph.

Key Words: *tourism, tourism destination, Vojvodina, agritourism*

JEL classification: Z32

Introduction

Autonomous Province of Vojvodina is one of the regions that follows new trends in the global transition to a market economy within defined forms of modern international economic relations. Opting for the development of the tourism industry, Vojvodina should approach the creation of new strategies that will allow it to attract new and larger number of tourists to the increasing tourism competition. Tourism should

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occupy an increasingly important position in the economy of Vojvodina, because they can identify numerous factors of natural, cultural and historical and social background that allow the tourism industry as an important source of creating value-added economy of Vojvodina and Serbia as a whole. The fact that we have chosen for the establishment of the tourism industry as an important source of competitive advantage is not sufficient and it is necessary to undertake a series of strategic and operational measures that will allow to create a systematic approach to the development of the tourism industry of Vojvodina, which will enable compliance with real potential on the one hand, and, on the other, the set goals tourism policy that can often be at odds. To enable the valorization of tourism potentials of Vojvodina offers, tourism development strategies must incorporate all relevant factors that have an impact on the tourism industry. In its strategy of tourism development, Vojvodina should take advantage of all the benefits that the modern world provides for the development of tourism, which is reflected in the need for increasing the degree of peace due to the increasing degree of stress, hassle and tension immanent to the contemporary lifestyle, and the function of eliminating their negative sides which are reflected in negative health effects, but where Vojvodina has significant comparative advantage because of a more peaceful and stable and relatively "slow" lifestyle.

In structuring its tourism product, Vojvodina should give special emphasis to the farm or agritourism for which there are stable development potentials in Vojvodina. This attitude is particularly emphasized by the fact that the number of tourists who are engaged in rural tourism and visiting rural areas of more intense and Vojvodina with its farms and "peaceful" villages is a true oasis for the development of agritourism. Stress, tension and turbulent life that are accompanied with the modern way of life impose the need for rest, which is based on natural amenities, peace and tranquillity, which only rural areas can provide. This form of tourism gives peace to city population having urban and fast lifestyle, so that the potentials of its development are more than promising. Through rural tourism one can visit national parks, nature parks, scenic driving tour of rural panoramas and especially what is really significant advantage of agritourism is the inclusion of visitors in various activities as part of the family farm, exploring the style and way of life in the countryside. Countryside tourism at the same time represents a significant and stable source of income for rural households, enabling them to stabilize the economic income during the year, taking into account the seasonal nature of agricultural production.

Analysis of the achieved level of development and structure of the tourism industry of Vojvodina - current moment

Vojvodina, as the most economically developed part of the Republic of Serbia has significant tourism potential, which is necessary to put in place the universal economic progress, since tourism resources are not well used in the current economic development. In order to design a unique strategy that should make the way to tourism development of the northern Serbian province, it is necessary to consider all comparative advantages in the sphere of tourism which Vojvodina has and provide a greater degree of their economic exploitation.

Vojvodina is often said to have been founded on the "no man's land", stretching over an area of 21,506 km², between the Pannonian rivers of the Danube, Tisa, Begej and Tamiš. Vojvodina area is inhabited by a population of two million people that cohabit in tolerance and mutual coexistence. When we say 'Vojvodina' it is not just a geographical indication, but one unique geography, history, culture and world view. Vojvodina is, as often said, meeting point of Balkan culture with European civilization values and it guides Serbia on its path towards the European Union. The province itself is bordered to the north with Hungary, to the east with Romania and to the southwest with Bosnia and Herzegovina. Tourism offer of Vojvodina is characterized by a diversity and complexity that is designed to fulfill various demands of different kinds of visitors. Just as on a global world scale, it can be also said that in Vojvodina globalization has a significant impact on tourism trends. In order to comprehend the interaction of global trends, caused by the process of globalization, and tourism industry, we will use the following table:

Table 1: *The relationship between tourism and globalization*

TOURISM	GLOBALIZATION
The movement of population (tourists, employment in tourism industry)	<i>Population movements (migration, and the like)</i>
The movement of ideas (new cultural values, business in the tourism industry)	<i>The movement of ideas (new technologies, etc.)</i>
Movement of capital (innovation in tourism industry, foreign investment, profits)	<i>Movement of capital (accelerated movement)</i>
The need for expansion of new	<i>Slow new technologies</i>

technologies (open breakthrough)	
The ancient civilizations (limit certain social group)	<i>Time - space compression</i>
Strong growth in the last hundred years	<i>Time - space compression</i>
Travel to any development of the world tourism culture	<i>World Tourism Culture</i>
Tourism demands local culture or the image (differentiation between particular destinations)	<i>World Culture</i>

Source: *Nedeljković et al, 2013, According to Keome, 2004*

Analyzing Table 1, we see the interaction between tourism trends and the globalization process, which we will analyze in a few key elements. When you look at the movement of the population in terms of tourism, we see that it refers to the many tourists who participate in tourism trends, employment in the tourism industry, while the movement of the population from the aspect of global processes involves immigration, migration and so on. The movement of capital in terms of tourism leads to innovation in the tourism industry, large-scale foreign investment, while the process of globalization speeds up the movement of capital. Due to the globalization process resulting in the formation of the world tourism culture through tourism, it is reflected in the creation of travel for everyone. Finally, globalization has led to a relatively slow pace of new technologies, and tourism requires the rapid spread of new technologies, i.e. open breakthrough of new technologies.

When creating a new tourism product which produces tourism economy of Vojvodina it is necessary for the development and promotion of tourism product of Vojvodina to respect the qualitative characteristics of modern tourists, which represent an important determinant of their tourism demand. This suggests that creators of tourism offer in the database given the qualitative characteristics of modern tourists develop integrated tourism product (modern tourist is adventurous, curious, inquisitive, active (planner), helpful, friendly, tolerant, amiable, attentive, price, budget – caution, requirement, boldness, perspicacity, and passion).

Travel value from the disposal of Vojvodina, which can be used in development of the tourism industry can specify the following: land configuration, climate, hydrography and biogeography.

Tourism values derived from the characteristics of the relief can be a significant source of competitive advantage of tourism industry. If we look at the characteristics of the land configuration of Vojvodina, we can note that it varies depending on the administrative division of Vojvodina, which is structured in three geographical regions: Banat - a predominantly lowland area which is lined with Deliblato sands in the southwest and the mountain region in the southeast; Bačka - as well as Banat, it is mostly plains with arable land with numerous marshes and forests and Srem - whose configuration is dominated by Fruška Gora, while the southern part of Srem is mainly lowland. The main characteristic of the tourism industry of Vojvodina is that the importance of the configuration as a travel value has varied starting from international (Fruška Gora, alluvial plane of the Danube and Banatska sand land) through the regional (Subotička sand land and Vršac mountains) to the local (Titel hill), from which we can manufacture products to the character of the land configuration as a tourism value is extremely small. When we look at climate as tourism value, we can draw the conclusion that, regarded as an independent factor, it has relatively little significance. It is important to point out that although it has a little influence, it has no limiting character for the further development of the tourism product of Vojvodina.

In contrast to the terrain and climate, water is an extremely significant tourism value and one of the most important natural factors. When we look at water resources of Vojvodina as a tourism value we can divide it into two main sections, namely: open water (Bezdan - Apatin water area, the Danube river, the River of Bosut, the River of Tamiš) and closed waters (Kovilj rit Gradinovačka provala, Obedska bara, lakes: Palić and Ludaš, waters in the area Srbobran - Čurug, the Lakes of Melenci, water area between Idvor and Čenta and parts of the Danube-Tisa-Danube Channel). General tourism value of Vojvodina hydrographical region is satisfactory, which is a good potential basis for further tourism development. Flora of Vojvodina has a secondary importance for tourism offer of Vojvodina, while the wildlife stock in Vojvodina is satisfactory. Hunting represents a significant opportunity for development of the economy of Vojvodina and Serbia as a whole, but its further development requires a significant financial investment in equipment of facilities, establishment of unique control mechanisms shooting wildlife, ecosystem and other activities aimed at strengthening the tourism potential for the development of hunting tourism.

At the end of the discussion at this point it is necessary to underline that the development of the tourism product of Vojvodina should be based on creating a unique tourism product that will be based on the cooperation of all tourism stakeholders, to understand and underscore the importance of establishing cooperation between the various tourism destinations, it is necessary to identify advantages and the disadvantages of cooperation between different destinations.

Determining the direction of future tourism development in Vojvodina - Perspectives, challenges and constraints

Thanks to the available tourism resources of Vojvodina, it is clearly possible to make a prediction of future trends in tourism development and potential forms of tourism that can be developed in Vojvodina. Taking into account the aforesaid, we can identify several strategic directions of development of the tourism industry in Vojvodina:

1. **Transit tourism** - which allows Vojvodina significant development opportunities in the tourism industry, above all thanks to its geographical location, communication space and the number of transit corridors. Basic foundation for the development of transit tourism are numerous routes of international and national importance, such as the highway E-660 Subotica-Sombor-towards Sarajevo and the Adriatic highway E-70 Belgrade-Pancevo-Vrsac-Vatin-Romania, then the road traffic such as Kikinda-Senta-Sombor and the road Vrsac-Zrenjanin-Bečej-Odžaci and roads through the valleys of the Danube and Sava.
2. **City tourism** - in the context of plans for tourism development, an important place belongs to the city tourism, but it should be noted that two of the three urban centers of the first degree in the area of Serbia is located in Vojvodina, such as Novi Sad (the economic, political and cultural center and transport hub which, thanks to their natural environment as of Fruska Gora and the Danube and the city beach "Strand" has a great potential of tourism development), and Subotica (representing the second largest city in Vojvodina, which, thanks to Palic Lake and numerous cultural and economic events and valuable cultural monuments, is a real tourism attraction). It should be emphasized that cities are just one tourism pearl which has a strong tourism attraction for the future direction of tourism development, where their role is important in the development of cultural tourism that will be processed in the following considerations.
3. **Mountains** - although at first sight mountain tourism has no significant prospects for development in Vojvodina, which is

considered the plains, some parts of the province provide a good basis for the development of this type of tourism. Fruska Gora, which has the status of a National park, provides an important basis for the development of this type of tourism industry. The forests, pleasant climate, rich flora and fauna provide numerous advantages of these mountains in the development of mountain tourism, providing recreation for numerous tourists with its substantial infrastructure resources that provide significant support to the development of this type of tourism.

4. **Eco-tourism or tourism in a protected nature** - is highly developed form of tourism in Vojvodina because of exceptional natural areas that provide a good strategic base for its development. In the center of the development of ecological tourism there are the National park Fruska Gora, special nature reserves, such as the Banat and Subotica Sands, Vrsac mountains as a Nature park, Apatin Danube area, Stari Begej the Imperial pond, as well as strict nature reserves like Obedska bara, Palić, Ludaš and the like. There are lots of other locations in the territory which are protected thanks to the wealth of flora and fauna, many of the species that inhabiting this area have been put on the global "Red List", which incorporates rare and endangered species.
5. **Spa tourism** - the basis for the development of these forms of tourism are rich sources of thermal and hydrothermal wells which enabled the building blocks of health and recreational centers. The tradition of spa tourism in Vojvodina is really long and spas have in this area always represented an attractive place for rest and recreation. Rarely in one place can you find as many thermal springs like in Vojvodina, especially when one takes into account that it is a lowland area. To illustrate the reached level of development and the importance of spa tourism for tourism development there are just a few spa centers in Vojvodina like: **Banja Kanjiža** - situated in the north of Vojvodina, in Bačka near the state border with Hungary, it is classified as a sodium hydrocarbon - sulphide baths and is suitable for the treatment of rheumatism, nervous system and spinal cord. Its significant comparative advantage hardships is reflected in good accommodation facilities with the well-formed, and restaurant offer a high degree of cure and equipment; **Banja Junaković** - is located in the far northwest near the village Prigrevica and in today's conditions is a specific health – recreational center. It is suitable for the treatment of rheumatic, gynaecological and for inhalation. It belongs to the group of chloride - hydrocarbon sodium spas. This spa allows you to

organize various events, providing hospitality - tourism services that can meet the various needs of tourists and numerous visitors; **Banja Vrdnik** - located on the southern slopes of Fruska Gora near Novi Sad. Banja is primarily focused on the treatment of rheumatic and bone diseases using the latest methods of treatment. What is a special comparative advantage of the spa is the oasis of lush vegetation, clean air and a healthy climate. The central place in the tourist industry occupies the hotel "Termal" Vrdnik, and in this spa is the most important recreational - sports center on the slopes of Fruska Gora and **Banja Stari Slankamen** - located at 35 kilometres from Novi Sad and is located next to the Danube. This spa is directed primarily to the treatment of more serious health problems such as post-traumatic and post-surgical treatment of central paralysis. What gives a significant advantage to Stari Slankamen is the beautiful environment where it is located, because it is near the confluence of the Tisza River and the Danube, Slankamenački fortress and numerous sand beaches at the Danube. The potential for the development of spa tourism in Vojvodina is remarkable, especially when one bears in mind that there are numerous natural resources that are not exploited yet, as sources at the Old Hopovo, Ljuba or Erdevik which are tourist destinations that are not exploited enough.

6. **Sports - recreational tourism forms** - represent a significant opportunity for development of tourism in Vojvodina, whereby hunting surely occupies an important place. The basis for the development of this form of tourism are large hunting grounds, which according to some estimates range at the level of two million ha of hunting grounds and 1,700 kilometres of riverbanks and lakes suitable for hunting. Although Vojvodina is mostly a flat area with a large amount of arable land, it nevertheless provides ideal conditions for growing as well as hunting of all kinds of game. Thanks to all that Vojvodina hunting grounds are among the most popular in the European area which, combined with a high degree of hunting culture. Provide ideal conditions for the development of hunting activities. Vojvodina tradition and experience arising out of it in raising horses have created a good basis for the development of sports - recreational tourism. Tourist Complex "Zobnatica", which is located not far from the Backa Topola is a real jewel of tourism for the development of sports - recreational tourism, especially when you take into account that there are a tourist - complex infrastructure that provides a good development on this type of tourism. Kelebija near Subotica, which has a long tradition in dealing with cows, sheep and also together with

Backa Topola provides more than a stable base for the development of this form of tourism promotion. The tourist complex around the old castle Dunderski - Fantast provides good basis for the development of this form of tourism, where tourists can enjoy riding as a tourist attraction. In addition to sports - recreational activities of this tourist complex in one place allows you to view the entire architectural value Vojvodina, because in the castle there is a small castle, horse farm, chapel and park with other supporting facilities. Following the latest newcomer in the global tourism industry there is a Golf Course near Žabalj on the bank of the river Tisza near the Imperial hunting grounds and Imperial ponds near the main road Novi Sad - Zrenjanin. The natural environment in which it is placed this golf course is extremely encouraging because that is located near the old Vojvodina pearl river Tisza, gentle pastures and rich fishponds. At the end, Vojvodina is very suitable for the development of cycling as they are in the tourist offer of many cycling tours, among which the bike tour on Fruska Gora, as well as a tour of the Petrovaradin fortress.

7. Due to the rich cultural - historical values and traditions, Vojvodina has a great advantage in the development of cultural tourism, and especially religious tourism, cultural - historical, event and museum tourism. Fruska Gora monasteries that were built in the period from the 15th to the 17th century Vojvodina in Serbia has great comparative advantage in the development of sacred, religious tourism, which gets more intense development in the future. Petrovaradin Fortress, the fortress of Bac from the 11th century, the Roman ruins of the city of Sirmium are a good starting point for the development of cultural tourism. Vojvodina town with its distinctive architectural style provide a significant basis for the development of cultural tourism. These cities are mostly built during the 18th and 19th century and have a specific architecture that is mainly built in the Baroque and Art Nouveau, with a special place for Sremski Karlovci, Novi Sad, Subotica, Sombor, Subotica, Vrsac, Pancevo, Zrenjanin, Kikinda, Senta and Novi Bečej. The tourist offer is completed with Vojvodina villages and ethnographic heritage. A powerful impetus to the development of cultural tourism in Vojvodina provide rich collections in museums and galleries located in Novi Sad, Sremska Mitrovica, Vrsac, Zrenjanin, Subotica, Sombor and Kikinda. Vojvodina tourism is recognizable by the manifestation of tourism, since the entire space of Vojvodina is rich and distinctive with its numerous cultural events. Many festivals, fairs, exhibitions, sports events, religious celebrations ensure that Vojvodina with its tourist

offer in this area has significant comparative advantages. Special tourist value for the development of this form of tourism has little village Kovačica that has become world famous for its tradition of naive painting, which is crowned with the formation of the International Ethno Center Babka, which aims to raise awareness of the importance of this form of painting and to carry out its promotion on a world scale.

Analyzing the potential that allow further evaluation of the tourist area of Vojvodina it can be noticed that Vojvodina is rich with tourist offer, which is based on the extraordinary geographical position and natural and cultural features. What makes the strengthening and promotion of tourist offer of Vojvodina are exceptional conditions for the development of other forms of tourism which have become, globally dominant forms of tourist travel. These other forms of tourism, are often referred to in contemporary tourism literature regarding Vojvodina significant competitive advantage, a particularly important place in this tourist market is for religious (monastic) tourism, event and hunting, bicycling, horseback riding, golf, photo safari and a variety of activities designed for numerous admirers of the concept of active protection and respect of nature, which are becoming increasingly attractive to foreign tourists, who, due to the fast pace of life, want peace and pleasure as a complete antipode of modern life that is characterized by tension, stress and anxiety.

The authors of this paper, tend to indicate a specific type of tourism, for which Vojvodina has significant competitive advantages, and which in the past has not been the focus of development, which is the agritourism, which is more connected to a mountain area, and Vojvodina has got more than favorable conditions to create a clear development strategies in encouraging this type of tourism. Vojvodina farms, villages typical of lowland areas with its rich architecture, traditions and even cultural - ethnological and ethnographic values provide a stabile development foundation for the development of agritourism, which has lately been unjustly neglected in Vojvodina. The exceptional comparative value of this form of tourism is that it allows the extension of the tourist season throughout the year, attracting many tourists presenting characteristic forms of life in the village. This form of tourism enables the growth of family agricultural households, and also contributes to the promotion of Serbian and Vojvodina villages and traditional values fostered within them. That is why in the future one should think about focusing on the

development of rural tourism, which should become a priority direction in which according to the authors of this paper Vojvodina tourism industry should move, especially when one bears in mind that there are a number of potential projects that allow attracting foreign investments suitable for the development of this form of tourism.

Rural tourism - tourism development potential of Vojvodina

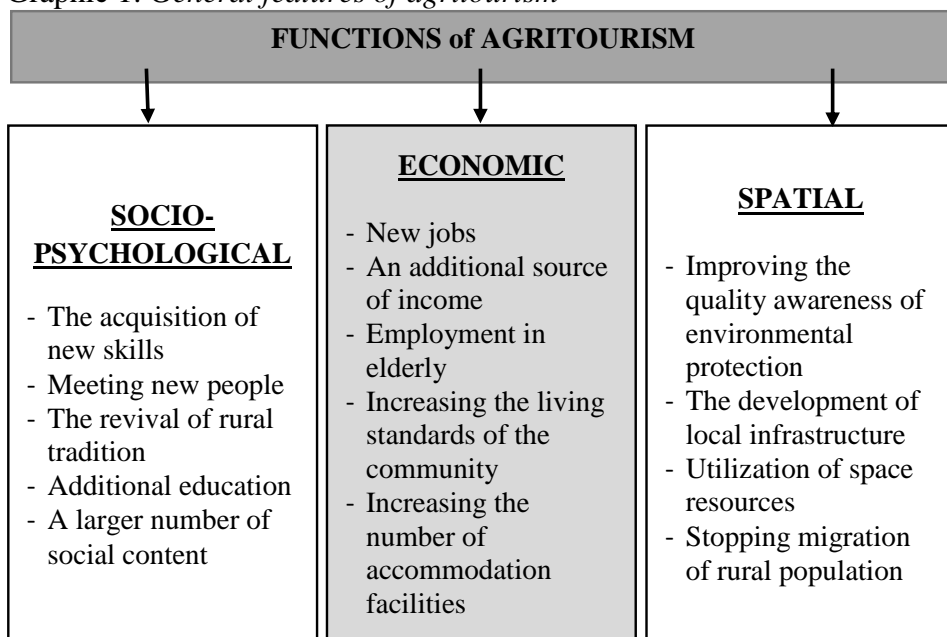
Although the rural tourism in recent years has been increasingly discussed in the literature, it is necessary to point out that it is both the old and new phenomena. As the process of urbanization and industrialization progressed, there have been significant changes in the quality of human life in terms of deterioration of quality and a higher level of tension, stress and anxiety, and in such circumstances rural tourism reached the zenith of modern tourism strategies tourist and economy. Today, more and more tourists are involved in this form of tourism trends. When talking about agritourism often on the wrong equated with the countryside and rural areas, but at this point we should point out that within itself it incorporates trips in nature, visits to rural areas, many culture - tourism events, festivals, recreation, production and sale of home handicrafts and similar facilities. Certainly that is the basic prerequisite for the development of this form of tourism in rural areas, the main consumers of the product that provides this type of tourism is the urban population, which is increasingly in need of rest and relaxation in the countryside. A specific feature of rural tourism is an active holiday tourists through their involvement in village life, participation in a number of rural activities, traditions and lifestyle in the countryside by providing personal contact, and a special sense of abiding in the natural environment that modern man is increasingly lacking, especially when one takes into mind that every man is really just an integral part of the natural environment from which it was created and how it develops.

To help us understand in what direction and how to pave the path of development of the tourism industry focused on the development of agritourism, it is necessary to point out some basic characteristics that it has. This form of tourism is primarily aimed at non-standard forms of leisure and people who want to learn something new, acquiring new skills and knowledge in authentic rural setting. Agritourism allows tourists to take care of domestic animals, participate in the processing of vegetables, field crops, fruit and other crops surrounded by rural area that provides peace and stability, and the ultimate effect of rural tourism to meet the

travel needs of the many visitors through the incorporation into the real rural life. Through the creation of the development strategy of the tourism industry focused on the development of agritourism there are numerous benefits such as primarily the development of rural areas, which is reflected in linking agricultural activities with other industries, which are effected by increasing the level of employment of the local population and increasing the attractiveness of life in the countryside, then create predispositions to ensure food security of the rural population, further it encourages the preservation of natural features in the country and as the ultimate effect is achieved by revitalization and protection nonmaterial and cultural characteristics of the local community.

In the development of agro-tourism, it is necessary to look at a number of functions that can be achieved by the development of agro-tourism. It can be seen in the following charts:

Graphic 1: *General features of agritourism*



Source: *Petrović, 2014.*

Analyzing the graphical representation of the number 1 we see that the agritourism achieves many functions that can be classified into three groups: Socio - psychological, economic and environmental. Socio - psychological functions that are realized through the development of

agritourism are reflected in the acquisition of new skills, meeting new people, and especially what is important in Vojvodina to revive the rural traditions of Serbian or Vojvodina village as a significant factor of Serbian history and culture. Economic functions agritourism is reflected through the creation of new jobs, providing an additional source of income for the rural population and rising living standards of the rural population which allows the retention of young people in the countryside and prevents further devastation of Serbian villages. The development of local infrastructure and a higher degree of utilization of space resources are implemented spatial functions agritourism. All this indicates that the development of agritourism achieve significant benefits by the entire community, especially given strong impetus to the development of the entire tourism industry. In order to define a clear strategic directions of development of agritourism, and tourism and the economy in general, it is necessary to further educate the tourism workers, as human resources administration are the most important factor in the development of tourism. Therefore, it is necessary to invest in the tourism industry, because it will achieve a significant improvement of the quality of tourism and leisure activities can be stated that every penny invested in the training of tourism workers is more than viable and profitable investment. Tourism development is a complex task that requires an interdisciplinary approach, which is particularly important in defining the strategic direction and pave the way of development of the tourism industry in the field of agritourism since it incorporates within itself a number of scientific disciplines, which is illustrated graphically as follows. It is important to underline this, because the only way to correct routing of the future development of the tourist industry to be based on a high degree of knowledge.

Graphic 2: *Multidisciplinary approach in the development of agritourism*



Source: Petrović, 2014.

Analyzing the given graphical representation we see that agritourism within itself incorporates knowledge from various scientific fields that are necessary to ensure the strategically placed and designed development of this sphere of tourism. Thanks to this interdisciplinary approach that incorporates agritourism the appropriate design and establishment of the knowledge in these areas is required, because only a multidisciplinary approach can achieve all the benefits that the development of agritourism provides for the overall community, and especially the positive effects on the development of the tourism industry.

An important feature of the tourism offer of Vojvodina are events that represent traditional folk values of peoples living in Vojvodina. Through this event they presented their customs, culture and ethnological value of preserving its identity while contributing diversity of tourist offer of Vojvodina, representing the main attraction of Vojvodina, which is reflected in the richness and diversity of the culture of many peoples living in Vojvodina. A large number of events is based on folk elements and folk heritage of Serbs. The legacy of Serbs in Vojvodina is largely different, primarily due to the different origins of Serbs in this region (central Serbia, Bosnia and Herzegovina, Lika, Kordun, Dalmatia, Montenegro, etc.). This difference could be the basis for the development of tourism, because visitors meet various customs and folklore of the Serbian people. On the other hand, significant events of the Hungarians are mainly in folklore events "Đonđoš bokreta" (Hungarian. Gyöngyös bokréta), which are held in Bačka Topola. A large number of events is linked to various church holidays, especially Christmas, and they are very attractive for visitors. In Skorenovac the largest attendance is at the time of village feast dedicated to St. Istvan, and other important events villages are "Skorenovac summer evenings," "Days of Hungarian cuisine" (11th October) and rural carnival. These are only typical manifestations of the two largest nations in Vojvodina, although all nations in Vojvodina have their own events which present their cultural and historical heritage. What is a significant problem in the development of tourism in Vojvodina, when it comes to events, is the fact that there are currently no unified and integrated events in Vojvodina, but also there is no unique event abounded in song, dance and cuisine of all nations of Vojvodina.

At the end of this consideration of the development of agritourism it is necessary to specify some basic steps to be taken towards the development of agritourist offers of Vojvodina, which should contribute

to further valorisation of tourist resources, these measures can be classified into the following groups:

- Establishment of an effective web site agritourism accommodation units;
- Stay in touch with guests who have already stayed in agritourism accommodation unit;
- Establishment of special offer sales - can be displayed on the banal and frequent event - after three paid accommodations, guests receive a free fourth;
- Cooperation with the media at all levels - with the necessary "provocation", it is necessary that the media interest in the offer of the host and that is about to spread (positive) news through print and electronic media, due to the positive effects brought about this way of advertising;
- Make a good first impression - guests need only a few minutes to acquire a good or a bad first impression and agritourist accommodation unit "label" as a pleasant or uncomfortable place to stay; it is necessary to remember the fact that the good news spread fast, and bad more quickly, and in this context, the first impression is often crucial to the impressions of guests;
- Offer quality products - the first thing that guests expect in agritourism accommodation units Agritourist is a quality product;
- The need for training of all family members and employees who are in contact with guests,
- Cooperation with tourist organizations (at local, provincial and national level) and professional associations involved in tourism, handicrafts, agriculture and similarly.

Concluding Remarks

All of the above suggests that there are significant tourism potentials that enable the development of agritourism as a specific form of tourism which is becoming more present in contemporary tourism trends. Just in this form of tourism activity, as a unique tourism destination, Vojvodina has significant development resources and natural advantages that enable it to further develop and improve. The richness of the Vojvodina village architecture, numerous cultural and historical monuments, events, ethnological values, tradition and culture are under-utilized potential for the development of agritourism offers of Vojvodina.

If we want to take the road to the ultimate aim to develop powerful agro-economy, it is necessary to timely implement a systematic approach that will include adequate standardization and categorization of tourism facilities of rural tourism, then create the legal conditions for the regulation of the provision of food in households, work on further affirmation and promotion of tourism offer of agritourism, further construction of infrastructure in rural areas, development of accommodation and catering facilities and in particular further education of tourism workforce. Only such an approach to the development of agritourism can be expected to achieve the desired effects of the development of the tourism industry.

Global trends in world tourism activities are directed towards rural areas and emphasize the needs and motivations of contemporary populations to return to natural and unpolluted environment. In this tendency, agritourism can occupy a significant market segment, while respecting the rules of sustainable development and cultivation of local traditions and culture, this type of tourism is becoming one of the strategic directions of development of rural areas. There is also the need for better cooperation among all peoples and ethnic communities in the above villages. Cooperation is necessary in order to launch an agritourism product, through the principle of multiculturalism and originality, better marketed as a unique tourism product in Vojvodina, and the whole of Serbia.

In the end, it is necessary to underline that Vojvodina can develop diverse tourism offer thanks to preferably state tourism potentials that exist in this area. A special advantage is reflected in the situation that Vojvodina can develop both traditional and new forms of tourism which have become global tourism trends and more attractive for many tourists who want to travel and to experience something new on their journeys. In order to achieve the expected effects of the development of the tourism economy of Vojvodina, it is necessary to achieve continuous monitoring of market trends and their adaptation to the demands of the consumers, because consumers are just chief tourism strategists of the tourism industry which has the task of creating such a tourism product that will fully satisfy the expectations of tourists, and this is possible only in a situation where tourism industry is flexible as well as the market.

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COMPETITIVE POSITION OF SERBIA AS A TOURISM DESTINATION ON THE INTERNATIONAL TOURISM MARKET

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Abstract

Because of its economical and other effects which it has as an economic activity, tourism became a development chance for many countries, especially undeveloped and developing countries. Summing these positive effects, almost all countries in the world are trying to valorize their tourism potential, thereby offering different touristic products and services on tourism market. Despite the fact it has numerous and various potential for tourism development (favorable geographic position, specified relief and climate, various flora and fauna, numerous cultural and historical monuments and other), till now, Serbia has not achieved significant results in tourism development compared to the other tourism destinations, both in the region and in the world. The purpose of this paper is to analyze the competitive position of Serbia as a tourist destination on the international tourism market. In this paper we have used Index of Travel and Tourism competitiveness (The Travel & Tourism Competitiveness Index – TTCI).

Key Words: tourism, tourism market, tourism destination, Serbia as tourism destination, competitive position

JEL classification: Z30, L83

Introduction

Over the last few decades, tourism has an increasingly important role in economic and social life of many countries. As the fastest growing industry in the world, tourism is a significant driver of economic development of modern economies (Stanišić & Milutinović, 2016). The

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tourism industry is a "crucial part" of the economy of each country, regarding its significant financial, political and social effects. It brings a number of benefits such as the generation of new jobs and GDP growth (Denda & Stojanović, 2016). According to WTTC data, tourism is one of the largest "industries" accounting for about 10.2% of world GDP with almost 292 million jobs (WTTC, 2017). Because of these and many other positive effects, almost all countries of the world have become aware of the importance of tourism for economic and social development, and strive to develop it. Considering that Serbia has a lot of quality resources for tourism development, it should become a driving force behind economic development and a factor of stabilization and growth of economic activity in Serbia (Dimitrovski & Milutinović, 2014). Radović-Stojanović & Vasović (2016) analyzed the number of foreign and domestic tourists for the period from 2001 to 2015 and they came to the result that the number of foreign tourists has an upward trend.

The aim of this study is to assess the competitive position of Serbia as a tourist destination on the international tourist market. During the time the different models for measuring the competitiveness of tourist destination were developed, but the most widely accepted of them and the most comprehensive is The Travel & Tourism Competitiveness Index developed by the World Economic Forum. Serbia is ranked in this index from 2008, although in 2007 competitiveness of tourism former state of Serbia and Montenegro was estimated. In this paper TTCI index will be used for the analysis of the competitive position of Serbia as a tourist destination.

This paper is organized as follows. After introduction there is section with the definition of the tourist destination term. In the third part we have defined and explained different models for measuring of competitiveness of the tourist destination. In the fourth part we have analyzed position of the Republic of Serbia in relation to its main competitors. Section five is conclusion.

The term of tourist destination

In the tourism literature there are different ways for defining the term of tourist destination. The concept of tourism destination comes from Latin word destination, which means vacation, goal of staying and resting in a room. The concept of a tourist destination is based on the concept of a tourist place, and in accordance to that we will first define this term.

Popesku (2011) defines it as a tourist destination city which attracts large number of tourists and tourism also gives a special characteristics to the place, and income from tourism has an important role in its functioning. The same author points out that the tourist destination is much more than a geographical area or city. Tourist destination includes a variety of products, services, natural resources, created elements and information which are able to attract a number of visitors.

We can define tourist destination as the place that has characteristics which are known to sufficient number OF visitors in order to justify its conception as an entity that attracts traveling, regardless of the attractiveness of other locations (Mathieson & Wall, 1990). Natural and created features, infrastructure characteristics, economic structure and properties of local destination residents, are of particular importance for the tourist destination. Pike (2008) defines tourist destination as special geographic region where visitors receive various ways of tourist experience. The author also states that a geographical area where there are more tourism resources can be considered as a tourist destination rather than the geographical area bounded by political borders.

We could conclude that tourist destination is place or area that might be of different sizes bigger or smaller than the territory of a country, region, island, town or village. Regardless of size, a tourist destination is an area that contains a variety of motives that attract the attention of tourists and through their common operations enable fulfilling of their needs.

Models for measuring the competitiveness of tourist destination

The competitiveness of tourist destination, as well as any other product or service, is of the great importance, because the success of tourist destination on the international tourism market depends on its competitiveness (Enright & Newton, 2004). The competitiveness of a tourist destination is based on its ability to increase tourist consumption, to attract more tourists, which will be achieved through satisfaction and the remembered experience by staying. At the same time, the competitiveness of tourist destination is based on how it will operate in a profitable manner, improving the welfare of the inhabitants of the place and preserving natural resources of the destination for future generations (Ritchie & Crouch, 2003). The competitiveness of tourist destination depends on its ability to deliver visitors experience that will provide more satisfactions than those offered in other destinations (Vengesai, 2003).

There are a lot of models for measuring competitiveness of the one tourist destination, and in this paper we will shortly present some of them. Among the first authors who have studied the nature and structure of competitiveness of tourist destinations were Ritchie & Crouch (2003). They started their researches in 1992 with the main aim to develop conceptual model based on the theory of comparative and competitive advantages. The model named *integrated model of destination competitiveness* received its final form in 2003. According to this model, the competitiveness of the destination is based on its inherited resources which are the basis of comparative advantage, as well as its ability to take advantage of these resources, which is the basis of competitive advantage. Their model includes five groups of factors (Ritchie & Crouch, 2003):

1. the key resources and attractions,
2. support factors and resources that provide the basis for development of the destination tourism industry,
3. policy, planning and development of destination with special emphasis on developing its competitiveness and sustainability,
4. destination management, whose task is to focus its activities on the implementation of the established tourism policies, to highlight the attractiveness and improve the quality and efficiency of support factors and resources of destination,
5. situational factors (location of destination, relation between cost and value, safety and security, interdependence of destinations, perception of destination, and its image and capacity carrying of destination).

In the model which was developed by Ritchie & Crouch (2003), there are certain meaningful restrictions. In fact, many destinations do not have databases required for decision-making according to this model. Also, the relationship between the competitiveness of destinations and the impact of global factors is set with the help of qualitatively determinants (Popesku, 2011).

Another model for measuring the competitiveness of the tourist destination is given by Dwyer & Kim (2010). In their integrated model all sources of competitiveness are interrelated and competitiveness of tourist destination is a tool to achieve social and economic well-being of inhabitants. Dwyer & Kim (2010) divided all resources in the inherited and created. Inherited resources cover naturals and cultural resources, while the created resources include tourism infrastructure, events, tourist activities, shopping and entertainment. There are also so-called contributory resources which include basic infrastructure, quality of

service, availability of destination, hospitality, various forms of market relationships that destination develop to guests in their country of origin (ethnic relations, common religion, culture and so on). Within the integrated model there are situational factors, which include: competitive micro environment, macro environment, safety and price competitiveness, the ability of the company in the destination to answer to the needs of the local market.

Destination management has an important role in the competitiveness of destination of the integrated model, where we can distinguish five types of management as follows: destination marketing management, planning and destination development, destination management organization, human resource development and environmental management.

Dwayer & Kim (2010) singled out the tourist demand as a special factor in the competitiveness of tourist destination. The authors emphasize three major elements of tourism: consumer awareness, consumer perception and their preferences. Consumer awareness can be formed in the different ways, for example through destination marketing activities, while the image of the destination may affect the perception of consumers and their visit to the destination.

If we compare these two models which have been given by Dwayer & Kim (2010) and Ritchie & Crouch (2003) we can observe that the first model is different from the second one in the following characteristics (Popesku, 2011):

1. It shows the interconnectedness between model elements, while the model of Ritchie & Crouch is linear;
2. There is a clear difference between created and inherited resources of tourist destination;
3. The element of tourism demand as an important factor in the competitiveness of a destination is extracted, while Ritchie & Crouch give importance only to offer. Also, in the first model the awareness of tourist about the destination and the products of destination plays an important role, which tourist compares with competing destinations;
4. Includes destinations policy, planning and development management, rather than segregating them as a separate group;
5. Makes clear differences between tourist and basic infrastructure;
6. Shopping is presented like important element of competitiveness.

In addition to these two models of tourist destination competitiveness a number of other models were formed. The model which have been used in our work is The Travel & Tourism Competitiveness Index (TTCI) and it was developed by World Economic Forum (WEF). This index has been published since 2007, every two years, and its main aim is to reveal the competitive advantages and disadvantages of tourism observed countries. Till 2015, TTCI contained three sub-indices, when the methodology was changed. Now TTCI contains four sub-indices. In the Table 1 and Table 2, the sub=indices for the old and new methodology are shown.

Table 1: *Structure of the index of competitiveness of tourist destination according to the WEF till 2015*

SUBINDEX		
REGULATORY FRAMEWORK	BUSINESS ENVIRONMENT AND INFRASTRUCTURE	HUMAN, CULTURAL, AND NATURAL RESOURCES
Policy rules and regulations	Air transport infrastructure	Human resources
Environmental sustainability	Ground transport infrastructure	Affinity for Travel & Tourism
Safety and security	Tourism infrastructure	Natural resources
Health and hygiene	ICT infrastructure	Cultural resources
Prioritization of Travel & Tourism	Price competitiveness in the T&T industry	

Source: *The Travel & Tourism Competitiveness Report (2013)*

Table 2: *Structure of index of the competitiveness od tourist destination according to the WEF from 2015.*

SUBINDEX			
ENABLING ENVIRONMENT	POLICY AND ENABLING CONDITIONS	INFRASTRUCTURE	NATURAL AND CULTURAL RESOURCES
Business Environment	Prioritization of Travel & Tourism	Air Transport Infrastructure	Natural Resources
Safety and Security	International Openness	Ground and Port Infrastructure	Cultural Resources and Business Travel

Health and Hygiene	Price Competitiveness in the T&T Industry	Tourist Service Infrastructure	
Human Resources and Labor market	Environmental Sustainability		
ICT Readiness			

Source: *The Travel & Tourism Competitiveness Report (2015)*

Each sub-index contains certain pillars of competitiveness, while competitiveness of each pillar is made up of a number of individual variables and quantitative data obtained from the various international organizations and professionals, such as: IATA, IUCN UNWTO, WTTC, UNCTAD, UNESCO (Blake & Chiesa, 2011). By the introduction of the new methodology in 2015, the index still contains 14 pillars, and pillars that have remained unchanged from the previous methodology are regrouped in accordance with the new structure of the sub-indices.

The competitiveness position of Serbia as a tourist destination

According to the World Economic Forum, all countries that have achieved the rank above 50th place can be considered as globally competitive tourist destinations. Taking that into account as well as the data in Table 3, we can conclude that Serbia as a tourist destination has an unenviable position in the international tourism market. From Table 3 we can see that the value TTCI index varied from year to year. Value of TTCI index is lowest in 2015 (3.34), when Serbia was ranked 95th in the world (out of 141 surveyed countries). The disturbing fact is that Serbia is ranked at the very end in Europe and occupies 35th place out of 37 surveyed countries (behind are Albania, Bosnia and Herzegovina).

Table 3: *Competitiveness Position of Serbia – European and global level*

	2009.	2011.	2013.	2015.
Index value	3,71	3,85	3,78	3,34
Europe	38/42	38/42	40/42	35/37
World	88/133	82/133	89/140	95/141

Source: *The Travel & Tourism Competitiveness Report (2009, 2011, 2013, 2015)*

In the following part of the work the values of sub-indices are presented, with the aim of detailed consideration of the competitive position of

Serbia as a tourist destination. In Table 4, sub-indices values for the period from 2009 to 2013 are given, while the values of the sub-indices for 2015, due to the changed methodology are given in Table 5.

Table 4: *The Travel & Tourism Competitiveness Sub-index for Serbia from 2009 to 2013*

SUBINDEX	2009.	2011.	2013.
REGULATORY FRAMEWORK	78	67	74
Policy rules and regulations	67	68	103
Environmental sustainability	127	124	115
Safety and security	85	66	55
Health and hygiene	44	41	46
Prioritization of Travel & Tourism	119	105	108
BUSINESS ENVIRONMENT AND INFRASTRUCTURE	80	84	81
Air transport infrastructure	105	111	110
Ground transport infrastructure	91	115	117
Tourism infrastructure	58	49	56
ICT infrastructure	63	62	49
Price competitiveness in the T&T industry	90	118	119
HUMAN, CULTURAL, AND NATURAL RESOURCES	96	94	109
Human resources	54	76	94
Affinity for Travel & Tourism	83	66	104
Natural resources	126	123	131
Cultural resources	64	59	65

Source: *The Travel & Tourism Competitiveness Report (2008, 2009, 2011, 2013)*

If we consider values of sub-indices from tables 4 and 5, we can observe that Serbia is the worst ranked in the fields of Natural resources and Environmental sustainability (according to the new methodology this pillar is called Business Environment). Taking this into account we can conclude that Serbia does not protect its natural resources sufficiently. Serbia also has a poor ranking when it comes to ground and air infrastructure, but it is encouraging that the rank of Serbia in these categories in 2015 is improved. On the other hand, Serbia has a very good ranking in the field of health and hygiene.

Table 5: *The Travel & Tourism Competitiveness Sub-index for Serbia for 2015*

SUBINDEX	2015.
ENABLING ENVIRONMENT	67
Business Environment	133
Safety and Security	59
Health and Hygiene	38
Human Resources and Labor market	89
ICT Readiness	56
POLICY AND ENABLING CONDITIONS	113
Prioritization of Travel & Tourism	113
International Openness	101
Price Competitiveness in the T&T Industry	78
Environmental Sustainability	72
INFRASTRUCTURE	81
Air Transport Infrastructure	102
Ground and Port Infrastructure	98
Tourist Service Infrastructure	63
NATURAL AND CULTURAL RESOURCES	122
Natural Resources	135
Cultural Resources and Business Travel	67

Source: *The Travel & Tourism Competitiveness Report (2015)*

In order to properly comprehend the competitive position of Serbia as a tourist destination at the regional and international tourism market, it is necessary to include its main competitors in the analysis. The Tourism Development Strategy of the Republic of Serbia (2016) listed as the main competitors of Serbia as a tourist destination the following countries: Slovenia, Croatia, Albania, Montenegro, Hungary, Romania, and Bulgaria. Analyzing the data from Table 6 we can see that Serbia substantially lags behind almost all its competitors (except in the case of Albania, where Serbia in two of the four taken years has a better competitive position). Among the studied countries, Croatia has taken the best position in 2015 with the TTCI index of 4.30, while Albania has the worst position with TTCI index of 3.22. Serbia is on a slightly higher level than Albania with TTCI index of 3.34. If we compare the last two analyzed years, we can note that almost all countries have improved their competitive position, except Hungary, which has retained the same rank and Montenegro, whose ranking has dropped from 33 to 26.

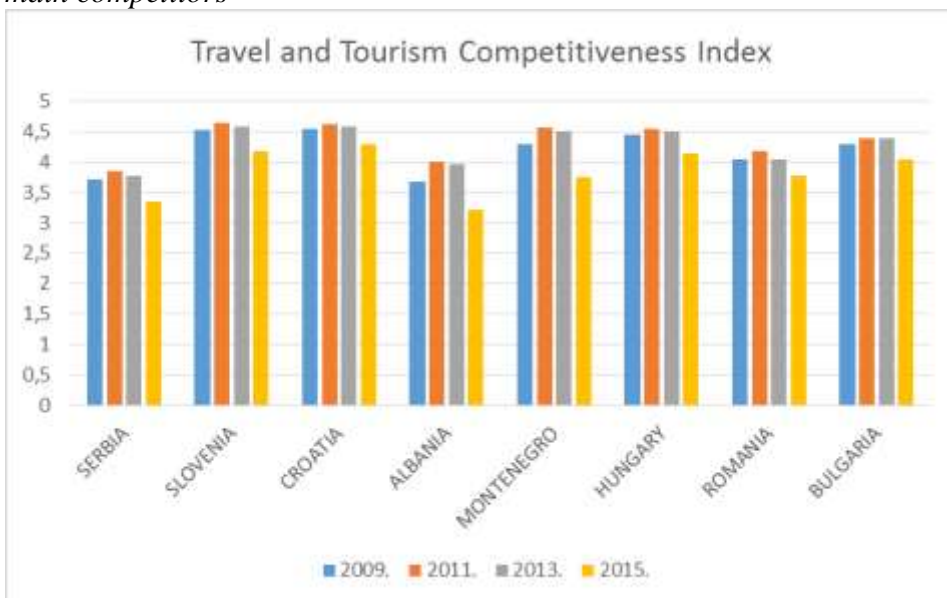
Table 6: *Comparative analysis of the competitive positions of Serbia and its main competitors*

YEAR	2009.	2011.	2013.	2015.
SERBIA				
Index value	3,71	3,85	3,78	3,34
Europe	38/42	38/42	40/42	3635/37
World	88/133	82/133	89/140	95/141
SLOVENIA				
Index value	4,53	4,64	4,58	4,17
Europe	24/42	23/42	24/42	23/37
World	35/133	33/133	36/140	39/141
CROATIA				
Index value	4,54	4,61	4,59	4,30
Europe	23/42	24/42	23/42	19/37
World	34/133	34/133	35/140	33/140
ALBANIA				
Index value	3,68	4,01	3,97	3,22
Europe	39/42	35/42	38/42	36/37
World	90/133	71/133	77/140	106/141
MONTENEGRO				
Index value	4,29	4,56	4,50	3,75
Europe	30/42	25/42	26/42	33/37
World	52/133	36/133	40/140	67/141
HUNGARY				
Index value	4,45	4,54	4,51	4,14
Europe	25/42	26/42	25/42	25/37
World	38/133	38/133	39/140	41/141
ROMANIA				
Index value	4,04	4,17	4,04	3,78
Europe	34/42	34/42	35/42	32/37
World	66/133	63/133	68/140	66/141
BULGARIA				
Index value	4,30	4,39	4,38	4,05
Europe	29/42	27/42	31/42	28/97
World	50/133	48/133	50/140	49/141

Source: *The Travel & Tourism Competitiveness Report (2009, 2011, 2013, 2015)*

In addition, on the Graph 1 we can see TTCI index for Serbia and its main competitors. As we can see from the graph, the value of TTCI index, in the case of all countries observed, decreases since 2011.

Graph 1: *The Travel & Tourism Competitiveness Index for Serbia and its main competitors*



Source: *The Travel & Tourism Competitiveness Report (2009, 2011, 2013, 2015)*

In order to perceive the effects of tourism on the observed country's economies, it is necessary to analyze the total contribution of the tourism industry in GDP (gross domestic product) and total contribution of the tourism employment in total employment of the country. The shares of the travel and tourism contributions, in percentages, are given in Table 7.

Among all observed countries, Croatia is the most recognized the significance of tourism for economic development. This is supported with the data that the share of tourism in the total GDP in the reporting year was always around 12%, while share of employees in the tourism industry was about 13%. Besides Croatia, Montenegro is the only country that has a higher tourism share of GDP and employment. However, in both leading countries there has been a decline in shares from 2008 to 2012, but already in 2014 a recovery of the tourism sector was recorded.

Table 7: *The share of travel and tourism (t&t) industry and employment of Serbia and its main competitors*

YEAR	2008.	2010.	2012.	2014.
SERBIA				
The share of t&t industry in GDP (%)	1.0	2.0	1.7	1.9
The share of t&t employment (%)	0.9	1.9	1.6	2.6
SLOVENIA				
The share of t&t industry in GDP (%)	2.4	2.6	3.5	3.6
The share of t&t employment (%)	3.3	3.5	3.9	4.0
CROATIA				
The share of t&t industry in GDP (%)	12.1	11.8	11.5	12.1
The share of t&t employment (%)	13.6	13.0	12.7	13.3
ALBANIA				
The share of t&t industry in GDP (%)	4.3	4.1	6.3	4.8
The share of t&t employment (%)	3.3	4.5	5.6	4.3
MONTENEGRO				
The share of t&t industry in GDP (%)	12.7	10.8	8.6	9.8
The share of t&t employment (%)	10.8	9.3	7.6	8.8
HUNGARY				
The share of t&t industry in GDP (%)	2.6	3.0	4.0	4.1
The share of t&t employment (%)	4.3	4.9	5.6	5.8
ROMANIA				
The share of t&t industry in GDP (%)	2.2	1.9	1.5	1.6
The share of t&t employment (%)	3.5	3.2	2.3	2.4
BULGARIA				
The share of t&t industry in GDP (%)	3.1	3.1	3.5	3.7
The share of t&t employment (%)	2.7	2.7	3.2	3.4

Source: *The Travel & Tourism Competitiveness Report (2009, 2011, 2013, 2015)*

When it comes to shares of GDP and employment, Serbia is at the very end, along with Romania. While Romania had higher values of selected contributions in the first observed years, their value declined in later years. In contrast, in the case of Serbia, the growth of the observed contributions was recorded in the last two years. These data are encouraging because it could mean that Serbia recognized the importance that tourism and its effects (direct, indirect and induced) could have on the country's economy.

Conclusion

Although it has some flaws (for example, all the determinants of competitiveness treated equally) TTCI index is a useful analytical tool for comparing the competitive position of two or more tourist destinations. Therefore TTCI index is used for analyzing the competitive position of Serbia as a tourist destination in this paper. First of all, we have analyzed indices and sub-indices for Serbia. During all observed years, the value of TTCI index is the lowest for last year, in 2015. In terms of ranking, Serbia occupies the 95th place in the world (out of 141 surveyed countries), while it is at the very end in Europe (35 of 37 countries surveyed). Regarding the sub-indices Serbia has the worst outcomes in the field of conservation of natural resources. In this paper we compare Serbia with its main competitors: Slovenia, Croatia, Albania, Montenegro, Hungary, Romania, and Bulgaria. The analysis shows that Serbia, with the exception of Albania, lags much behind its competitor destinations.

Despite of these poor results and rankings in Europe and in the world, Serbia has great potential to improve its position in the international tourism market. Tourism Development Strategy of the Republic of Serbia (2016) defines the tourism products that are of particular importance for the development of tourism in Serbia:

1. City tourism;
2. Events (cultural, sports, etc.);
3. Mountain tourism;
4. Spa & Wellness in Spas / Health Tourism;
5. Themed route;
6. Rural tourism;
7. Nautical tourism;
8. Meetings, incentive travel, conferences and exhibitions / events (MICE tourism);
9. Cultural heritage;
10. Special interests;
11. Transit tourism.

If Serbia takes adequate measures for supporting the development of existing and new products, improves the promotion in major markets, raises the effectiveness of the destinations management, provides a quality level of permanent acquisition of new knowledge and skills and in that way exploits the development of transport infrastructure, tourism revenues (which are the largest from the foreign tourists) in Serbia, it will

be able to grow at a higher rate by 2025 (Tourism Development Strategy of the Republic of Serbia, 2016).

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ECONOMIC RISKS OF THE INTERNATIONAL COMPETITIVENESS

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Abstract

The current conditions of the international trade and the economic globalization necessitated the development of the national economies prior sectors in order to improve their competitiveness. One of such sectors of the Ukrainian economy is the agricultural one, being the key component of the ensuring food security and export capacity improving. Nevertheless, access to world markets is associated with global instability and structural changes of the capital, which is displayed in the rise of threats and risks that determine the state of economic security of the state and its commodity producers. In order to identify economic risks and define the areas of prevention, reduction and elimination, the following methodological set of instruments, including implementation of economic and statistical, analogue, comparative, abstract-logical, and administrative methods of assessment is to be applied.

According to the findings of the research, the possibility to strengthen competitive position of Ukrainian commodity producers on both, domestic and foreign, markets can be asserted, which, in its turn, defines the key objectives of the national economic policy. Still the risks, entailed by imperfect legislation, low adaptability and poor quality of production, insufficient resource and innovative potential, and price fluctuations affect international competitiveness. The raw materials sector of Ukrainian export, mostly represented with grain crops and oilseeds, wood, and ferrous metals, is of the special importance. Therefore, high value added products manufacturing and export are impeded, which constitute a menace to competitive efficiency and sustainable development of the economy of Ukraine.

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JEL classification: *Q 180*

Introduction

The development tendencies of the world economies are being formed under the influence of the globalization changes and sustained growth of mutual dependencies. The basis for the development of international economic relations is determined by trade relations, which enable the search of new markets and create the opportunities for the development of national economies. Deepening of market transformations under the influence of the world economic globalization affects the development and improvement of different forms and methods of the production and services regulation, the later being aimed at the improvement of existing means for increasing industries competitiveness and ensuring sustainable development of the subjects of market relations.

Resource potential of Ukraine as a formative element of its economic growth determines potentialities in the field of agricultural production, which is a key area of ensuring food security and export potential increase. However, there always have been some threats and risks affecting the dynamics of positive changes and determining the effectiveness of the producers and industries activities and country's competitiveness in the world market, which updated the subject of our research.

Goal

The research paper is aimed to identification of international competitiveness economic risks in terms of economic and food security and formulation of the package for their prevention and reduction.

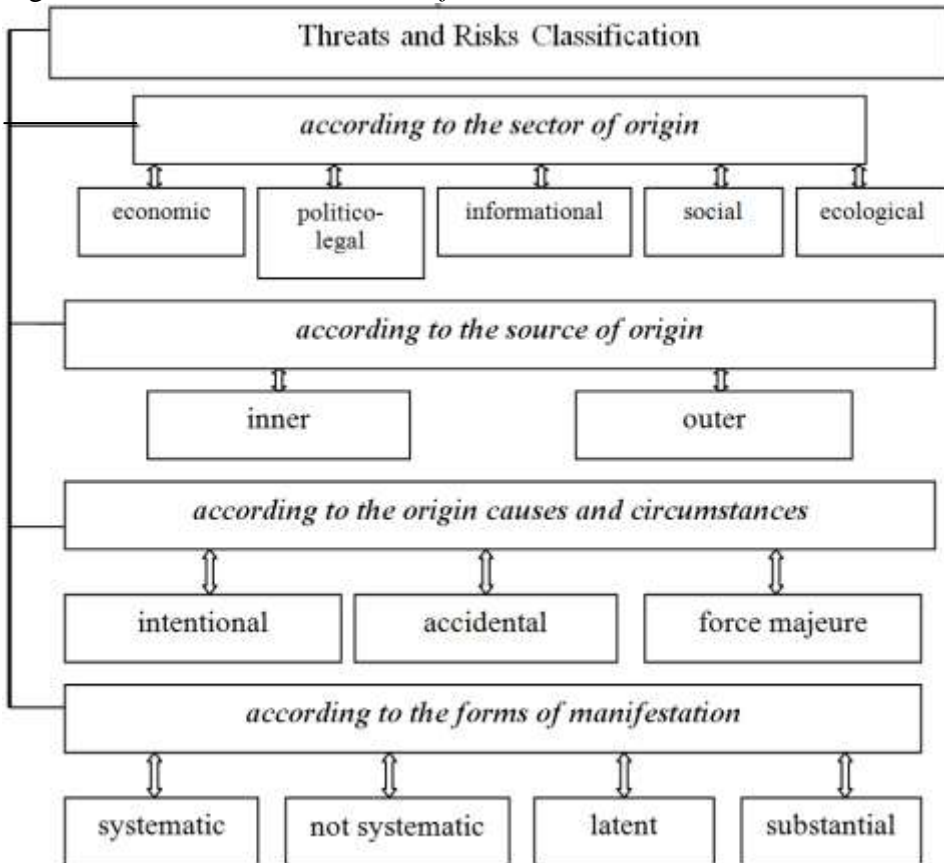
Methods

In order to identify economic risks and define the areas of prevention, reduction and elimination, the following methodological set of instruments, including implementation of economic and statistical, analogue, comparative, abstract-logical, and administrative methods of assessment is to be applied.

Body Part / Subtitle

The development of the economy of Ukraine is associated with the Ukraine joining the realities of the world economy and deepening its international cooperation in the trading sphere. The globalization processes contribute to the emergence of new threats and risks of the national economy and exacerbate the problems that exist in the field of production and sales. The condition of protection from both the potential threats and the losses from risk determines the level of economic security and competitiveness. From the standpoint of their level, it is possible to determine the risks classification criteria that are defined and structured accordingly to their sector and source of origin, origin causes, and frequency (Fig. 1).

Figure 1: *Threats and Risks Classification*



Source: *Korzhenivska, 2014.*

In order to structure the trends and identify the priorities of the economic security of agricultural producers, it is advisable to identify the main risks and threats according to the following spheres:

- - in the sphere of competitiveness and economic security of producers there is still the search of financial sources aimed at their further sustainable development through innovation implementation left; development of the resource potential;
- - in selling – unjustified number of intermediaries intercepting considerable part of the exports profit, intensive monopoly exclusion of large commercial structures and sellers;
- - in the sphere of foreign economic security, special attention should be paid to the need for an increase in exports of processed products to reduce raw materials component, customers insolvency, terrorist attacks, price fluctuations, and increase the cost of credit and other external resources;
- - in information and methodological support – extended studies towards theory and practice of assessing the economic security of producers, violations of data protection;
- - in the sphere of customs and taxation – imperfection and constant legislation changes which impede the fiscal duties and can result in evasion of tax;
- - in the sphere of improving the products quality – insufficient development of domestic breeding and seed production, construction of modern storage facilities, efficient means of quality control;
- - in the sphere of personnel management – the low level of personnel and labour discipline, incompatible level of internal control, ineffective motivation and stimulation of personnel, contentious disposition;
- - in sphere of realization of environmental component of economic security – the expediency of organic production, the violation of ecological norms;
- - in the sphere of business social obligations – the lack of synthesis of the local dynamics of sociality in terms of enterprises, and black activities specificity of priority sectors of the economy.

The international competitiveness risks are mainly connected with the countries' export potential. To determine the methodology of risk assessment and their reduction in the area of export potential of Ukraine it is necessary to assess the adequacy of the entire national economy development. The assessment of food balance sheets, export-import

operations dynamics, the gross domestic product volume and consumer opportunities are also of great importance.

Analyzing the dynamics indicators of export potential and its structure, it is possible to identify patterns of vibrations of both the total volume and individual commodity groups. However, the extrapolation method does not permit to assess the risks realistically. The systematic comprehensive method of approach, allowing fully application of all the means of the risk assessment method, is to be used (Korzhenivska, 2016).

"The processes occurring in the plane of development of the neoliberal paradigm of economic globalization, due to their comprehensive nature, cannot but affect the economic security of Ukraine. The instability and risks connected with globalization, especially increased with the aggravation of international competition. In a historically short lapse of time the world market actors increased in number significantly. Despite the global economic recession in the early twenty-first century (caused by events associated with the deployment of international terrorism) Transnational corporations, operating within the framework of world economic space, continued increasing in number. Exactly the fact of world market actors unprecedented increase in number – is not so much a result of markets liberalisation, as the result of the national states changing the economic development strategy and priorities. To the fore comes not the absolute economic power of the country, being measured by the number of produced wealth, but its international competitiveness. In this case we are talking about a system of criteria determining the level of countries competitiveness, allowing the public easily navigate the global economy, build an economic strategy in accordance with the real possibilities and considering the prospects of enjoying the advantages of international division of labour and integration, accumulate a "critical mass" of the subjects of competitiveness" (Dudka, 2009).

The concept of competitiveness contains the comparative assessment in its core. In practice, to assess the competitiveness of the industry are used such indicators as net export, the share of imported products in the domestic market, volume of sales and share of certain commodities in world production, aggregate resources and infrastructure performance, net income, etc.

In order to identify trends and dynamics of changes of the basic indicators of the competitiveness assessment of the resources and export potentials,

as well as the trade turnover between Ukraine and the Republic of Serbia, are to be analysed.

Thus, Ukraine is actively developing its contacts with Serbia at the regional level. This is facilitated, especially, with the existing bilateral documents on cooperation between the regions of mentioned countries. Today there are the following agreements in this area:

- The Protocol of intent to promote the development of bilateral cooperation between Chortkiv district, Ternopil region (Ukraine) and Municipality of Kula, Autonomous province of Vojvodina (Republic of Serbia);
- Agreement between Kyiv regional state administration of Ukraine and the Autonomous province of Vojvodina of Serbia and Montenegro on trade-economic, scientific-technical and cultural cooperation;
- Agreement between the State Administration of Ternopil region (Ukraine) and the Administration of the Autonomous province of Vojvodina (Republic of Serbia) on trade-economic, scientific-technical and cultural cooperation;
- The cooperation agreement between the Autonomous province of Vojvodina (Republic of Serbia) and Transcarpathian region (Ukraine);
- The Protocol of Intent between the Kirovohrad regional council of Ukraine and the Assembly of the Autonomous province of Vojvodina of the Republic of Serbia (Interregional cooperation between Ukraine and Serbia, 2017).

Trade relations between the two countries are being strengthened through close cooperation, at both the international and national level in the framework of implementation of the projects programmes funded by the European Union. Institutions of both countries cooperate in order to implement joint activities aimed at companies, research institutes, and universities coming into contact, the main priorities of which is the transfer of knowledge in the field of technology and innovation, promoting competitiveness of national economies of both countries.

According to the State statistics service of Ukraine, bilateral trading in goods and services between Ukraine and the Republic of Serbia in 2015 amounted to 202.1 mln.USD – 33.4% decrease, compared to the 2014. Merchandise and services export to Serbia amounted to 117.6 mln.USD; merchandise and services import from Serbia – 84.5 mln.USD; positive balance for Ukraine – 33.1 mln.USD

Merchandise export to Serbia amounted to 105.9 mln.USD (5.2% decrease), merchandise import from Serbia – 83.3 mln.USD (40.8% fall), positive balance for Ukraine – 22.6 mln.USD.

Export of services amounted to 11.7 mln.USD (8.9% increase), import – 1.2 mln.USD (9.2% decrease), positive balance for Ukraine – 10.5 mln.USD.

The overall dynamics of the volume of trade in goods and services between Ukraine and Serbia during 2007-2015 is presented in the Table 1.

Table 1: *The dynamics of trade turnover between Ukraine and the Republic of Serbia, mln.USD*

Indexes	Years								
	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total turnover	440	674	201	294	409	267	276	264	202
Fixed-base index	-	234	-239	-146	-31	-173	-164	-176	-238
Chain index	-	234	-473	93	115	-142	9	-12	-62
Export	370	579	143	211	289	136	132	122	118
Fixed-base index	-	209	-227	-159	-81	-234	-238	-248	-252
Chain index	-	209	-436	68	78	-153	-4	-10	-4
Import	70	95	58	83	120	131	144	142	84
Fixed-base index	-	25	-12	13	50	61	74	72	14
Chain index	-	25	-37	25	37	11	13	-2	-58

Source: *(Trade and economic cooperation between Ukraine and Serbia).*

According to the data presented in Table 1, the total trade turnover between Ukraine and the Republic of Serbia is decreasing in dynamics in terms of both export and import. For the last nine years the trade turnover

has been halved. In the structure of trade turnover, the reduction in exports exceeds the reduction in imports, so the attention should be paid to the possibilities of the diversification of goods that Ukraine can offer to the Republic of Serbia with the aim of expanding the market and enhancing competitiveness.

According to the Embassy of Ukraine in the Republic of Serbia during January-August, 2016 the bilateral trade in goods between Ukraine and the Republic of Serbia amounted to 173.6 mln.USD – 34.1% increased, if compared to analogous period of 2015. The merchandise export to Serbia amounted to 98.4 mln.USD (29.9% increase), merchandise import from Serbia – 75.2 mln.USD (37% increase), positive balance for Ukraine – 23.2 mln.USD.

The main export articles are: ores, slag and ash; ferrous metals and ferrous metal products; wood and articles of wood; paper and cardboard, seeds and fruits of oil plants. The main import articles: plastics and polymeric materials; cereals; nuclear reactors, boilers, machinery; pharmaceuticals; paper and cardboard; caoutchouc, rubber.

As of July 1, 2016, the volume of direct investments (equity) from the Republic of Serbia into the Ukrainian economy amounted to 32.7 mln.USD, a 0.4 mln.USD increased since the beginning of the year. The largest amount of Serbian investments is directed to agriculture and industry. And the leading investors are the Serbian companies "MK Group" and "Tarkett".

Let's take a closer look at international trade relations between Ukraine and the Republic of Serbia in the field of agriculture, as far as, ensuring food security of both countries is a priority of state policy. In the continuum of this topic, the question of economic risks associated with international competitiveness and policies of protectionism, aiming at the domestic producers' protection from the foreign competitors, is being raised.

International competitiveness is largely determined by the competitive strategy of individual enterprises. In order to prove it and to reduce the risks, it is necessary to monitor the dynamics of the level of competitiveness and to take into account, that each its trend, being the same, may still have different factors of influence.

It is important for each participant of international trade relations to identify priorities and risk areas of their implementation, having identified the risk tools and the algorithm of work (Fig. 2, 3).

Figure 2: Risk tools

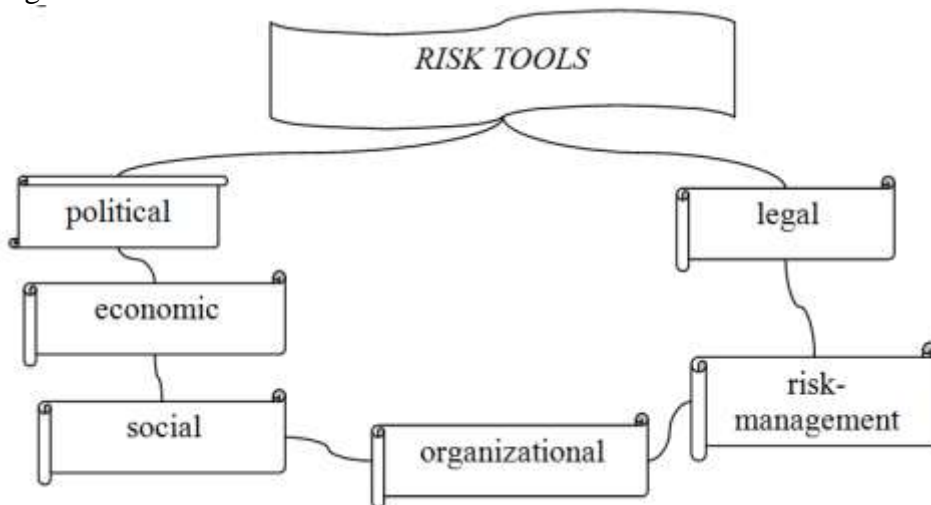
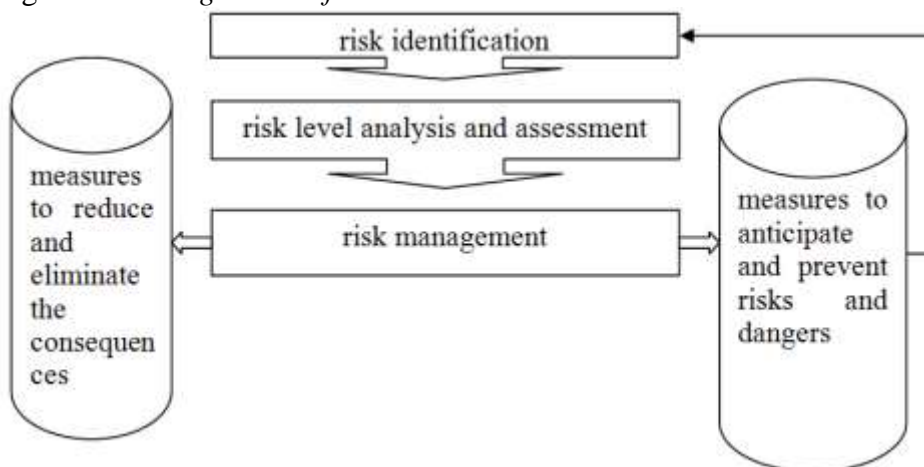


Figure 3: The algorithm of work with risk



Using risk tools, the key economic risks in the international competitiveness of Ukraine, as well as in the relations with the Republic of Serbia, can be defined as the promising partner in trade and tourism.

International experts of the agricultural market determine it as a priority in the strategy of competitiveness of Ukraine. However, the vast majority

of product, being produced, belongs to a low technological and raw material exports. Ensuring international competitiveness of Ukraine requires comparative advantages with other countries in terms of market globalization, which requires effective managerial decisions and covers techno-economic, organizational, legal, and social issues.

World practice of the international competitiveness assessment involves ranking of countries by defining their place depending on the development of economics, tourism and other social spheres. The following ratings are to be defined in practice: rating of ease of doing business, global competitiveness, human capital, national brands, budget transparency, investment, innovation, outsourcing attractiveness of, military power, quality of life.

According to the World Economic Forum, The Global Competitiveness index consists of more than 100 variables, which are grouped into 12 benchmarks ("Institutions", "Infrastructure", "Macroeconomic Environment", "Health and Primary Education", "Higher Education and Vocational Training", "The Commodity Market Efficiency", "Labour Market Efficiency", "Financial Market Development", "Technological Readiness", "Market Size", "Business Compliance with Modern Requirements" and "Innovation Potential") according to 3 major sub-indices groups: "Basic Requirements", "Performance Enhancers" and "Innovation and Improvement Factors". For the period of 2016 in the global ranking of countries Ukraine occupies the 85th place according to economic competitiveness index (The Global Competitiveness index), having worsened the position, if compared to the previous years, by seven points on a par. Negative factors for doing business in our country are defined as follows (in decreasing order): corruption, political instability, inflation, inefficient government bureaucracy, inadequate access to finance, frequent changes of government, high tax rates, complexity of tax legislation, the foreign exchange market regulation, inappropriate quality of infrastructure, restrictive labour market regulation, insufficient capacity to innovation, crimes and theft, poor ethics of the workforce, poor quality of health care and workers lack of education (The Global Competitiveness Index, 2016).

Based on the position in the ranking of competitiveness and factors of its low level, compared to other more successful countries, while developing risk management strategies, it is advisable to consider a detailed study of

the international market and assessment of existing and potential economic risks.

The identification and assessment of the economic activities risks should be based on priorities in the areas of economic security. The risk areas in the areas of activity are to be considered as the most vulnerable and the most aggressive. The realities of the Ukrainian economy indicate problems in the livestock sectors of agriculture, which in its turn affects the increase of grain export. From year to year there has been an expansion of the grain industry, predominantly in the direction of raw material export. This is reflected in the imbalance in foreign trade (Borshevsky, 2016).

Table 2 shows the main commodity patterns, representing the dynamics of the exports and imports structure.

Table 2: *Commodity pattern of exports/imports of goods, Ukraine (mln. USD)*

	exports			2015 +/- 2013	imports			2015 +/- 2013
	2013	2014	2015		2013	2014	2015	
Total, of which:	62305,9	53901,7	38127,1	-24178,8	75834,6	54428,7	37516,4	-38318,2
plant products	8849	8736,1	7971,5	-877,5	2607,6	2031,6	1146,2	-1461,4
of which cereals	6351,7	6544,1	6057,5	-294,2	306,5	366,6	154,7	-151,8
finished food industry products	3500,5	3096,3	2468,4	-1032,1	3177,9	2601,8	1607,7	-1570,2
ores, slag and ashes	3796,8	3472,4	2216,5	-1580,3	1748,0	667,4	581,6	-1166,4
base metals and preparations there of	17525,2	15229,0	9470,1	-8055,1	4953,2	3324,4	2004,2	-2949
ferrous metals	14314,8	12905,4	8077,6	-6237,2	2212,9	1298,5	685,7	-1527,2

Source: (*External economic activity, Statistical yearbook*).

According to the data, export structure is dominated by grain, ore, base metals, wood. Ukraine imports mainly products of plant origin, the final products of industrial processing, mineral fuel, oil and products of its distillation, pharmaceutical and chemical industries products, prepared foodstuffs, plastics and polymeric materials, paper, textiles, base (non-precious) metals and articles thereof, machinery, equipment. Extremely negative phenomenon is a stable dynamics of reduction in foreign exchange earnings of export operations during the 2013-2015. The dangers of recent years are especially evident in the fall of the national

currency, the rising cost of energy, and hostilities in the East of the country.

A risk assessment methodology and their reduction in the area of export potential of Ukraine involve the most important, from our point of view, evaluation of adequacy of development of the entire national economy. Of great importance is the assessment of food balance sheets, dynamics of export-import operations, the volume of the gross domestic product and consumer opportunities. Analyzing fluctuations in export capacity and its structure in the dynamics we have identified a pattern of decline in both its total volume and in the context of individual commodity groups. The definition of the risk areas requires consistency. The main restrictions are as follows:

- - historical orientation and risks structuring in order to prevent previously existing ones;
 - - limited access to information;
 - - subjective factor and risk exposure;
 - - personal (limited) liability;
 - - expectations of stakeholders and customers;
 - - purchasing power;
 - - define specific elements of the supply (logistics)
- (<https://openknowledge.worldbank.org/handle/10986/23778>).

Information on the trade balance of Ukraine for 2013-2015 and the comparative assessment of the amounts of foreign exchange from Bulgaria and Serbia (e.g. countries with relatively the same total area and geographic location) is represented in Table 3, with a view to determining the comparative assessment of competitiveness potential. The given information allows quantifying the external trade balance of countries and identifying trends of its changes in dynamics.

Table 3: *Ukraine's foreign trade in goods - export/import, mln. USD*

	Years	Ukraine 603628 km ²	of which	
			Serbia 88361 km ²	Bulgaria 301338 km ²
Export	2013	62305,9	120,0	589,8
	2014	53901,7	111,7	550,6
	2015	38127,1	105,9	419,5
	2015 to 2013 +/-	-24179	-14,1	-170,3

import	2013	75834,6	141,7	229,0
	2014	54428,7	140,7	238,4
	2015	37516,4	83,3	253,1
	2015 to 2013 +/-	-38318	-58,4	24,1
balance	2013	13528,7	21,7	-360,8
	2014	527	29	-312,2
	2015	-610,7	-22,6	-166,4

Source: (*External economic activity, statistical yearbook*)

According to the data, given in Table 3, the overall dynamics of both exports and imports is negative. This indicates a reduction in trade flows and can be interpreted as the risk of loss of competitive position in world markets. As for the trade balance, the similar trend can be observed. Thus, analysis of only the total amounts of the foreign trade turnover by cost indicators give grounds to assert the risks of international competitiveness.

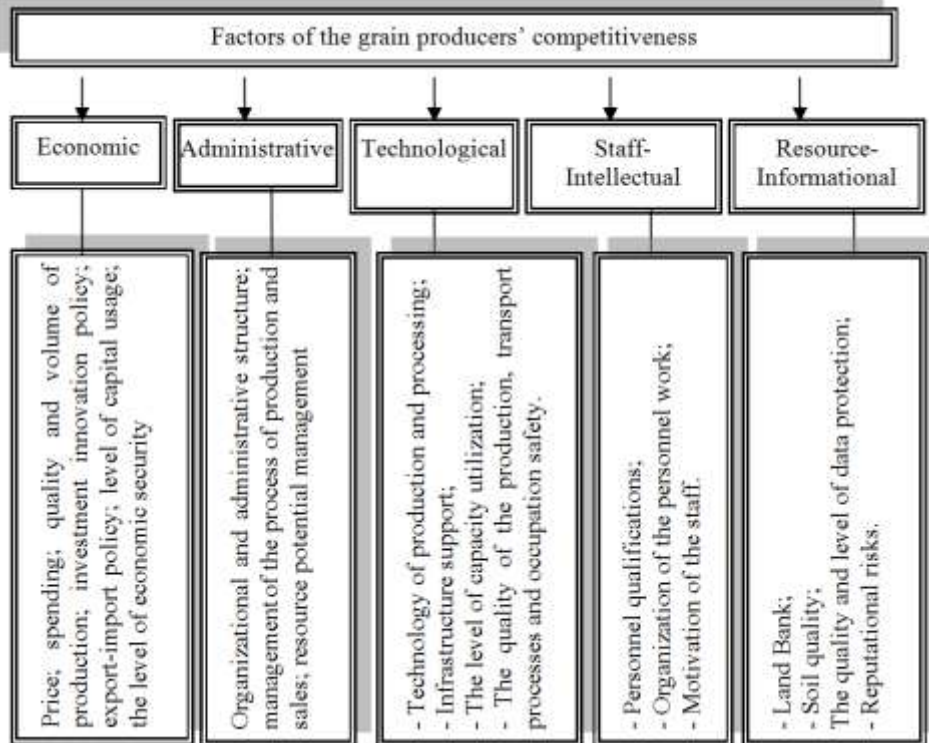
In this regard, we consider it necessary to examine areas of risk, as major categories of economic security. It is important to consider the geographical orientation, infrastructure and logistics capabilities, legislative changes, socio-economic and demographic problems of sustainable development of rural territories in the conditions of globalization of economy (Koval & Korzhenivska, 2016).

Further study is to be directed toward the grain industry assessment from the standpoint of international competitiveness, being a prior one in the current economic conditions of Ukraine. In recent years, the positive dynamics was shown by the status of the Ukrainian grain production. Its competitiveness defines one of such methods, as the competition in price, quality or new products. It can be assessed by comparing within the countries, as well as with analogues of the imported products, or on the world market (<http://www.economy.nayka.com.ua/?op=1&z=2736>).

In modern conditions of globalization of Economics and management, the preservation of positive dynamics, on account of the formation of indicators of economic security and the need to comply with them, becomes the key element of the of grain economy development. Because economic security is formed by many components, it is necessary to

define development priorities, among which we highlight the competitiveness and its factors (Fig. 4).

Figure 4: *Classification of factors of grain producers' competitiveness*



The main factor in ensuring international competitiveness of the grain industry is the improvement of vertical integration of processes of production, storage, processing, distribution and sales of grain. At the same time, the limiting factors are the dependence of price competitiveness upon real exchange rate, the influence of the condition of the livestock industries development and consumer income with regard to the demand for grain and products of its processing. Further strengthening of the grain industry competitiveness requires the promotion of its innovative development and efficient use of land resources, investment in national transport infrastructure, storage terminals, and effective public policy. For companies, being engaged in international trade, of great importance are the reputational risks are to be considered, especially when searching for buyers, executing contracts and complying with their conditions.

As already mentioned, the competitiveness of the grain industry and its producers, as one of the priorities of economic security, is manifested in export-import activities. One of the threats to economic security can be seen in the structure of foreign trade operations with grain, as far as exports is mainly represented with the raw material product, predominantly of forage quality, and import – with the food grain. Such state of the grain trade is unacceptable, under current conditions of geopolitical and economic formations.

The indices of economic efficiency constitute the indicators of the grain industry competitiveness in the domestic market. Table 4 considers the main of them.

Table 4: *The main indices of production, sales and consumption of grain crops in Ukraine*

Indices	years			Ratio – 2015 compared to 2013, %
	2013	2014	2015	
Gross harvest, thousand tons	63051,3	63859,3	60125,8	95,3
Yield centners per hectare of the harvested area	33,9	43,7	41,1	121,2
Harvested area (<i>acreage</i>), thousand hectares	15804	14327	14641	92,6
Production of grain and leguminous crops per capita, kl	1386	1485	1403	101,2
profitability level, %	1,5	25,8	43,1	41,6

Source: (*External economic activity, Statistical yearbook*).

The statistics presented in table 4 show the dynamics for a small decline in acreage and gross yield of grain crops, whereas the yield increases by 21.2 %, which indicates the intense direction of production. The level of profitability, as a General index characterizing the economic efficiency of the sector, also has been increased twofold in recent years. Thus, the existence of significant potential of the grain industry indicates the possibility of its assessment from the position of optimal volumes of export increase for more efficient structural use. Among the factors that

determine the economic risks, in our view, is threatening tendency of agricultural producers for growing only grain crops. The resulting products do not always meet the highest standards of quality, which is associated in particular with high prices for fuel, seed, and insufficient infrastructural capacity of small and medium producers in terms of the availability of modern granary.

This situation, in our opinion, affirms the threat of the possible loss of strategic advantages. Therefore, producers need to review the structure of grain production and to create the optimal volume, while increasing the quality of products and improving the conditions of its preservation. All this requires direct state influence and support. Vector of grain production capacity and its export may in the nearest future lead to economic disinterest of certain groups of producers in satisfying country needs in certain volume of production, which may subsequently threaten to food security.

The role of the state in this context should consist in providing practical assistance on foreign markets and creating conditions for the emergence of competitive enterprises. In particular:

1. creation and maintenance of information centres (where the information on infrastructure, level of development, and specific features of individual markets should accumulate; the number and directions of inter-state agreements), creation of the centres of legal support (perhaps on the basis of existing diplomatic missions), consulting centres both in the country and abroad (aiming at promoting business in other countries and creation of conditions for smooth adaptation);
2. creation of economic conditions (long-term loans, preferential taxation in case of investment in the national economy; protectionist policy concerning vulnerable sectors (agriculture), creation of long-term government development programmes, taking the grant opportunity, etc.);
3. conditions of organization (bilateral, regional and multi-line agreement on cooperation in the sphere of control of the competition law delay;
4. state can stimulate enterprises development, using monetary and fiscal policies to create a favourable macroeconomic environment (high employment, low interest rates) and in such a manner improve, to strengthen incentives to scientific and technical progress and investment to attract private western investors and mobilization of

funds within the country. Increased investment in new equipment and technology will allow enterprises to renovate and upgrade production, and also contribute to the development of modern knowledge-based industries;

5. state should direct the entire policy in the creative channel through the formation of the most effective economic structures and the reallocation of innovative resources of the society in favour of the new industries that define the essence and direction of transformational processes (Nefedova, 2006).

The increasing dependency of farmers upon grain traders who nowadays control a larger part of production line of grain and affect the domestic price policy significantly, widening of the gap between import and export prices of crops determine the objective necessity of search for innovative ways to improve the competitiveness of products on foreign and domestic markets.

With the aim of increasing the international competitiveness of domestic producers and as one of the possible ways to reduce economic risks, the diversification of production can be proposed. This will give the opportunity to gradually move from mono- to multi- cultural production with the possibility of livestock industries development. The disparity in the development of agricultural enterprises activity resulted in the raw direction of the grain exports, which in turn has led to the socio-demographic crisis and rural areas decline. It is necessary to reorient agricultural business into the production with high added value, to create preconditions for the processing industries development. Such opportunities will enhance tourism intensification, especially the so-called "green tourism" as one of directions of the rural areas development, by means of jobs creating, revenues from tourism and attracting additional investment.

Conclusion

Under the conditions of globalization and cross-border relations, search of new target markets, and increased competitiveness, an important element of effective foreign economic activity becomes the assessment of the existing potential and identifying the risk areas. The goals and objectives priority in the formation of export potential, taking into account the structuring of risks and threats, will allow adequately assessment of the

existing needs of partner-countries of Ukraine and its internal resources possibilities, including the economic security.

Considering the economic security of the grain producers, especial attention must be paid to the study of competitiveness and its determinants. It is important to establish the indicators and their threshold values under which the industry can not only function efficiently, but also to have a stable strategic vision in both domestic and foreign markets. Therefore, the priority in the definition and application of competitiveness factors will create the possibility for the further effective development of the producers, and allow rational usage of resource potential aiming at ensuring economic security and economic risks reduction.

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ENGLISH LANGUAGE CURRICULUM CONTRIBUTING TOWARDS TOURISM DEVELOPMENT

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Abstract

As stated in the Strategy for Tourism Development in the period from 2016 to 2025, the development of efficient tourism policy includes the enhancement of the Republic of Serbia tourism products and services and the advancement of human resources and labor market. In this respect, the changing educational paradigm of the current subjects and courses could produce the favorable results. Starting from the premise that effective curricula design could lend itself to tourism development in Serbia, this paper focuses on the curriculum of English language taught at tertiary level of education. The insights obtained from the documents related to the topic, on one hand, and relevant literature on teaching methodology, on the other, provide the basis for this descriptive study. Its main objective is to propose an effective English language curriculum designed to contribute towards tourism development. The design has been described in terms of curriculum framework components and sub-processes, as suggested by relevant specialists.

Key Words: *curriculum, English language, needs, methods, tourism development*

JEL classification: A23, Z32

Introduction

The repeatedly stressed potential of tourism in Serbia for generating economic growth and decreasing unemployment imposes the orientation towards boosting international tourist flows as one of its primary aims. For that reason, the improvement of the Republic of Serbia overall image

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in the region, Europe and worldwide was set as one of four aims of the latest Strategy for Tourism Development in the period from 2016 to 2025 (Ministry of Trade, Tourism and Telecommunications, 2016). Besides, according to the Strategy, the development of an efficient tourism policy includes the enhancement of tourism products and services and the advancement of human resources and labour market. Therefore, the vision of Serbia as a tourist destination globally recognized by 2025 creates the need for continuous improvement of tourism and hospitality (TH) human resources. The proposed development model implies raising capacity of all tourism stakeholders highlighting the importance of acquiring new skills and competences and upgrading the existing ones. In this respect, certain adjustments of educational system appear to be necessary. In addition to developing new occupational profiles in the TH sector and the curricula and syllabi development, the changing educational paradigm of the current subjects and courses could produce favorable results beneficial to tourism development.

For the foregoing reasons, the current paper attempts to investigate the possible enhancements of the EL curriculum aimed at meeting the expectations of the constantly developing tourism industry. The paper focuses on the EL instruction taught on all four years of undergraduate studies at the Faculty of Hotel Management and Tourism in Vrnjačka Banja (ETHM) which falls within the realm of English for Specific Purposes (ESP). This descriptive study starts from the assumption that an adequate ETHM instruction lends itself to the advancement of human resources and thus has a wide-ranging impact on the tourism industry. Hence, the main objective is to propose an EL curriculum design aimed at contributing towards tourism development. In this regard, the orientation of the following discussion is not geared towards the curriculum improvement in terms of enhancing and facilitating language mastery as in the previous study (Pešić & Radovanović, 2014). It should be noted, though, that the orientations of the previous and the current study are mutually-agreed. The curriculum design is considered in terms of curriculum framework components and sub-process, as suggested by relevant specialists (Graves, 1996, 2001, 2008; Hutchinson & Waters, 1997; Nunan 1993, 2013) bearing in mind that each component is contingent on every other (Graves, 1996: 35).

Importance of English Language for Tourism and Hospitality Industry

Being essential for providing a high standard of service, foreign languages skills are of the utmost importance in TH industry (Leslie & Russell, 2006; Sindik & Božinović, 2013). In this regard, EL proficiency stands out significantly as EL is the primary means of communication in the global world. In the period of the rapidly increasing globalization when global communication has expanded throughout the world, there has arisen the need for a language that can be used and understood by people all over the world either for personal or professional purposes. English is usually cited in this connection, as stated by Crystal (2003), and repeated by many. A language, as Crystal (2003: 3) explains, achieves a genuinely global status when it develops a special role that is recognized in every country.

The EL has indisputably acquired the role of a global language, or *lingua franca* (a common language), in the professional context of trade, commerce and, as the international language of travel, the key industry of tourism. Therefore, the explicit need of EL skills for occupational purposes in the TH industry is more than evident with the main aim being to achieve language proficiency for successful fulfilling occupational tasks and responsibilities. The growing body of ESP studies emphasizes the EL proficiency as one of the main prerequisites in the sector of TH (e.g. Blue & Harun, 2003; Bobanovic & Grzinic, 2011; Prachanant, 2012; Simion, 2012;) with Serbia being no exception.

To elaborate on the importance of EL in the context of Serbian TH industry, we can take a hospitality sector as an example. EL is essential for attracting and catering for foreign guests by providing quality services. Hence, the spoken skills are of paramount importance as they mainly are within service industry. According to the latest document on categorizing lodging establishments in Serbia (General features of lodging establishments categorization in Serbia), drawn up in 2013, the mandatory condition for the front office staff, of even one and two-star hotels, is the ability to establish effective communication in at least one foreign language. This basic criteria usually implies that the staff are required a good command of English as a guest-host relationship with foreign guests cannot be established without relying on English in most cases. Crystal's (2003: 1) comments that wherever you travel, English signs and advertisements can be seen, whenever you enter a hotel or

restaurant in a foreign city they will understand English, and there will be an English menu. This is evidently true of Serbia as the information related to lodging establishments' amenities and services are most often displayed in both English and Serbian. More importantly, the results of the previous qualitative researches conducted in Serbia corroborate the significance of EL. Based on a research carried out in two main urban tourist destinations in Serbia (Novi Sad and Belgrade), Vuković Vojnović and Nićin (2012) state the importance of EL, speaking skills in particular, among tourism employees in our country. The results obtained by Dimitrovski and Karavesović (2012) underlie the recognition of EL as one of the key skills for travel agencies employees in Kragujevac Region.

Due to its unique status that no other language can rival, the EL is the most often taught language as a foreign language worldwide³. In Serbia, it is the most widely taught second language on all levels of education, and it is reasonable to expect English to be a core academic subject in the TH tertiary education institutions. English for TH has been very attractive to researchers possibly because we are all tourists on countless occasions, as noticed by Simion (2012: 153). Most of the studies have focused on the analysis of the required skills and needs in work place, adequacy and appropriateness of instructional materials and strategies (Simion, 2012: 153). Nonetheless, given that the main skills gaps and shortages mapped by European Commission (2016) relate to soft skills, language skills, interpersonal skills and ICT skills rather than to tourism-specific skills, as reported by employers, there is room for further research and improvements.

ETHM curriculum design

To begin with, it would be useful to clear up the widespread confusion over the terms a syllabus and curriculum mostly due to somewhat different use in British-influenced and North-American influenced literature on teaching methodology. Despite often being interchangeably used, even in academic circles, they differ markedly. According to Nunan (1993), curriculum pertains to planning, implementation, evaluation, management, and administration of education programmes. In other words, it encompasses the processes and products of planning, teaching and evaluating a course of study (Graves, 2008: 147). On the other hand,

³ Statistics presented by Crystal (2003: 6) reveal that a quarter of the world's population is already fluent or competent in English and this figure is steadily growing.

syllabus focuses more narrowly on the selection and grading of content and it is, in fact, a plan for what is to be learned in a particular course of study (Graves, 2008: 147). Curriculum, therefore, as a more comprehensive term than syllabus, comprises both syllabus design and teaching methodology. Although its three phases are singled out (a planning phase, an implementation phase, and an evaluation phase) (Nunan, 1993; Graves, 2008), following below are the considerations tackling the first one and addressing the main objective of the study.

Given that ETHM belongs to ESP, more specifically to English for Occupational Purposes as one of two ESP main branches⁴, the well-accepted crucial task in curricula design is related to needs. There is not one generally accepted definition of ESP, yet, most of them emphasize the specific needs of the learners. In this regard, both a needs analysis and needs assessment are seen as a good starting point. They are, in fact, closely related: needs assessment involves obtaining data, whereas needs analysis involves assigning value to those data (Graves, 1996: 12). Students' needs, have been seen and interpreted in several different ways by relevant ESP practitioners and researchers. The distinctions were made between objective and subjective needs, target needs and learning needs (Hutchinson & Waters, 1987; Nunan, 1993), among others. Nonetheless, whatever approach to needs may an ESP practitioner take, there is always one aim only: to gather relevant data on student's perceived or real requirements regarding EL learning and mastery. As observed by Lūka (2007: 66), one interpretation of students needs is goal oriented as associated with students' further aims, whereas the other is process-oriented and related to the tasks students have to perform while studying the language. These data assessment is essential as it predetermines the effective ways of addressing them. The proper assessment enables making informative decisions on what to teach and how to teach it.

As stated by Hutchinson and Waters (1987: 12), more preferable term is target situation analysis as the main purpose of any ESP course is to enable learners to function adequately in a target situation. Consequently, needs assessment is to be seen as a diverse and multisource process as valuable information can be obtained from several relevant sources other

4 Simion (2012: 152) summarizes this distinction as follows: EOP is more general compared to ESP because it does not focus on the specific job disciplines but it is more based on general basic skills required by students in order to be prepared for the work force.

than students. That is, a needs analysis can be carried out at different levels including educational, professional authorities, and the students' group being only one of them. In the case of EHTM, information input is to include the data obtained from various stakeholders, i.e. professionals related to the course in some ways. These data should not be neglected in a curriculum design since there is a broader community that fundamentally determines the goals of the EL course. It should be noted that these needs may not actually be related to students' wishes because students' needs do not imply existence of need as such but rather an awareness of the need, as stated by Hutchinson & Waters (1987: 53).

An effective needs assessment is to include the information on societal expectations. As for EHTM, societal expectations could be seen in terms of state-driven expectations on the graduate TH professionals to provide high quality service to foreign guests. Accordingly, the relevant documents drawn by Serbian TH experts and professionals are clearly indicative of the societal and institutional concerns. As a matter of fact, students' needs are largely determined by the current labor market that seeks highly skilled professionals able to contribute to the prospective tourism development. Hence, various skills necessary for the TH industry development are to be interpreted as needs to be addressed by the EHTM curriculum. After obtaining the essential information from students and creating the curriculum that would address the needs revealed by the analysis, the curriculum could be further enhanced towards the proposed objective by including other relevant information. In fact, subsequent modifications to any curriculum are recommended as the process of the curricula design is ongoing and cyclical (Nunan, 1993).

Curriculum goals and desired outcomes

Setting curriculum goals and objectives is essential for a coherent curriculum framework. In general, goals and objectives are associated with the purposes and intended outcomes of the course. Resorting to the metaphor of moving along the path, Graves (1996: 17) states that goals are general statements of the overall, long-term purposes of the course (the destination), whereas objectives express the specific ways in which the goals will be achieved (various points that chart the course toward the destination). The goals may refer to the attainment of knowledge and skills but also the development of attitude and awareness (Graves, 1996: 17). The goals having been established, the objectives can be stated. As

the objectives are "a particular way of formulating content and activities" (Nunan, 1993), they will be implicitly addressed in the next section.

Based on Stern's proposal (1992), cited in Graves (1996), of four types of goals for language learners, the general goals of EHTM curriculum can be established as follows:

- Proficiency goal – mastery of four language skills needed for carrying out real-world tasks⁵ and mastery of TH specific professional lexis;
- Cognitive goal – mastery of linguistic skills as well as cultural knowledge;
- Affective goals – achieving confidence as an EL language user and achieving confidence in oneself as a learner; and
- Transfer goal –learning how to learn so that students can use learning skills gained in learning EL to facilitate further learning, of specific vocational subjects for instance.

Based on the drive towards tourism development, the curriculum is expected to potentially generate the following desired outcomes:

- graduates will be able to provide top quality services to foreign tourists visiting the Republic of Serbia;
- graduates will be able to adapt to constant demands of the growing industry and fit for emerging new occupations;
- graduates will be able to engage in trans-national mobility and cooperation and thus contribute to the professional community; and
- graduates will be able to undertake a wide range of communication and promotion activities mainly related to offering satisfying effective internet presentations of Serbian attractions and destinations in EL.

Syllabus design and content conceptualization

The prevailing communicative approach in foreign language teaching generally determines conceptualizing the content and syllabus. The syllabus design is concerned with selection and grading of the content (Nunan, 1993) and, as indicated above, is based on needs analysis since it essentially determines the content. In terms of syllabus types, the most widely discussed ones are: content-based syllabus, skill-based syllabus, and method-based comprising process-based and task-based syllabi. As the EL is taught on all four years of undergraduate studies, there is not a shortage of time driving the selection of only one syllabus type.

⁵ Nunan (1993) draws a distinction between real-world tasks and pedagogic tasks.

Therefore, all types can be combined in the curriculum giving prominence to different ones on different levels of the study. This would mean that the priority could be given to a content-based syllabus on the first year of study when the students are expected to get acquainted to the most frequent professional lexis. Skill based syllabus can be the leading one on the second year fostering students to master the functional skills they will need in prospective professional life. The syllabi on higher years of study are to focus on performing the tasks, the more demanding ones mainly.

According to Graves (1996), goals and objectives setting enables conceptualizing the curriculum in terms of teachable chunks. Content conceptualization refers to deciding on the backbone of the course and it can be considered in relation with several categories. The ones typically specified by a syllabus are: grammatical structures, functions, notions, topics, themes, situations, activities, and tasks (Nunan, 1993). However, they should not be seen as conceptually separate entities as they substantially overlap (Graves, 1996).

Hutchinson and Waters (1987: 19) indicate that “ESP is an approach to language teaching in which all decision as to (the) content and method are based on the learner’s reason for learning, thus the curriculum can be described as content-based and work-related”. Given that tourism, hospitality and management is a multifaceted field with numerous miscellaneous job prospects, the preferable syllabus type is the extensive one covering as many topics related to the industry content as possible (Lūka, 2007). Irrespective of the language level, the most widely used textbooks for teaching and learning ETHM issued by prominent publishing houses and native speakers’ writers address the most relevant topics and themes. This is closely related to a wider application of a needs analysis and a fact that material writers certainly think very carefully about the goals of learners at all stages of materials production, as Anthony (1997) observed. In this regard, the choice of topics in the course books *Tourism, 1, 2 and 3* (Walker & Harding 2011, 2012a, 2012b) has proven to be highly satisfactory, not ideal, though. Understandably, the necessary topics not covered by them are related to the specific, if not unique, salient features of TH field in Serbia. To name but a few, accommodation options, Serbian cuisine, Serbian historical and cultural heritage. Namely, as types of lodging establishments, for instance, vary worldwide it is important to include sufficiently detailed themes on accommodation options in Serbia as they differ from the ones presented in the textbooks. Furthermore, as the EL learning through or in

conjunction with subject matter is usually the focus of ESP courses and the interdisciplinary link should be maintained with EHTM, the curriculum could be enriched with the state-of-the-art topics covered by other specialized courses at the Faculty. In addition, as students are expected to become a part of not only professional community, but of an academic one as well, probably continuing their education on higher levels of education, elements of English for Academic Purposes should also be addressed.

In the era of globalization, culture is increasingly given greater attention in EL instruction. Reasonably, this orientation is most prevailing in the field in question. In fact, culture is to be seen as an integral part of the EHTM syllabus as the intercultural competence is advantageous for prospective future success. In order for students to be able to create an effective communication with people coming from different world regions, they should develop awareness of cultural differences. Thus, topics that contribute to developing and understanding of various cultures different from students' own should be included as much as possible. The countries producing most international tourists to Serbia should be given priority, non-European countries in particular.

The curriculum content orientation is intrinsically related to the development of the TH specific vocabulary. Namely, boosting professional lexis necessary for prospective careers in TH industry is an essential element of notions and topics. Simultaneously, it is interrelated with language functions students are expected to acquire and develop as they frequently incorporate professional vocabulary. The question to be born in mind "What does the learner want to do with the target language?" (Nunan, 1993) implies the orientation of the curricula seen in terms of functional skills the learners are to master in order to establish effective communication in their prospective workplaces. As Nunan (2013: 16) stresses it, language acquisition should be viewed as a process of acquiring skills rather than a body of knowledge. The language functions, along with various communicative situations TH professionals engage with, are appropriately identified and presented by the authors of the above mentioned textbooks. Numerous language functions ranging from the general (e.g. apologizing, meeting and greeting) to vocationally specific ones (responding to inquiries and requests, giving presentations, recommending products, taking booking) have been created in a manner to provide an extensive situational and contextualized language practice.

The ETHM curriculum, like most ESP ones, is aimed towards developing all four relevant language skills (speaking, reading, listening and writing). Yet, unlike general EL instruction stressing all skills equally, the skills revealed by needs assessment as the most relevant ones are primarily addressed. Previous studies revealed that the prospective jobs in TH industry would involve both oral and written skills (Adorján, 2013, Bobanovic & Grzinic, 2011). Speaking skills are, however, given precedence to other language skills by ETHM students (Pešić & Radovanović, 2016). To increase students' confidence and proficiency in planned and spontaneous oral communication, various activities in the form of role-plays, simulated dialogues and situations focused on communicative effectiveness in real-world interactions are given a significant part in a syllabus. Developing writing skills, with the attention paid to writing conventions, genres and registers, should also be fostered. Apart from enabling students perform less demanding writing tasks (such as email correspondence), students should get introduced to reports writing, designing questionnaires, and creating SWOT analysis. Written competence can be important for performing efficient work of TH personnel (keeping client contacts, browsing the Internet, setting up web pages, etc.) and it would prove to be immensely beneficial in projects writing, which is an often mentioned activity in the Strategy (Ministry of Trade, Tourism and Telecommunications, 2016) the graduates will hopefully engage with.

The heavy stress on communicative skills determines the relevance and priority of teaching grammar items and constructions. A communicative or functional-notional approach is organized on the basis of communicative functions that learners need to know and emphasizes the ways in which particular grammatical forms may be used to express these functions appropriately (Canale & Swain, 1980: 3). A basic principle underlying all communicative approaches, as stated by Nunan (2013: 18), is that learners must not only learn to make grammatically correct statements but must also develop the ability to use the language to get things done. Therefore, grammatical items and structures typically needed to perform real-world tasks in the field of TH are given emphasis: tenses, questions, modal verbs, and passive voice. In this regard, also indicative are the results of the research (Bobanovic & Grzinic, 2011) revealing that hospitality employees and students studying business tourism found idiomatic phrases and tense usage most problematic. It should be noted, though, that the adequate knowledge of grammar and vocabulary need not

imply a proper language use. Therefore, the level of discourse the grammar structures are used in should be pointed out.

Approaches and methods

The choice of the appropriate approach and methods⁶ always emerges as an important aspect of a curriculum design. Yet, it is rarely the case that one approach will be sufficient. As it is clear from the discussion so far, there is not a single approach to be taken in the ETHM curriculum, but rather several ones should be varied with the appropriate shift of focus. To begin with the traditionally proposed learner-centered and closely related learning-centered approaches found at the core of ESP instruction, through content-based, task-based and project-based approaches. Given that communicative skills are given precedence to other language skills by prospective tourism and hospitality professionals (Pešić & Radovanović, 2016), the curriculum design rests on communicative approach. Yet, it is neatly intertwined with the the previously mentioned ones and hardly separable from them. Hence, they are all to be regarded as complementary approaches leading to the general aim to systematically educate students in the skills and knowledge needed not only at the course of study but more importantly in students' prospective careers.

Therefore, a well-balanced eclectic approach is preferable. It should be extended, though, with the latest approach imposed by the desired outcomes and the age we live and work in. The tremendous advancements of information and communication technologies affect the changes in business operations in all industries and generate the emergence of new niche occupations. It is a given that much of TH work involves information and communication technologies as employees in tourism industry work in a multimedia-driven environment (Adorján, 2013: 168). Most of communicative situations and promotional activities of both written and oral genres imply the adequate level of electronic literacy. Therefore, incorporating Computer-Assisted Language Learning (CALL) seems unavoidable. Broadly defined, this approach, or a branch of applied linguistics, refers to any process in which a learner uses a computer and, as a result, improves his or her language (Beatty, 2010: 7). As Shetzer and Wasthauser (2000: 172) state, it is now essential to consider how to teach

⁶ Pešić & Radovanović (2014) offer a detailed description of the methods, approaches and techniques suitable for the curriculum of EL at this institution along with their definitions.

language so that learners can make effective use of information technology. Based on this, the authors (Shetzer & Wasthauser, 2000: 172) advocate an electronic literacy approach which involves the ability to find, organize and make use of information as well as how to read and write in a new medium. As it "considers how people use computers to interpret and express meaning", communication is also seen as one area of electronic literacy that involves different ways of interacting and communicating (Shetzer & Warschauer, 2000: 174).

Since the traditional distinction between syllabus design (specifying the 'what') and methodology (specifying the 'how') has become blurred (Nunan, 1993), the most significant method, the communicative one, has already been pointed to throughout the discussion. This, however, does not mean that EL instructors must not resort to the traditional methods characteristic of the previous teaching methodology phases. Occasionally and when appropriate, these could prove useful in overcoming perceived obstacles in language production. The audiolingual method associated with repetition and transformation drills, for instance, is valuable for lower-level proficiency students in overcoming communication anxiety in predictable situations. On the other hand, the grammar-translation method allows for stressing contrasts and similarities between the source and target language. Hence, it is useful for the grammar items most students have difficulties with. However, the most suitable method is the communicative one meaning that all language items including grammar and vocabulary need to be taught communicatively. As Nunan (2013: 65) puts it, language needs to be learned functionally so that learners are able to see that different forms communicate different meanings. For this reason, the main emphasis is placed on students' active involvement in a creative language use. This, certainly, refers to the computer mediated communication, as well.

It can be concluded that an effective curriculum should encompass an array of various approaches and methods focused on the real-world tasks and activities including the ones simultaneously aimed to enhance the students' electronic literacy.

Addressing the challenges

Various challenges may be met which can reduce the effectiveness of the suggested curriculum. Firstly, it is not an easy task to design a curriculum to meet the needs of all learners primarily due to the great differences in

EL level arising from prior education. Although it is often assumed that the students at the tertiary level of education have a sufficient knowledge of general EL serving as a good basis for effective ESP instruction, the communication skills and a general language proficiency of not an insignificant number of students enrolling the Faculty are not on a sufficient level (Nedeljković, 2016). Therefore, it is suitable to design a syllabus appropriate to the majority of students EL level and include specific tasks intended for more advanced learners. Secondly, a great number of students attending classes can also hinder curriculum implementation. Faced with more than 90 students present, makes a hard task to organize an effective communicative class. Hence, different forms of group or pair work including after class assignments are a good way of working within the constraints.

The further issue is related to teaching materials. As mentioned, the available textbooks provide a good basis but they need be supplemented. Namely, in order to be able to inform on and promote Serbian destinations, attractions and cultural content specific to Serbia it is advisable to introduce the materials well suited for this purpose. Hence, additional teaching materials focusing on the TH industry in Serbia should be developed and tied in well with the other aspects of the curricula. In this respect, the use of authentic materials characteristic of an ESP course is advisable. The ones available, however, require substantial adaptations and modifications. Due to this, developing new materials effective in achieving the goals of the curriculum and appropriate for the students is not such an easy task. Although there is a plethora of available electronic materials, teachers should have the necessary skills to use them as well as basic material development skills (Dashestani, 2013). These are worth improving as CALL materials can contribute to the quality of teaching mainly due to easy access, high quality, interactivity, attractiveness, and authenticity (Dashestani, 2013).

Conclusion

The paper investigated the EL curriculum expected to contribute to better performance of prospective TH professionals and meet the expectations of the constantly developing tourism industry in Serbia. The EL curriculum design aimed at contributing towards tourism development was proposed. The explicit need of EL skills for occupational purposes in the TH industry is more than evident with the main aim being to achieve language proficiency for successful fulfilling occupational tasks and

responsibilities. Therefore, an adequate carefully designed curriculum could ultimately lead to the improved performance of the overall TH industry and tourism development.

The proposed curriculum is based on needs analysis comprising societal expectations. In addition to the EHTM curricula specific goals, the desired and potentially expected outcomes based on the drive towards tourism development were stated. The categories relevant to content conceptualization, including the syllabus types, were considered. As indicated, a curriculum should encompass various approaches and methods focused on the real-world tasks and activities comprising the ones simultaneously aimed to enhance the students' electronic literacy. In general, students and their communicative purposes are placed at the centre of the curriculum. Hence, communicative proficiency underlies all curriculum and syllabus components and serves as a basis for all decisions regarding methodology.

The EHTM graduates are expected to acquire the adequate knowledge to engage successfully in spoken and written client contacts, if not gain the desired level of fluency. When viewed from the angle of tourism development, the proposed curriculum could prove beneficial in the following respects:

- EHTM graduates competent in terms of satisfying the needs of foreign tourists will increase visitors' satisfaction level, and consequently contribute to the increase of international tourists arrivals;
- by being able to undertake a wide range of communication and promotion activities, including the use of promotional tools based on e-marketing technology, they could contribute to the enhanced promotion and marketing of Serbian tourism products and services in foreign markets; and
- the competitiveness of the tourism industry of the republic Serbia could be increased as "competitiveness of tourism very much relies on the competencies and skills of its human capital" (European Commission, 2016).

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DIGITAL ECONOMY AND TOURISM – A CHANCE FOR DEVELOPMENT AND RISK MANAGEMENT

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Abstract

An increasing use of ICT has led to a development of a new area of economics i.e. new form of business activity known as digital economy. Besides the numerous areas of business where innovative technological solutions are used for communication with business partners and provision of services in completely new ways, ICT has found its way in tourism as well. When talking about tourism development, digital economy is a chance for success, as the introduction of different systems based on Web technology and ICT enhances the growth and development of macroeconomic indicators in many countries.

We need to point out the numerous advantages of ICT implementation in tourism such as easier exchange of information, simpler search and identification of adequate tour packages prepared in accordance with travelers' needs and demands, betterment of the very looks of a travel agency's web page, etc.

Still, since almost all organizations in the area of tourism operate in rather dynamic conditions, it is necessary to point out the numerous risks they face as well as ways and methods of risk management using IS and modern information technology.

Keywords: *Digital economy, tourism, risk management, information-communications technology, web technology*

JEL classification: *L86; L83; G32*

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Introduction

Digital economy in both developed and developing countries, through implementation of modern information-communication technology, transforms almost all areas of business operations and daily performance of numerous activities. It is exactly these changes that will bring about a different kind of availability of information, products and services to all people around the world (Kehal & Singh, 2005).

Furthermore, a dynamic business environment and a growing competition inevitably create a need to adopt and widely use modern ICT in the field of hospitality. Some of the basic advantages which entities in the field of tourism can obtain through implementation of innovation are those related to enhancement of business efficiency (reduction of costs, improvement of quality of services, increased tourist satisfaction, etc.) On the other hand, use of ICT in every day operations of tourism entities is becoming a step one must take if one is to secure a market position on the tourism market. For those tourism organizations which conduct their business operations on a global level, ICT play a vital role in determining their market position with the aim of effectively adjusting their need to the needs and requirements of potential tourists (Law et al., 2009).

Undoubtedly, use of ICT is of vital importance when it comes to further development of tourism as a branch of economy (Chulwon, 2004). With this in mind, in what follows, we will try to point out the role and benefits which the use of ICT offers to organizations in the area of tourism. We will also discuss the role of ICT for the development of tourism as well as its use for risk management as these are a frequent occurrence in the operations of tourism entities. Finally, the paper will present cases of implementation of ICT in the area of tourism in various countries.

Digital economy and the role of ICT in tourism

When it comes to the concept of digital economy which emerged in the last decade of XX century, we can say that there is no universally accepted definition and that this notion is often equated with notions such as information technology or e-commerce. However, if we direct our attention only to information technology, it is necessary to point out that this notion refers to information equipment, software and telecommunication equipment which enables constant information processing. In the case of e-commerce, we can say that this notion

includes selling of goods and provision of services over the Internet. With digital economy, we must make it clear that this notion is a combination of the two previously mentioned ones. Digital economy represents economy which is based on electronic merchandise and services produced or offered by an organization which conducts business electronically, thus enabling interaction with business partners and buyers while selling its products and services through e-commerce (Hojeghan & Esfangareh, 2011).

The role of ICT can be perceived through 5 stages (5 stages which a client goes through before deciding to buy a product or request a service). These five stages include: the need to recognize offer, information search, evaluation of alternatives, decision on buying and behavior of service providers or sellers upon completion of a sale (Law et al., 2009).

In addition, increased competition among business entities in the field of tourism and even more specific tourists' requests have led to an increased use of ICT in tourism. The role of this technology in tourism has changed over time – from the early stages of its implementation and its use for development of web pages with almost all tourism organizations (which enabled tourists to browse through online brochures) to late stages and its use for development of highly interactive systems which support reservations, search, virtual tours for a particular destination, etc. The second part of development and implementation of ICT in tourism is said to be a period of even bigger changes (innovations) where the most important thing is to enable the tourists to enjoy greater commodity as their travel arrangements get even more customized. This stage is also known for development of numerous applications which the tourists will use when travelling (Xiang et al., 2015).

How big of a role ICT will have in the area of tourism in developing countries depends on the provision of adequate environment (factors such as infrastructure, approach, education, legal framework, facilities, acceptance of new technology by the population, etc.) (Hojeghan & Esfangareh, 2011).

The role of ICT through its implementation in the field of tourism can be expressed through diversification of business activities and through the possibility of offering numerous services and information in innovative ways and via new channels, without intermediaries, even in the case of smallest of organizations. For example, local entrepreneurs in the area of

tourism can, through the implementation of ICT, secure their position on the market and with that the standard of the people working in such organizations (Rega & Inversini, 2016). Having said this, according to Stojanović, Krstić and Janjić Baduli (2016), “numerous positive development trends rank tourism as one of the most dynamic economic activities, so that tourism can be said to be an activity which, for a relatively short period of time, has become a global phenomenon and in terms of the number of participants, one of the biggest phenomena on a global scale” (p. 123).

Digital economy as a chance for development of tourism through a prism of benefits which it offers to tourism organizations

Since the number of Internet users increases every day, we first must point out the fact that web technology enables reduction of costs in relation to collecting of data on travel offers as well as the costs of bookings all the while the very communication between the provider of services in the field of tourism and the end users is significantly easier (Hojeghan & Esfangareh, 2011).

Implementation of new information technology such as Computer Reservation Systems (CRSs), Global Distribution Systems (GDSs) and Internet has led to a manifestation of numerous benefits when it comes to the work of tourism organizations but the downside is that with this implementation come numerous risks. From the aspect of tourism, we can say that the Internet is widely accepted as a new distribution channel, but also as a means of promotion and advertising. Direct approach to the tourism market enables, on one side, reduction of transaction costs and on the other side, increase of discounts for tourists. ICT provides travel agencies with a plentitude of apps which tourists can use when travelling (apps accessible on their smartphones). For example, one of the changes is the implementation of Web 2.0 technology, as well as the development of new business models for creation of client database. This enables faster and more efficient collection of data on tourist experience with certain locations they have already visited. ICT gives travel agencies an opportunity to create (on their web pages) forums where tourists can exchange feelings on their trips. Smartphones with certain apps on them enable users to control their own view of a particular service via non-stop communication with the provider of a particular service. They also enable GPS navigation, photo sharing on the Internet or posting of photos on a

travel agency's forum (the final result being increased tourist satisfaction) (Xiang et al., 2015).

Another example of ICT benefit is creation of geographic portal in Ararat which enables a more efficient linking of information and services based on Web technologies, a more effective promotion of local operations, tourism and regional events, etc. (Kehal & Singh 2005).

Examples of ICT implementation in tourism

„Smart“ tourism in China

Following the popularization of the concept of “Smart Planet” by the president of United States of America in 2009, Chinese experts suggested introduction of a concept called “Smart Tourism.” In July 2011, the director of China National Tourism Administration (CNTA), Qiwei Shao, officially launched the initiative to introduce the concept of “Smart Tourism.” Introducing a web page Beautiful China, 2014 – Year of Smart Tourism (by CNTA) in 2013, Chinese authorities laid a foundation for “Smart tourism”, turning it thus into one of the most important initiatives of Chinese tourism policy (Li et al., 2017).

“Smart” notion has been defined as a possibility of fast, flexible and precise understanding and solving of problems. This term can be equated with the term “Intelligent tourism” where the term intelligent refers to the possibility of change of state or action as a response to changes in different situations, different requests and previous experiences which means that intelligence can generate adequate result based on different needs, different states and different previous experiences. However, smart means to do the right things in different, complex circumstances. It is based on this that we can see the difference between terms “smart” and “intelligent”. The content of the term smart is broader and requires a greater amount of input data. Thus the term “intelligence” focuses on technical capacity offering a greater amount of more convenient and efficient services to the users. Besides this, intelligence can refer to experience or the result of experience. But, under such circumstances, human beings can find themselves in the state of passivity which would mean that different levels of intelligence can lead to different types of experience where users must remain intelligent to the extent which would enable them to access services via intelligent devices. On the other hand, the notion of smartness highlights the ease with which the users can

automatically receive certain and precise services by accumulating certain data using tech devices. This is why the entire process depends on the availability of technology with which it is possible to perform the integration of information i.e. data (Li et al., 2017).

There are a lot of definitions of the term “Smart tourism” where one of them points out that this notion refers to the use of the so called cloud computing, use of business networks and other technology with access to the Internet. This technology serves to obtain and collect data on tourism resources, activities in the area of tourism, etc. In that sense, tourists can get precise and reliable information in order to plan and adjust their itineraries (Li et al., 2017).

Digital economy as a chance for development of tourism in Nepal

Development of ICT in terms of use of Web 2.0 technology, smartphones and innovative applications, mobile systems, social networks and integration of business electronic systems using the Internet, has led to a drastic growth in the area of tourism. This is corroborated by numerous innovations which are implemented in this branch of economics, some of which being new ways of communication, booking of travel arrangements, booking of rooms in hotels as well as an overview of new destinations through virtual tours. Besides the numerous advantages that implementation and application of ICT brings to tourists, it is necessary to point out the numerous advantages which refer to the very tourism organizations, agencies and other business entities in the area of tourism, where they can be applied in the area of promotion, performance of business activities, reduction of costs, increase of business efficiency as well as reduction of time needed to update data and form numerous database necessary for business analysis (Shrestha & Ryul Jeong, 2016).

Whether and to what extent travel agencies use ICT will determine the quality of their media content, diversity of overviews of travel destinations, possibility of online reservations, overview of available capacity, the experience of other tourists which have already visited a particular location in a previous period. Previously mentioned will be of key importance for making the final decision on whether a potential tourist will decide to visit a particular tourist destination.

Based on a study of the case of Nepal, we can reach a conclusion that tourism as an industry has an upward trend and has enormous potential.

Still, there are numerous factors which lead to the slowing down of the development of this sector and to increase of risks where all the more attention has to be placed on their management with the aim of reducing and eliminating these risks via implementation and use of modern ICT (Shrestha & Ryul Jeong, 2016).

Some of the factors and potential risks which affect further expansion of tourism are: (Shrestha & Ryul Jeong, 2016):

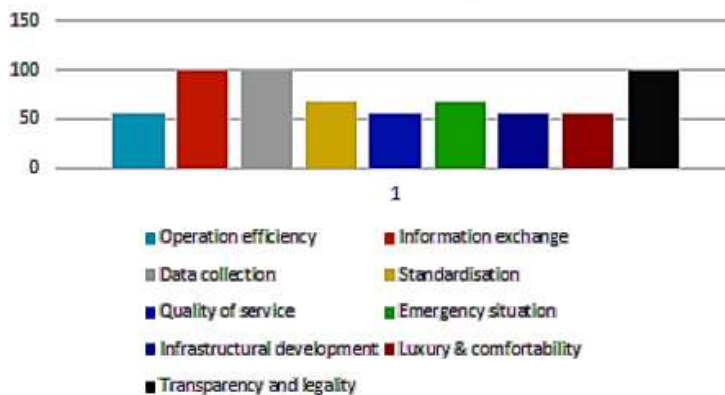
- Lack of qualified experts in the field of tourism;
- Lack of information on tourism attractions and ecological environment of Nepal;
- Inadequate quality of provided services by tourist workers;
- Lack of sufficient number of adequate travel brochures which will be presented online;
- Inadequate exchange of information between hotels, hospitality enterprises and other organizations in the field of tourism, etc.

After conducted research and in relation to the availability of information on tourist destinations, 63% of total number of respondents said that the information was not complete while 27% of them said that the available information were not clear (Shrestha & Ryul Jeong, 2016).

When it comes to the main aspect of further development of ICT in Nepal in the field of tourism, 40% of respondents have pointed out the insufficient availability of services which are provided with the help of modern ICT. Obtained data showed that the potential for their use is significantly higher for those tourism organizations which perform their operations in urban areas in contrast to those operating in rural and less developed parts of Nepal (Shrestha & Ryul Jeong, 2016).

The following figure shows the importance of implementation of ICT in the field of tourism as well as the benefits it offers within the field of digital economy:

Figure 1: *Percentage of agreement of tourists on importance of the benefits obtained with the implementation of ICT in tourism*



Source: Shrestha, D., Ryul Jeong, S., (2016). *An ICT Framework for Tourism Industry of Nepal: Prospect and Challenges. Journal of Internet Computing and Services (JICS) 2016. Dec.: 17(6): 113-122., p. 117, Available at: http://www.jksii.or.kr/upload/1/1266_1.pdf, (14 April 2017).*

The previous figure evidences the benefits and advantages which the implementation of ICT in the field of tourism brings. The increase in the quality of provided services and customer satisfaction, forming of database, a more efficient exchange of information between tourists, travel agencies and other tourism organizations, are only some of the examples of benefits of implementation of ICT in tourism. Figure 1 also shows that all of the respondents agreed that the implementation of ICT in the field of tourism will enable a more efficient collection of data, better communication and increase in the transparency and adherence to legal provisions in the field of tourism. About 65% of respondents agreed on the issue of the role of ICT in relation to improving the adoption and implementation of standards in connection with the provision of tourism services and in relation to the resolution of emergencies, while slightly over 50% of respondents were in accordance with the fact that ICT will lead to increased operational efficiency, higher quality of services to be provided, infrastructural development, commodities on travel booking which will ultimately result in sense of exclusivity of particular tourist destinations with tourists.

Based on the previous statements on the case of tourism in Nepal, we can say that digital economy will first and foremost, lead to improvements in marketing activities of tourism organizations via adequate innovative web

pages, overcoming insufficient exchange of information between all participants in the field of tourism and regular updating of all relevant information for tourists. It will also have a contribution to familiarization of potential tourists from other countries with tourism potential of Nepal. Based on all previously stated, it is safe to say that digital economy (through the use of ICT) in the field of tourism is a necessity for survival and further development of tourism in Nepal. (Shrestha & Ryul Jeong, 2016).

An example of implementation of ICT in the function of tourism development in Italy

With the aim of establishing links between organizations in the field of tourism in Italy with their cultural heritage, implementation of modern ICT led to a development of a system called Tourist kit. This system is a result of an initiative launched by the largest Italian organization which offers infrastructural services named Poste Italiane. Aware of ever demanding service market (result of the process of globalization), this company has developed its ICT infrastructure by expanding the scope of its services. For this reason, based on the innovative networked systems and numerous applications, company offers services related to financial transfers, travel insurance, etc. (Angeloni, 2015). Introduction of this system has enabled promotion of tourism in the city of Matera on the south of Italy. Considering the great tourism potential of this region, this system was introduced with the aim of promoting tourism destination with the final aim being that of increasing the number of foreign and domestic visitors. Benefits of implementation of tourist kit are: increased tourists' comfort during their stay (tourists are offered dynamic and personalized services through the use of numerous tools which enable the integration of various services without the need to go to a physical destination in order to pay for services, to make a reservation, perform transfers, etc.). Moreover, this system offers tourists an overview of total costs (once they select all the services they are interested in obtaining). This helps them plan their activities on their vacation in accordance with available funds. (Angeloni, 2015).

The following figure presents the very card with a chip and the benefits of its use in the Kit del Turista system.

Figure 2: Overview of system of the company Poste Italiane under the name Kit del Turista, and the benefits of its use



Source: Paybay. (2014). *Kit of tourist*. Available at: <http://www.paybay.it/wordpress/quigroup-in-partnership-with-poste-italiane-has-created-the-kit-of-tourist-2/>, (20 April 2017).

The very idea of system of Kit of tourist is envisioned so that a user first gets some materials which include a plastic card, educational material on tourism and cultural content and offered local services as well as a coupon which enables a tourist to obtain certain discounts. Reading his/her card on the entrance of a particular attraction, a tourist pays for the entrance and thus avoids paying for individual tickets which eventually results in saving money (up to 25% of price of the tickets). Moreover, the card called „Postepay NewGift Tourist Card“ is a prepaid card with microchip technology which is activated on a mobile device by sending the information on the number of the card and activation code to the operator in charge of its activation. After imputing his/her PIN when logging into the system, a tourist is able to obtain discounts in over 28000 retail objects in entire Italy, pay for his/her purchases in over 30 million shops worldwide (through electronic payment system), check balance on his/her account, withdraw cash from ATM machines (with the logo MasterCard), etc. Based on this example, we can summarize the

numerous benefits of implementation of ICT in the field of tourism which will enable further development of this sector in the following period (Angeloni, 2015).

Implementation of ICT and its role in risk management

In addition to the many benefits that the use of modern ICT provides, it is necessary to mention the numerous risks which almost all tourism organization face as well as the ways to manage such risks in the field of tourism. According to Stojanović, Krstić and Janjić Baduli (2016), “through successful implementation of the process of risk management a significant number of benefits is achieved where one of it is enhancement of the very results via making of quality decisions in relation to system management, etc” (p. 128).

When it comes to tourism areas, one of them where the use of modern ICT is an absolute must is the area of hospitality. Stojanović and Krstić (2016), mention one of such examples „the so called Smart hotel which integrates all system components, from hotel information system to central surveillance system and complete network communication“(p. 173).

Overview of room availability, booking of rooms for a particular period of time, collecting information on the frequency of guest visits and their specific requests, hotel income management and supplies management are only some of the benefits of using Computer Reservation Systems and Property Management System. In order to eliminate risks in the area of hospitality, a system of intelligent rooms is being introduced. This system manages services offered to guests through automatic regulation of air conditioning, locking of rooms and phone lines when a guest is not in his/her room, water and electricity consumption, signaling that electrical installations are faulty, setting off alarms in the case of unauthorized room entry, possibility of performing financial transactions with so called smart cards, etc. (Njeguš, 2010).

The implementation of ICT in tourism leads to a transformation of business activities of travel agencies so that they organize their operations on innovative web technologies and information systems which will enable them to successfully present their offer to interested tourists. Since tourists are offered an option of direct online reservation of tour packages, travel agencies offer additional options which mean that tourists get to

choose the type of transport they will use, accommodation, contents of their trip that a particular destination offers such as cruises, etc. (Pavlović & Spasić, 2008).

Implementation of modern ICT provides the possibility of survival on the market to even the smallest of travel agencies and an efficient management of risks which they face. Namely, agencies offer numerous online services to travelers who do not have the time or energy to visit the very agencies and there look for a package holiday. One of the examples is a small Italian travel agency which realized the importance of conducting its operations online thus enabling its costumers to make last minute online reservations. This agency bases its work on the use of Internet together with the use of Intranet system which offers additional benefits in relation to efficient communication between the employees so that they are able to answer any question online and solve all problems that their potential clients might have when browsing their web page or booking a trip (Pavlović & Spasić, 2008).

A research conducted on the outskirts of big cities in Brazil and rural areas of Malaysia inhabited by population with smaller incomes evidences the importance of digital economy in the field of tourism. Namely, small tourism organizations founded and operating in these areas have realized the importance of implementing web technology with the aim of promoting tourism and business management in relation to offering of services to the tourists. The importance of tourism development in these areas is reflected in the possibility of employing population with smaller incomes as well as the possibility to promote their natural resources. When it comes to the implementation of ICT in the field of tourism on the example of rural areas of Malaysia, it is necessary to mention some new (besides the above mentioned) benefits and chances for tourism development and certain risks that can occur and which could be overcome (in this particular case) with adequate training of employees in the field of tourism and with improvement of their language skills. Employees should go through certain training related to the use and management of reservation systems (Rega & Inversini, 2016). This is also corroborated with the suggestions that employees greatly contribute to the success of a tourism organization for which they work, so that it is very important that they possess adequate knowledge, skills and capabilities (Nieves & Segarra-Ciprés, 2015).

Besides the above mentioned possibilities that digital economy provides for the sustainable development of tourism, it is necessary to mention the role of social networks as a means of communication through which tourists can exchange experience on issues such as the quality of services, accommodation and perception of a particular tourist destination. One of the examples of organizations that have understood the importance of social networks and their role as a channel of promotion which will contribute to their further development are Marriott Hotels and Resorts, Hyatt Hotels and Resorts, etc. (International Labour Office, 2010).

With further advances in technology and introduction of new innovations in the field of e-business, we place our attention on connecting the Internet, computer hardware elements and software systems with different mobile apps which can be used on smart phones. This way, tourists will be able to book a flight, accommodation in a hotel, certain additional services using their smart phones. It is exactly these commodities that motivate all organization in the field of tourism to develop and modernize their approach on the market of tourism services by implementing modern systems of management which enable them to preserve their position on the market (this being one of the risk of doing business in the field of tourism) (Kearney et al., 2013).

Stojanović and Krstić say that (2016), „having in mind that there exist numerous risks in relation to e-business in almost all areas (tourism being no exception) and having in mind that risk cannot be avoided, every business entity should incorporate an efficient risk management system in its operation“, (p. 176).

Conclusion

Bearing in mind the numerous advantages of implementation of modern ICT in tourism organizations, it is necessary to say that in the last couple of decades, tourism has been known for continuous growth and development and digital economy has greatly contributed to this (this being the case not only in developed but in developing countries as well). Some of the advantages of implementation of ICT in the field of tourism are: reduction of costs of operations, adjusting the offer to the specific needs of the tourists, offering complete and precise information via innovative web technology and virtual overview of destinations, possibility of online reservations via apps on smart phones, etc.

Based on everything previously stated in this paper, we can conclude that when it comes to the role that the implementation of ICT has in further development of small tourism organizations, on one hand it is summed up in offering the possibility for individual and independent choice of certain content that a particular travel agency is offering (in relation to a particular destination chosen in accordance with individual preferences and financial status of a tourist) (Rega & Inversini, 2016). On the other hand, there appears a challenge and that is to develop new management systems which will, through adequate implementation of modern ICT provide competitive advantage to certain tourism organizations. Still, if one organization is to preserve this competitive advantage in the long run, it has to develop an adequate system of risk management in the field of tourism which will reduce or eliminate the risks, as presented on particular examples in this paper.

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SUBOTICA AND PALIĆ TOURISM POTENTIALS THROUGH THE PRISM OF PERFORMANCE ANALYSIS

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Abstract

The wealth of natural resources, high quality workforce and favourable geographic position of Serbia warrant tourism's growing role in the country's progress, economic growth and development. The specificity of tourism is that it not only brings positive economic effects but enables further valorization of social, cultural and educational resources of the Republic of Serbia. One of the true hidden jewels of Serbia's tourist offer that so far has not been properly valued and due to poor planning and the lack of strategic vision, is Palić with Subotica and its surrounding area. Its haphazard development over the last decades has hindered its valorization as a tourist destination so in the coming period Subotica – Palić should be clearly profiled and positioned among the top five tourist destinations of the Republic of Serbia. This paper will present the basic features of the tourist development of Subotica and Palić so far, analyse the future development trends and formulate recommendations for further valorization and development of the tourist destination Subotica – Palić with the projection of economic – financial indicators.

Key words: *tourism, economic development, tourist destination, Subotica and Palić*

JEL classification: Z32

Introduction

The process of globalization which entails increasing internationalisation in political, economic and social terms has prompted some countries to focus more on development of tourism, as one of the priority sectors of

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the long-term economic development. In recent decades, a more broad-based and faster economic development has contributed to the growth of mass tourism, both on a national and international scale.

Properly conceptualized and strategically defined development of tourism of Subotica– Palić destination will yield numerous benefits to the local community. Benefits generated by tourism are much more significant than traditional rewards such as contribution to the city budget, new jobs, larger investment inflow etc. Adequate development of tourist economy raises the quality of life in a community by reversing the emigration in search of a better life. Also, tourism is frequently equated with the so called “secondary exports”, as it generates the inflow of foreign exchange without crossing the state border, through foreign tourists.

All the above said suggests that a tourist destination has to be developed in a systematic, comprehensive and multidisciplinary manner in order to realise all the benefits which a clearly conceptualised and formulated tourism development programme can yield in a local community. Subotica and Palić have a long history of tourism, but have been unjustifiably neglected over the last few decades, lacking clear development directions and more sizeable investment. However, as of recently, the approach to Subotica and Palić tourism has changed, with the growth of awareness about the overall economic effects of tourism development on the local community.

By the establishment of the Tourist Organization of the City of Subotica in 2010 and clear defining of the role of the enterprise “Park Palić” d.o.o. Palić, the necessary preconditions were created for the planned tourism development. In the coming period, a clear vision and mission of tourism development in Subotica – Palić destination should be formulated, in order to further position this area in the Serbian tourist market as one of the top destinations, recognising its values and further valorizing all the beauties of this “Panonia jewel”.

Current status analysis and projection of the future development trends of Subotica and the surrounding area

When Subotica and its surroundings are mentioned in everyday conversation, our first association is usually with a city called Serbia’s gate to Europe. The City of Subotica is located at the northernmost of the Republic of Serbia and the Autonomous Province of Vojvodina at 46° 05’

55'' of north geographical latitude and 19° 39' 47'' of east geographical longitude. City of Subotica's average height above the mean sea level is 114 meters. The city includes, apart from its urban core, 18 larger suburban areas which are integral parts of Subotica. A special economic advantage of Subotica is its summer resort Palić, a true jewel of Serbia's tourist offer.

Subotica is known for a variety of national communities living in the area, including Serbs, Hungarians, Croatians, Bunjevci, and numerous other nationalities, a Mecca of tolerance and multiculturalism and a true picture of European values in one place. This wealth of diversity is a home to 150,000 people who jointly foster cultural values, enrich their own cultural identity and create a unique cultural space infused with national and cultural diversity.

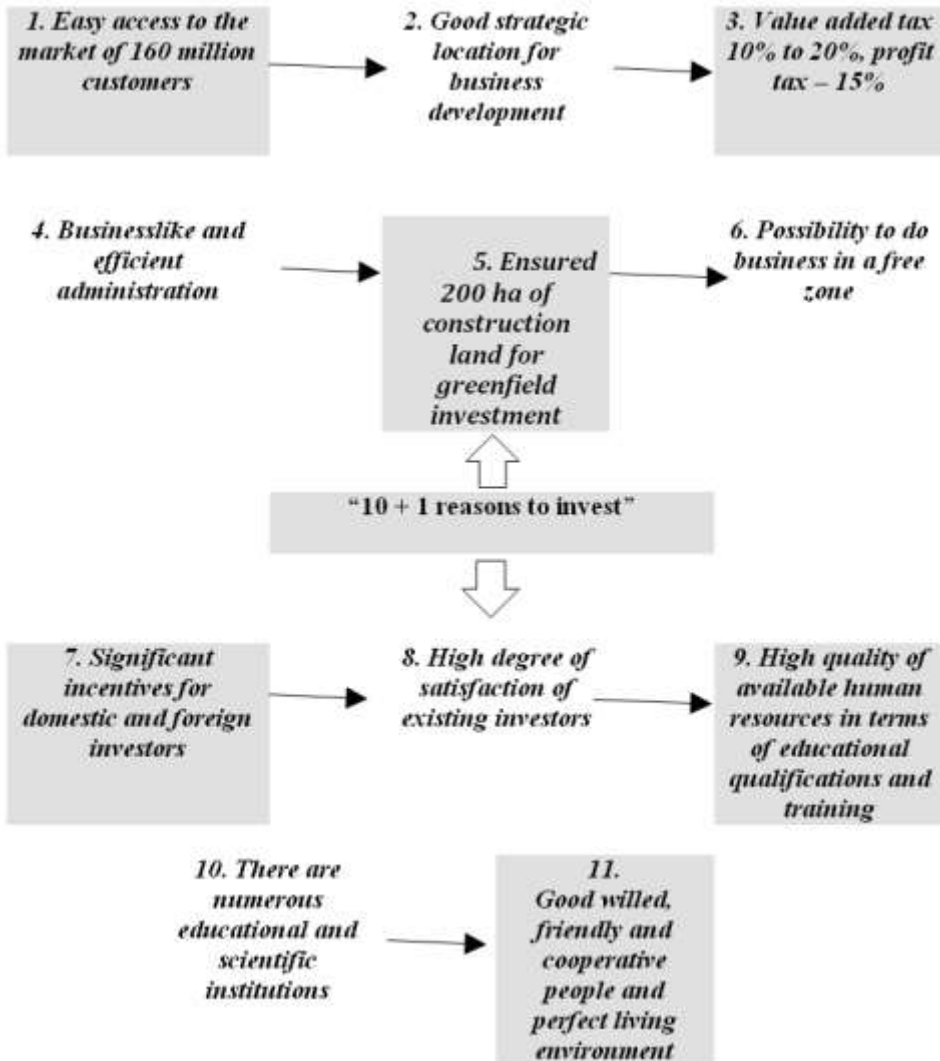
Today the city of Subotica represents a modern city with a clear vision to become an economic leader using all the comparative advantages stemming from its geographic and economic position. In order to more easily grasp the key factors that provide a stable basis for further economic development of Subotica and its surroundings, and to present them to potential investors in an easy to comprehend manner, a concept was designed called "10 + 1 reasons to invest in Subotica". This slogan is an original marketing move which aims to present the potentials of Subotica to prospective investors interested in this economically intensive area.

Owing to numerous free trade agreements that the Republic of Serbia signed with Montenegro, Croatia, Bosnia and Herzegovina, Macedonia, Albania and Moldavia, and in particular with the Russian Federation, Turkey and Kazakhstan, potential investors would have access to the market of 160 million potential customers. Additional comparative advantages of the region are its strategic location with good road infrastructure. The vicinity of the Pan-European Corridor 10 and of the state border and the fact that Subotica is at the same time the "gate of Europe" and the "threshold of the Balkans" make this economic area very attractive for both greenfield and brownfield investment.

Thanks to the activity of the local community, significant spatial capacities have been provided for the future investment projects, which help to attract new investment to the area. One of the most significant comparative advantages of Subotica is highly qualified and educated

workforce, i.e. human resources with a varied set of skills, capable of fulfilling all the potential tasks that may be posed by foreign investors. In order to better outline all the comparative advantages offered by Subotica and its surroundings to future investors, we will use the following diagram:

Figure 1: *Comparative advantages of Subotica and its surroundings in attracting potential investors*



Source: *Author's data and website* <http://www.suboticainvest.com>

Based on the analysis of economic trends in Subotica and its surroundings we may identify certain directions from the past period. The processes of transition on which the Republic of Serbia embarked, this region included, has caused significant structural changes in the economy of Subotica and its surroundings. Before Serbian economy entered transition, the economy of Subotica was one of the most diversified in Serbia. Apart from food industry, it included many other sectors as well, such as electrical and metal industry, chemical industry, textile industry, leather processing and footwear manufacturing, socks production, graphics and printing industry and construction.

Owing to a high degree of diversification of its economy prior to transition, Subotica still has numerous spatial capacities, highly educated workforce, raw materials and the necessary knowledge and experience which can be utilised in the future period to speed up the economic development of Subotica.

In projection of future economic development, the focus should again be placed on manufacturing, tertiary and quaternary sectors. Positive trends can also be associated with food industry, crafts, private entrepreneurship and graphics industry. Development potentials of chemical industry are not negligible either. In projection of future economic development of Subotica and Palić, small and medium sized enterprises should take a leading role, given their high elasticity and adaptability to new market trends.

In order to strengthen the strategic advantages of Subotica and attract investors in competition with other cities, a free zone was set up, offering significant business benefits and incentives to potential investors. Companies which opt to do business within the free zone are offered numerous incentives which strengthen their competitiveness, such as fiscal incentives (exemption from value added tax on entry of goods into the free zone and provision of transport and other services related to goods entry, exemption from value added tax on trade of goods and services within the free zone, exemption from value added tax on trade of goods between users of two free zones, creating conditions for exempting manufacturers from value added tax on energy consumption and finally some tax reliefs for foreign direct investment), customs incentives (creating conditions for exemption from customs and other import duties for goods intended for carrying out activity and building facilities in the free zone, such as raw material, equipment and construction material) and

financial incentives (free flow of capital, profit and dividends; support from the Republic of Serbia budget for various investment projects in the manufacturing and sector of services which can be the subject of international trade).

Finally, in concluding the analysis of economic potentials of Subotica and its surroundings we will briefly consult the Local Sustainable Development Strategy of the City of Subotica 2013 – 2022 adopted at the City level, which best illustrates what level of economic and overall development Subotica aspires for in the future (Local Sustainable Development Strategy of the City of Subotica 2013 – 2022, p. 38 – 39.):

- In 2022 Subotica is the regional industrial centre of northern Vojvodina, with branded products and services and a dynamic economy based on knowledge and innovation, whose holders are the revitalized and empowered small and medium enterprises. It is a place attractive for entrepreneurship and investment in a highly efficient and productive economy, with emphasis on further development of engineering and technological fields, which ensures sustainable economic growth with larger number of better jobs both in the city and in rural areas. At the same time, Subotica is oriented to the modern and sustainable rural development concept that involves agricultural production with advanced facilities for processing and distribution, while the tourist offer and service activities are based on tradition, natural, cultural and historical heritage.
- Subotica has an adequate education system network, which ensures competitiveness of knowledge and skills of human resources on the domestic and foreign markets. The community is founded on solidarity, humanity and gender equality, respect for tradition, interculturalism, multinationality and multilingualism, and all that strengthens and promotes social cohesion where all children are enrolled in preschool institutions and elementary education. Subotica is a city that strengthens civic initiative and cross-sectoral approach to the health preservation and improvement. The health care system is adapted to the needs, with continuous improvement of the health services.
- Subotica is a university city and has an individual university that is accredited and established by the state. At least the five faculties operate within the university. The University of Subotica provides bachelor and master academic studies and doctoral studies in Serbian, Hungarian and English.

- Subotica recognizes the value of natural capital and invests therein through production based on "green", environment-friendly technologies, recycling and investment and the use of renewable energy. Urban design of the city is based on compliance of the architectural heritage, natural heritage and the economy, with the harmony of these three elements contributing to sustainable urban development. The city is surrounded by natural resources connected into ecological networks, with the development based on traditional values and sustainable use of resources, with developed educational and recreational contents. Subotica is a city with a developed transport infrastructure and logistics adapted to the needs of the economy and the public, with the possibility to cherish healthy lifestyles, especially cycling.
- Subotica is a city where people love to live and where they gladly start a family and raise their children; where birth rate is growing, business tends to be located, and tourists want to visit.

According to the Local Sustainable Development Strategy of the City of Subotica 2013 – 2022, the most important strategic objective Subotica seeks to achieve by 2022 through the Strategy implementation is to become a modern city of happy, employed and healthy people, experiencing growth of standard and quality of life, where there is high cohesion of public, private and civil sectors working to achieve a humane and tolerant society ensuring good living conditions for all its citizens.

Historical analysis of tourism trends of Subotica – Palić destination

With a view to defining future development trends of the tourist economy of Subotica and Palić, it is necessary to analyse historical tourist flows, as they lay the basis for future development directions. As we are witnessing increasing dynamics in markets in general, including tourist market, the outlining of future development requires progressive analysis of available data and projection of future trends. In order to suggest in which direction Subotica and Palić tourism should develop, we will analyse trends in the year 2016, which was specific in many respects.

In analysing tourism trends we will break down tourist arrivals to Subotica in 2016 by month:

Table1: *Overview of tourist arrivals to Subotica in 2016 by month*

Month	Total	INDEX 2015	Domestic	Foreign
January	3,501	63.8	2,339	1,162
February	4,233	72.7	2,941	1,292
March	3,610	108.4	2,095	1,515
April	6,101	98.8	4,347	1,754
May	7,161	92.8	5,150	2,011
June	4,008	93.2	2,003	2,005
July	3,888	90.8	1,523	2,365
August	3,945	73.7	1,496	2,449
September	4,524	92.7	2,422	2,102
October	6,905	117.7	4,846	2,059
November	3,956	118.9	2,458	1,498
December	3,724	104.8	2,147	1,577
TOTAL	55,556	92.5	33,767	21,789

Source: *Tourist Organisation of the City of Subotica.*

As can be seen in Table 2, a total of 55,556 tourists visited Subotica in 2016, and the peak was recorded in May with 7,161 arrivals, followed by October with 6,905 arrivals and April with 6,101 arrivals. The table also shows that in 2016 domestic tourists held a dominant share with 33,767 arrivals or 60.78%, versus 21,789 arrivals or 39.22 % of foreign tourists. The following table shows tourist overnight stays in Subotica in 2016:

Table 2: *Overview of tourist overnight stays in 2016 by month*

Month	Total	Index 2015	Domestic	Foreign
January	6,464	66.2	4,188	2,276
February	6,542	77.6	4,008	2,534
March	7,176	115	4,104	3,071
April	9,232	86.1	5,920	3,316
May	11,011	89.7	7,184	3,827
June	7,806	99	3,769	4,037
July	6,737	72.9	2,462	4,275
August	7,909	63.3	3,201	4,708
September	9,312	93	4,498	4,814
October	11,148	112.3	7,338	3,810
November	7,969	131.2	4,698	3,271

December	6,349	105.3	3,311	3,038
TOTAL	109,101	89.5	54,131	54,970

Source: *Ibidem*

The quality of a tourist destination is measured by the number of overnight stays of either domestic or foreign tourists. Table 3 shows the number of overnight stays in the city of Subotica in 2016 – a total of 97,655 overnight stays. An important fact is that contrary to tourist visits, in overnight stays foreign tourists accounted for a larger share, with 54,970 overnight stays or 50.38 %, while domestic tourists accounted for 54,131 overnight stays or 49.62 %. The overnight stays peaked in October 2016 when 11,148 nights were recorded. That month, exceptionally, domestic tourists dominated, with 7,338 overnight stays.

Given that Subotica and Palić represent a single tourist destination, in order to analyse tourism results in 2016 we need to add to Subotica figures also the number of arrivals and overnight stays in Palić, a tourist Mecca of Subotica and its surroundings. The following table shows the number of tourist visits to Palić in 2016:

Table 3: *Tourist arrivals to Palić in 2016 by month*

Month	Total	Index 2015	Domestic	Foreign
January	1,097	118.9	658	439
February	1,675	112.9	1,299	376
March	2000	178.1	1,170	830
April	2,468	126.1	1,693	775
May	2,934	123.6	1,713	1,221
June	2,668	104.3	1,737	931
July	3,758	116.9	1,930	1,828
August	3,553	57.4	1,799	1,754
September	2,934	83.5	1,683	1,251
October	2,519	104.4	1,738	781
November	1,480	114.7	1,020	460
December	1,639	94.1	1,201	438
TOTAL	28,725	107.8	17,641	11,084

Source: *Tourist Organisation of the City of Subotica*

Table 4 shows that a total of 28,725 tourist arrivals were recorded in Palić in 2016, with domestic tourists accounting for a larger share of 17,641 arrivals or 61.41 %, and foreign tourists for 11,084 arrivals or 38.59 %, which indicates that in the structure of tourist arrivals to Palić domestic tourists, coming mostly from larger urban centres such as Belgrade and Novi Sad, held a dominant share. The greatest number of arrivals were recorded in July 2016 when 3,758 tourists visited Palić – 1,930 domestic and 1,828 foreign tourists.

In order to arrive at a realistic picture of the tourist turnover in Palić, apart from tourist arrivals, we need also to break down tourist overnight stays in 2016 by month:

Table 4: *Tourist overnight stays in Palić in 2016 by month*

Month	Total	INDEX 2015	Domestic	Foreign
January	1,766	86.9	1,114	652
February	2,508	100.6	1,973	535
March	3,408	203	1,765	1,643
April	4,271	128.1	3,027	1,244
May	5,041	131.7	2,991	2,050
June	4,366	112.6	2,966	1,400
July	6,257	104.5	3,577	2,680
August	6,065	81.5	3,427	2,638
September	4,778	93.9	2,964	1,814
October	4,253	103	3,140	1,113
November	3,284	140.7	2,445	839
December	2,535	87.5	1,910	625
TOTAL	48,535	107.6	31,299	17,233

Source: *Tourist Organisation of the City of Subotica*

The table shows that a total of 48,535 overnight stays were recorded in Palić in 2016, 31,299 nights of domestic tourists (64.49%) and 17,233 nights of foreign tourists (35.51%). The presented tourism trends indicate that Palić records a far greater share of domestic tourists, which should prompt tourism professionals to focus on increasing the share of foreign tourists, and this requires setting clear strategic objectives and a timeframe of actions to operationalise those objectives.

The creation of a marketing strategy that would help increase the share of foreign tourists requires the overview of the current share of foreign tourists in tourism turnover in order to create clear promotional activities that would attract new foreign tourists, both from countries from which the existing tourists originate, as well as to penetrate new foreign markets. An overview by country of origin is given in the table below:

Table 5: *Overview of foreign tourist visits in 2016 by country of origin*

No	Country	Number of tourists
1.	Hungary	3957
2.	Croatia	3527
3.	Germany	2970
4.	Bosnia and Herzegovina	2147
5.	Poland	2045
6.	Slovenia	1723
7.	Bulgaria	1464
8.	Romania	1294
9.	Austria	1247
10.	Turkey	1154
11.	Macedonia	1143
12.	Russia	1066
13.	Italy	1008
14.	Montenegro	801
15.	Slovakia	657

Source: *Tourist Organisation of the City of Subotica*

The given table shows that the majority of tourists who visited Subotica – Palić destination during 2016 come from Hungary and Croatia (3,957 and 3,527, respectively). The smallest number of tourists came from Montenegro and Slovakia (801 and 657, respectively). The analysis suggests that a strategy for promotion of tourist potentials of Subotica and Palić should focus on neighbouring countries, because the greatest interest in the tourist offer of this destination is found in those markets.

In order to get a more comprehensive picture of the tourist offer of Subotica – Palić destination, we will break down the overnight stays of foreign tourists by their country of origin.

Table 6: *Overnight stays of foreign tourists in Subotica and Palić in 2016 by country of origin*

No	Country	Overnight stays
1.	Germany	6095
2.	Hungary	5846
3.	Croatia	5647
4.	Romania	3795
5.	Bosnia and Herzegovina	3667
6.	Austria	3128
7.	Slovenia	2773
8.	Italy	2525
9.	Norway	2442
10.	Poland	2342
11.	Bulgaria	2027
12.	Turkey	1749
13.	Russia	1704
14.	Macedonia	1591
15.	Montenegro	1319

Source: *Tourist Organisation of the City of Subotica*

Table 7 shows that in 2016 German tourists accounted for the greatest number of overnight stays (6,095), followed by Hungarians (5,846) and Croatians (5,647). The smallest share was that of Macedonian tourists (1,591) and tourists from Montenegro (1,319). Tourist overnight stays by country of origin show that in this segment as well the tourist economy of Subotica and Palić should focus on the neighbouring countries, because those markets demonstrated the greatest interest in the tourist offer of this destination.

We will finalise the analysis of trends related to the tourist product of Subotica and Palić in 2016 by showing the average length of tourist stay in both Subotica and Palić.

Table 7: *Average length of tourist stay in Subotica and Palić destination*

AVERAGE TOURIST STAY IN SUBOTICA
<i>Average tourist stay: 1.76 days</i>
<i>Average stay of domestic guests: 1.60 days</i>
<i>Average stay of foreign tourists: 2.52 days</i>
AVERAGE TOURIST STAY ON PALIĆ
<i>Average tourist stay: 1.69 days</i>

Average stay of domestic guests: 1.77 days
<i>Average stay of foreign tourists: 1.55 days</i>

Source: *Tourist Organisation of the City of Subotica*

The table shows that the average tourist stay in Subotica in 2016 was 1.76 days, which means that the average number of days tourist spent on Palić was smaller than the average number of days spent in the city of Subotica, i.e. the urban core of the city (around 1.69 days). The table shows that foreign tourists spent on average more days in Subotica – 2.52 days, while Palić recorded greater average stay of domestic tourists – around 1.77 days. All this indicates that one of the priority tasks for Subotica and Palić tourism in the coming period is focusing on such tourist products that would boost the average tourist stay of both domestic and foreign tourists in Subotica and Palić.

Outlining strategic directions for development of Subotica and Palić tourism in the future period by focusing on performance analysis of tourism stakeholders

Based on the analysis of tourism revenues in the market of Subotica and Palić in the year 2016, which was specific in many respects, it may be concluded that the results in tourism and its effects on the economy of Subotica and Palić are rather modest, i.e. tourism's share in the total economy of Subotica and its surroundings is relatively small. The comparison of tourism revenues and potentials for tourism development shows a significant discrepancy, i.e. it may be concluded that capacities and potentials for tourism development are insufficiently utilised. This is worth noting, given that all tourism development strategies, from the republic to the lowest, local level, identify Subotica – Palić destination as a first rate destination capable of attracting both foreign and domestic tourists.

In conceptualizing strategic directions of economic development of an area, in order for tourism to take the leading or at least significant role in future economic development, it is necessary to analyse its economic significance and positive effects on the overall economic flows, in the light of four groups of factors (Medlik, 1996; Unković & Zečević, 2007, p. 38): tourism activity which incorporates climate conditions, cultural – historical heritage, natural beauties, accessibility in terms of the proximity between the source of tourist demand and the tourist destination,

including the development of the road network, integral tourist offer including accommodation capacities, supply conditions, entertainment activities, public city transport and the achieved level of tourism organization and the policy for improvement of tourist offer.

Taking into account all the above, the Local Sustainable Development Strategy of the City of Subotica 2013 – 2022 attached significant priority to tourism in projecting future development of Subotica and Palić. The reason lies in the fact that Subotica has a good location and is accessible to all key market niches. The focus should be placed on the stabilisation of tourist visits all year round, i.e. reducing seasonal nature of tourism in Subotica and Palić. Over the last few years the quality of the tourist offer has been continually improved, based on the rich ethnographic heritage, cultural-historical heritage and the jewel of Panonia tourism – Palić lake and spa.

In the year 2016 numerous infrastructure projects were implemented, such as concreting and tiling part of Palić sidewalks and bringing to completion the first stage of reconstruction of the thermal basin and its surroundings. Infrastructure investment have continued in 2017 and the focus will be placed on reconstructing the left wing of the Grand Terrace, finalising the reconstruction of the sidewalk along the sand beach and building the trim and body building track for visitors of the sand beach. In order to lay the foundation for the development of “special interest tourism” which has recorded strong growth in recent years, the necessary preconditions must be put in place. Therefore, development activities in the coming period will be focused on the partial sanation of the “Bloody lake”, works on the Birds Island, development of the international bird corridor, placing the filter between the lake Palić and Bloody lake. In the coming period, the focus in tourism development should be placed on education of tourism professionals, strengthening of the private sector and registering of new accommodation capacities, because human resources are the key factor of quality of the tourist offer of a destination.

In defining a new strategic orientation of Subotica – Palić destination with a view to its further affirmation and progressive growth of its market share, it is necessary to ensure a high level of social responsibility and sustainable development based on harmonious economic, social and cultural development of the destination. This should include developing urban forms of tourism, designing and creating an integral tourist product of the destination which should enable its market re-positioning, creating

and promoting new ideas that should contribute to creation of new values within the tourist offer of Subotica – Palić destination, designing promotional campaign which will further develop its image as a pleasant and attractive tourist hub, with hospitable local population, friendly to tourists and committed to strengthening the role of tourism as a driver of local economic development.

There are several key targets that must be strived for in defining the strategic directions of tourism development in Subotica – Palić destination: in the future period Subotica should become one of the top five tourist hubs of Serbia and, as a regionally recognised tourist destination, acquire a status of a modern, well developed and competitive urban tourist destination whose tourism is based on the principles of sustainable development. The city's tourist offer should be conceptualised based on the concept of public – private partnership and strike a balance between the quality and price of the offered tourist products and services.

In outlining future trends of development of Subotica – Palić destination it is necessary to include different forms of tourism based on “hidden treasures” that truly abound in this destination. The special nature reserve “Ludaško lake” offers beautiful landscapes and preserved natural resources, the nature reserve “Selevenjske pustare” is a unique integral combination of moist and sandy terrains, salt marshes and steppes convenient for numerous new forms of tourism. An exquisite area “Subotička peščara” is known for a rich forest, high degree of biological diversity, traditional way of life and work of the local population and a variety of habitats, such as sandy terrains, steppes, swamps etc. In conceptualising the development of tourist economy one should not neglect numerous cultural – historical monuments, architecture of Secession, salaš farms and potentials for development of agrotourism, as well as numerous events taking place in Subotica and Palić and their surrounding area, representing the customs, tradition and ethnological specificities of the local population. The importance of the event tourism and of further positioning of Subotica as an event destination is also indicated by the fact that one of the strategic directions of Subotica development is its profiling as a city of events. In order to enrich and improve the tourist offer, in the coming period the development directions should be defined that will enable the inclusion of touristic potentials of municipalities Bačka Topola and Mali Idoš in the profiling of a unique touristic product of the northernmost part of Serbia and its Panonia jewels – Subotica, Palić and Bačka Topola with their surroundings.

In finalising the analysis of tourist potentials of Subotica – Palić destination we need to underline that in future projections of Subotica and Palić tourism development one must be guided by natural and social potentials, as well as principles of sustainable development. In order to achieve greater reliability of future projections, it is necessary to use numerical tools, primarily the rate of development, growth rate and medium rate of development, presented by the following mathematical formulas:

- $Tri = \frac{y_i}{y_{i-1}}$ – development rate is the ratio of an item in a time series to the preceding item;
- $Tpi = Tri - 1$ – the rate of growth is arrived at when the development rate is reduced by 1 and multiplied by 100%;
- $STR = \sqrt[n]{y_n / y_1}$ – an average (medium) development rate.

Conclusion

Based on the analysis presented in the paper, we may conclude that the city of Subotica has a strategic foundation which may be used for the future tourism development. In order to timely realize the set of objectives of tourism development, an interdisciplinary approach is needed, a synergy and interaction of all the factors and stakeholders in creating an integral tourist product. This requires a comprehensive approach to the development of a tourist product, including the building of tourism infrastructure, tourism signalisation, adequate valorization of tourism resources and in particular further education of tourism workforce, because tourism professionals are the key factor of success of a tourist destination.

Since the trends in the tourism market are extremely variable, both trends in the international tourism market and domestic regional tourism market should be continuously monitored. It should be noted that trends of tourism demand in the regional, European and global tourism over the last years have been very favourable for Subotica – Palić destination. Since tourist wishes and interests change rapidly, it is very important to closely monitor and listen to the market with all the available resources, in order to help increase the number of tourist arrivals.

The vision of tourism development in Subotica – Palić destination should focus on the development of business tourism and short city vacations and Subotica should become one of the fastest growing tourist destinations with extremely viable and well-founded chances to increase the quantity and quality of its tourist services. All the above said indicates that planned and strategically defined development directions are the *conditio sine qua non* of successful branding and image development of Subotica – Palić tourist destination.

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