

DOI 10.20544/HORIZONS.A.23.2.18.P30
UDC: 338.121:338.48(497.11:497.7)"2001/2016"
338.121:338.48(497.11:560)"2001/2016"
338.121:338.48(497.11:497.6)"2001/2016"

ANALYSIS OF TOURISM ECONOMIC IMPACT ON ECONOMY IN REPUBLIC OF SERBIA¹

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ABSTRACT

Tourism is an economic activity that has a significant impact on the economic growth and development of most countries in the world. In the world, tourism was responsible for 12.6% GDP (Gross domestic product) and 17.2% of employment; while in Serbia, it was responsible for 2.3% of GDP and 1.9% of total employment in 2016. The aim of the paper is to analyze the economic (direct, indirect and induced) impact of tourism in Serbia. The paper is structured in the following segments: a) analyze the characteristics of tourism in Serbia in relation to other observed countries such as Theformer Yugoslav Republic of Macedonia, Turkey and Bosnia and Herzegovina in period from 2001 to 2016; b) analyze the economic impact of tourism in Serbia in relation to observed countries.

KEY WORDS: tourism, economic impact, Serbia, enlargement countries.

¹Review paper

INTRODUCTION

International tourism has played an important role in the economic development of many countries in the world. It is important that countries that have the potential and resources for tourism development and want to use it for their faster economic development have in mind the following: tourism and economic development is characterized by a high degree of correlation, and thus tourism due to its numerous positive effects on the overall economic activity can be used as a factor of faster economic development. Tourism causes manifold effects in the economy and in society, conditioning the development of economic and non-commercial activities that participate in satisfying the needs of domestic and foreign tourists. With faster the development of tourism, its effects become more numerous and more heterogeneous. It affects entities and factors that exist in a particular tourist destination including its population, employees, investors, etc. that is it affects the prosperity of all companies that meet the needs of tourists, but also on the increase in the number of jobs, the increase in the volume of goods and services produced during a certain period of time, which stimulates economic development.

The fundamental economic importance of tourism relies on the spending of money by tourists in a tourism destination, which they earned in their place of permanent residence. Domestic tourism consumption influences the redistribution of income, while the foreign tourism consumption influences the increase of income in the country visited by tourists. As a result of the consumption of tourists, direct, indirect and multiplied economic effects are created.

Tourism industry is one of the world's largest industries with a global economic contribution (direct, indirect and induced) of over 7.6 trillion U.S. dollars while the direct economic contribution was approximately 2.3 trillion U.S. dollars in 2016 [1]. Worldwide, the tourism has experienced steady growth almost every year. Europe receives the most international tourists, but it also the biggest emitter of tourists.

The purpose of the paper is indicate directions of tourism development in Serbia based on comparison the impact of tourism on economies in selected countries and Republic of Serbia. The aims of the paper is to, using a suitable

methodology: 1) analyze the changes in the tourism traffic in Serbia in relation to other countries (The former Yugoslav Republic of Macedonia, Turkey and Bosnia and Herzegovina) from 2001 to 2016; 2) analyze the economic effects of tourism in Serbia in relation to observed countries.

LITERATURE REVIEW

In recent decades, tourism represents a tool for economic growth and development of many countries in the world. Moreover, many researches in the economic literature point out the potential of tourism in this sense [2].

In the twenty-first century, tourism attracted significant attention in the academic literature on economic growth and development[3,4,5,6,7,8]. Some early studies mostly were focused on economic impact of tourism in developing countries. Fletcher and Archer analyzed the multiplier process of tourism spending. This research represents one of the better-researches areas within the tourism economic literature[9]. Other early studies were focused on influence of per capita income on tourism demand. Gray quantified per capita income elasticity for US tourism demand (5.13) and for Canadian tourism demand (6.6) [10].

Today, economic effects of tourism in destination, especially impact of tourism on economic and employment growth are well documented in the literature. Before 2002, there was already interest in the relationship between the tourism activity and the growth on national income and/or national production although the theoretical ground of such relationship was not explicitly defined [11]. But, after this study the relationship between tourism and economic growth has attracted a lot of interests by researchers [12,13,14]. Nevertheless, the real importance of tourism lies not only in the fact that it contributes to the growth of the economy, in general, but also in the fact that this tourism growth can, given the right circumstances in its structural foundations, influence the economic and cultural progress of society, improving the welfare of the resident population [14,15,16,17,18].

International tourism has positive effects on the long-term economic development through following ways: 1) tourism is a significant foreign exchange earner contributing to capital goods; 2) tourism contribute to the balance of payment calculated as a percentage of total export; 3) tourism plays

important role in stimulating investments in infrastructure; 4) tourism is a key source of employment; 5) tourism may stimulate other economic activity by direct, indirect and induced effects [11].

Formally, regional economists distinguish direct, indirect, and induced economic effects. Direct effects are production changes associated with the immediate effects of changes in tourism expenditures [19]. Direct effects of tourism include the impact tourism on income, employment, industries that directly connected with tourism, balance of payment and investment in tourism. Tourism sector is directly connected with various industries such as accommodation, transport, entertainment, travel agents, management, finance and health [19]. Besides, tourism influences on the development of agriculture and manufacture indirectly. Indirect effects are the production changes resulting from various rounds of re-spending of the hotel industry's receipts in other backward-linked industries (i.e., industries supplying products and services to hotels) [19].

If the tourism sector makes use of products and services produced within the local economy, it will strengthen these other sectors and provide additional income. In economics, this process is known as the multiplier effect of the tourism sector on the overall economy which is empirically calculated either through the Tourism Satellite Account [20] or through computable general equilibrium models [15,21].

Economic impact analyses provide tangible estimates of these economic interdependencies and a better understanding of the role and importance of tourism in a national economy [19]. The predominant approach taken to evaluating the economic impacts of changes in tourism expenditure has been based on Input–Output Analysis, on Computable General Equilibrium models, and on Tourism Satellite Accounts [15,22]. In this paper, the analysis are based the data of Tourism Satellite Accounts.

RESEARCH METHODOLOGY AND HYPOTHESIS

This work relies on the following methods: comparative analysis and correlation analysis. Comparative analysis has enabled us to compare the tourism traffic as well as economic effects of tourism between the Republic of Serbia and observed countries. Correlation analysis has examined the relationship between the

tourism traffic and economics effects of tourism as well as the relationship between the international tourism expenditures and economic effects of tourism. Research information base has included the World Bank data, as well as the 2017 Travel & Tourism Economic Impact Reports for observed countries.

The hypothesis to be tested in this study is the following:

H1: There is positive correlation between the number of international tourists and economic effects for the observed countries;

H2: There is positive correlation between the international tourism expenditures and economic effects for the observed countries.

RESULTS AND DISCUSSION

Analysis of the tourism traffic and tourism expenditure

The movement of tourism traffic, or the number of foreign tourists in the observed countries from 2001 to 2016, is given in Table 1. In the observed period, Serbia recorded an increase in the number of foreign tourists except in 2008 and 2009, when the number of foreign tourists was reduced as a result of the economic crisis. The economic crisis also affected the decrease in the number of tourists in other countries. In the observed period, the largest increase in the number of foreign tourists was recorded by Albania, while the smallest increase of foreign tourists was recorded by Turkey, which recorded the largest number of foreign tourists in the observed period. In the observed period, the Republic of Serbia recorded an increase in the number of foreign tourists by about 4 times.

Table 1. International tourists from 2001 to 2016

Year	Albania	Bosnia and Herzegovina	Macedonia, FYR	Serbia	Turkey
2001	354,000	139,000	99,000		10,783,000
2002	470,000	160,000	123,000	312,000	12,790,000
2003	557,000	165,000	158,000	339,000	13,341,000
2004	645,000	190,000	165,000	392,000	16,826,000
2005	748,000	217,000	197,000	453,000	20,273,000
2006	937,000	256,000	202,000	469,000	18,916,000
2007	1,062,000	306,000	230,000	696,000	26,122,000

2008	1,247,000	322,000	255,000	646,000	29,792,000
2009	1,711,000	311,000	259,000	645,000	30,187,000
2010	2,191,000	365,000	262,000	683,000	31,364,000
2011	2,469,000	392,000	327,000	764,000	34,654,000
2012	3,156,000	439,000	351,000	810,000	35,698,000
2013	2,857,000	529,000	400,000	922,000	37,795,000
2014	3,341,000	536,000	425,000	1,029,000	39,811,000
2015	3,784,000	678,000	486,000	1,132,000	39,478,000
2016	4,070,000	777,000	510,000	1,281,000	30,289,000

Source: [23]

Table 2 presents data about international tourism expenditures in observed countries from 2001 to 2016. The largest increase in the foreign tourism consumption was recorded by Serbia, and the least by Bosnia and Herzegovina. The economic crisis has affected the reduction of the foreign tourism consumption in 2009 and 2010 in Serbia, Bosnia and Herzegovina and Macedonia. In the period from 2001 to 2016, Albania recorded the highest international tourism expenditures in 2009, Bosnia and Herzegovina in 2008, while Macedonia and Serbia in 2016. It is noteworthy that in 2012 all observed countries recorded the fall of international tourism expenditures. But, next year all observed countries recorded the recovery and increase of international tourism expenditures.

Table 2. International tourism expenditures from 2001 to 2016

Year	Albania	Bosnia and Herzegovina	Macedonia, FYR	Serbia	Turkey
2001	269,000,000	96,000,000	60,000,000	..	1,738,000,000
2002	386,000,000	112,000,000	60,000,000	105,000,000	1,880,000,000
2003	507,000,000	145,000,000	71,000,000	144,000,000	2,113,000,000
2004	669,000,000	162,000,000	85,000,000	208,000,000	2,524,000,000
2005	808,000,000	158,000,000	97,000,000	260,000,000	3,563,000,000
2006	989,000,000	210,000,000	110,000,000	322,000,000	3,517,000,000
2007	1,331,000,000	264,000,000	147,000,000	1,203,000,000	4,254,000,000
2008	1,644,000,000	345,000,000	190,000,000	1,448,000,000	4,509,000,000
2009	1,693,000,000	285,000,000	150,000,000	1,105,000,000	5,061,000,000
2010	1,454,000,000	247,000,000	131,000,000	1,103,000,000	5,817,000,000

2011	1,678,000,000	214,000,000	159,000,000	1,263,000,000	5,372,000,000
2012	1,374,000,000	196,000,000	153,000,000	1,188,000,000	4,585,000,000
2013	1,567,000,000	198,000,000	168,000,000	1,290,000,000	5,253,000,000
2014	1,689,000,000	211,000,000	186,000,000	1,360,000,000	5,475,000,000
2015	1,311,000,000	201,000,000	189,000,000	1,254,000,000	5,686,000,000
2016	1,338,000,000	214,000,000	204,000,000	1,351,000,000	5,025,000,000

Source: [23]

Analysis of economic effects

In Serbia, the direct contribution of tourism to GDP was 0.9 billion dollars while the total contribution of tourism to GDP was 2.5 billion dollars in 2016. The highest direct and total contribution of tourism to GDP recorded in Turkey while the lowest direct and total contribution of tourism to GDP recorded in Alban

Table 3. Economic effects of tourism

	2016	2016 % of total	2017 growth
Albania			
Direct contribution to GDP (USDbn)	1.0	8.4	5.2
Total contribution to GDP (USDbn)	1.5	26.0	5.3
Direct contribution to employment (000)	21.8	7.7	3.2
Total contribution to employment (000)	76.7	23.9	3.2
Bosnia and Herzegovina			
Direct contribution to GDP (USDbn)	0.4	2.5	7.4
Total contribution to GDP (USDbn)	1.5	9.2	6.6
Direct contribution to employment (000)	21.8	3.0	5.7
Total contribution to employment (000)	76.7	10.6	4.9
Macedonia			
Direct contribution to GDP (USDbn)	0.2	1.8	5.9
Total contribution to GDP (USDbn)	0.7	6.7	5.2
Direct contribution to employment (000)	12	1.6	4.5
Total contribution to employment (000)	44	6.1	3.6
Serbia			
Direct contribution to GDP (USDbn)	0.9	2.3	1.9
Total contribution to GDP (USDbn)	2.5	6.7	2.0

Direct contribution to employment (000)	38	1.9	-2.9
Total contribution to employment (000)	99	5.0	-2.3
Turkey			
Direct contribution to GDP (USDbn)	29.1	4.1	2.0
Total contribution to GDP (USDbn)	88.0	12.5	1.0
Direct contribution to employment (000)	495	1.8	-2.3
Total contribution to employment (000)	2198	8.1	-3.6

Source: [24]

The direct contribution of tourism to employment was about 38000 jobs (1.9 % of total employment) and the total contribution of tourism to employment was about 99.500 jobs (5% of total employment) in Serbia in 2016. The highest direct and total contribution of tourism to employment recorded in Turkey in 2016.

Table 4. Pearson's correlation coefficient - the interdependence between the contribution of tourism and tourism traffic

		Direct contribution to GDP	Total contribution to GDP	Number of international tourists	Tourism expenditure
Direct contribution to GDP	Pearson Correlation	1	1.000**	.996**	.965**
	Sig. (2-tailed)		.000	.000	.008
	N	5	5	5	5
Total contribution to GDP	Pearson Correlation	1.000**	1	.997**	.965**
	Sig. (2-tailed)	.000		.000	.008
	N	5	5	5	5
Number of international tourists	Pearson Correlation	.996**	.997**	1	.971**
	Sig. (2-tailed)	.000	.000		.006
	N	5	5	5	5
Tourism expenditure	Pearson Correlation	.965**	.965**	.971**	1
	Sig. (2-tailed)	.008	.008	.006	
	N	5	5	5	5

** . Correlation is significant at the 0.01 level (2-tailed).

Correlation between direct and total contribution of tourism at one side and number of international tourists and international tourism expenditures on the other side in the observed countries was tested by calculating the Pearson correlation coefficient. Results of the correlation analysis are shown in Table 4.

When Sig. value is less than 0.05, the variable has a significant and unique impact on the predictability of the dependent variable. When this value is higher than 0.05, it must be concluded that this variable does not have a significant and unique impact on the predictability of the dependent variable. Based on the results of correlation analysis, it can be concluded that there is significant strong positive correlation between the direct contribution of tourism to GDP and number of international tourists and between the direct contribution of tourism to GDP and tourism expenditures, since the value of Sig. is smaller than 0.05. At the same time, it can be concluded that there is a strong positive correlation between the total contribution of tourism to GDP and number of tourists as well as between the total contribution of tourism to GDP and tourism expenditures. Based on the results of correlation analyses, it can be concluded that the hypothesis has been confirmed.

CONCLUSION

Serbia has significant natural and cultural resources for the tourism development. The promotion of natural and cultural resources of Serbia by Internet could contribute to the recognition of Serbia as tourism destination on global tourism market while investments in tourism infrastructure could contribute development of tourism. An analysis of the number of foreign tourists in Serbia indicated that the number of foreign tourists increased as well as their consumption. However, the results of the analysis of economic effects indicated that the contribution of tourism, or the participation of tourism in GDP, is around 2.3% if only direct effects are observed, that is, 6.7% if the overall impact of tourism on GDP is observed. A similar situation is also observed when taking into account the impact of tourism on employment in Serbia. In Serbia, only about 1.9% of employees are employed in tourism in relation to the total number of employees. This is a consequence of unfavorable conditions on the labor market, ie low salaries of employees in tourism and seasonality in tourism employment. It is necessary to adopt and implement measures that will improve the position of employees in tourism. Because of that it is need to make the decisions and activities with the aim to increase quality and

quantity of the human resources in tourism of Serbia. The results of the correlation analysis indicated that there is a significant correlation between the tourism development and the economic effects of tourism. With the increase in the number of foreign tourists and their consumption, the direct and total contribution of tourism to GDP is increasing.

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