

# ANALYSIS OF FINANCIAL EFFECTS OF TOURISM ON ECONOMY OF SERBIA

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**Abstract:** *Tourism, as one of the key pillars of the economic base of each country, is based on a large number of business activities that are micro, small and medium sized. One of the basic functions of tourism as the economic sector of each country is its direct and indirect impact on the growth of gross domestic product (GDP). Key factors that will affect tourism and directly or indirectly determine its contribution to GDP are: resource availability, expertise, political and social stability in the country and investments. The development of tourism at the same time encourages employment, job creation and the improvement of the balance of payments structure of each country. Tourism as an economic branch consists of a large number of economic and non-commercial activities and is one of the most profitable activities in the world, which contributes to the overall development of the economy. It is present in all countries, but it is manifested by its effects and extent. The aim of the paper is to point out the significance of tourism as one of the fastest growing economic activities in the economic development of Serbia.*

**Keywords:** *tourism, economy, development.*

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## 1. INTRODUCTION

One of the key measures of the economic policy of each country is constant improvement and development of tourism, which involves deciding on mutual income relations between economic activities. The next step is the implementation of economic policy measures that regulate long-term relationships related to the promotion and development of tourism and complementary activities. Financing the development of tourism as an economic branch or some other branch of the economy is primarily conditioned by the speed of return of the invested funds [1].

Tourism as one of the most dynamic economic developments that is developing at a high speed, is one of the key factors for the development of not only the national but also the entire global economy. Because of its characteristics and nature, it includes a large number of occurrences that occur before traveling, during the journey and the end of the journey, and in its reaction affects various aspects of life. As a modern socio-economic phenomenon, it has very pronounced economic, political, cultural and other influences, which give it a significant position in the overall economic and social development in the entire world [2].

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## 2. LITERATURE REVIEW

Nowadays the role of the tourism industry in the economic survival of countries is emphasized. This industry is described as having economic regeneration and a potential for stability with regard to the role in creating jobs, generating income and developing infrastructure.

Previous studies on the impact of tourism on the economy and welfare of people have revealed that net income from tourism ranges from 25% to 90% of total revenues, depending on the participation of national and local interests in tourism. In accordance with the mentioned, the economic impact of tourism enables a better standard of living, increases revenues and investments and improves business activity [3].

Tourism is considered one of the largest and fastest-growing sectors in the world with high rates of growth and development, a significant volume of foreign exchange inflows, infrastructure development and the introduction of new managerial and educational experience actively affect different sectors of the economy, which will positively affect the social and economic development of the country [4].

Companies and public organizations are increasingly interested in the economic impacts of tourism at the national, state and local levels. The economic advantages of tourism are promoted by the industry for a number of reasons. The claims of the economic importance of tourism provide the industry with greater respect among the business community, public officials and the general public. Community support is important for tourism, because it is an activity that affects the whole community. The economic benefits and costs of tourism in one way or another affect practically everything in the region. The economic impact analysis provides tangible estimates of this economic interdependence and a better understanding of the role and importance of tourism in the region's economy [5].

Considering its specificity, which is reflected in diversity and elasticity, it is labor intensive and has a large number of diverse jobs, which contributes to increasing employment. The impact of tourism on the occupancy can be direct and indirect, and the negative impact of seasonal concentration is required, which requires high participation of seasonal workers in the total number of employees, which often leads to economic, social and organizational problems [6].

The economic impact of tourism relates to changes in the economic contribution that result from specific events or activities related to tourism. These changes in economic contribution create three types of effects: direct effect, indirect effect and induced effect [7].

In the direct connection with its professional sectors of hotels, restaurants, travel agents, car rentals, location of historical monuments, theme parks, etc., and indirectly with branches of activities of other sectors, the tourism industry is distinguished by significant economic and social values in most industrialized countries and is also an important source of income and employment in many countries around the world [8].

The heterogeneity of tourism is one of its main characteristics, because the tourism sector itself is a complex system consisting of a white number of different subsystems. According to the World Tourism Organization, from the 1950s until the present day, the number of tourists joining international movements is steadily increasing, and therefore there is an increase in foreign tourist revenues [9].

Accelerated growth and development of the tourism industry has in addition to numerous positive effects and negative effects on the development of tourist destinations. Tourism is dependent on the environment, and only pure and unpolluted environment is a key basis for successful tourism [10].

A large number of human activities undertaken for tourism development affect the environment, resulting in changes in each country in terms of economic consequences, and it is very important that economic decisions are taken into account for the benefit of future generations [11].

The development of a turquoise economy with its economic effects also influences demographic development. The development of tourism in economically underdeveloped areas is one of the most popular activities for overcoming regional underdevelopment. Examples of individual countries indicate that the development of tourism was the key factor of demographic growth, that is, the factor of a slower decline in the number of population [12].

Tourism promotes socioeconomic and demographic development. Today, a large number of regions are present in which tourism is a dominant, unifying activity, which achieves economic comparative advantages over regions that do not develop tourism. This indicates why tourism is recognized as an activity-initiator of demographic and economic recovery, but not sufficient to generalize that any attempt to develop tourism necessarily results in prosperity [13].

It is very important to point out that with the time of the tourism strategy they are changing, so some initiatives, such as local community tourism, have a positive effect on the poor, while some others have a negative impact on living conditions. However, projects have not been designed or evaluated in terms of achieving poverty reduction goals. All participants in the development of tourism must make clear efforts to preserve the natural environment in order to achieve stable, continuous and sustainable economic growth, in line with meeting the needs of future generations [14].

Also, for each country, it is very important to locate and qualify tourist traffic by tourist destinations and countries of origin of tourists who are staying there. The characteristics of the participants in tourist movements is one of the most important basics of the correct consideration of tourist demand, the state of tourist offer and the possibility of further directions of tourism development in certain areas.

For developing countries, the very important role of tourism as an economic activity is to promote peace and stability, primarily by creating new jobs, diversifying national economies, protecting the environment, generating income, and promoting cultural awareness. However, in order to make tourism activity as much as possible, developing countries have to face key challenges such as the adoption of regulatory frameworks and mechanisms for reducing corruption and crime.

The development of tourism encourages the development of a multifunctional infrastructure including various transport environments, health facilities and sports centers, alongside hotels and top restaurants serving foreign tourists. Tourism, as a strategy of economic development, often rely on income “outsiders” in favor of the local population. Therefore, it is very important when promoting tourism as a strategy for economic development that local decision makers take into account strategy which protect the quality of life of the local population [15].

The size of tourism and its quality contain many activities that form and correlate horizontally and vertically with other production sectors, thereby streamlining the economic flow and continually increasing [16].

Two issues are posed by private sectors and governments: how to eliminate the complexity and obstacles to the development of the tourism industry and to obtain funding sources for projects and how to attract investment in accordance with a comprehensive strategy for the continuous development of infrastructure in the region, which enables the establishment of small and medium enterprises and craft industry [17].

Governments of all countries should develop integrated and coherent tourism policies that reflect the circumstances of individual countries and local communities in order to achieve common goals:

- Provide consumers with high-quality, reliable and secure tourism experiences,
- Increase productivity in the tourism sector,
- Protect, manage and promote natural and cultural resources,
- Improve competitiveness,
- Promote inclusive growth and development across the country.

The governments of individual countries, recognizing the importance of this sector and its importance to the broad economic, social and environmental agenda, continued to engage positively in this process. Their contribution has remained relatively consistent and is aimed at [18]:

- Formulating and implementing policies,
- Access to the market and ease of travel,
- Marketing and promotion of destination,
- Providing the necessary infrastructure,
- Stimulating and supporting the development of products, investments and business performance,
- Setting up and regulating standards, including quality and safety,
- Encouraging sustainable and inclusive growth,
- Support to the development of human resources and training,
- Solving environmental issues and managing natural and cultural resources,
- Responding to crises and industrial accidents.

A large number of experts in this field, including international bodies, believe that tourism has positive effects and should be encouraged, even if it sometimes has adverse consequences. But there are also experts in this field who claim that tourism, especially international, creates more harmful social and cultural effects. Tourism, as an economic activity, used numerous criticisms based on the fact that they create genuine “enclaves” in economies of less developed countries [19].

### **3. TOURISM FUNCTIONS**

The economic importance of tourism is based on the spending of money in the tourist destination that tourists earned in their place of permanent residence, and as a result of their spending of money, direct, indirect and multiplied economic effects are created.

The economic goals of each country are set through economic growth and growth in living standards, employment growth, balanced regional development and balancing of the balance of

payments. Often, regardless of the connection between the development of tourism and these goals, tourism as an economic activity is not accepted as a lever of development of the domestic economy [21].

ECONOMIC	NOT ECONOMIC
<p><i>Direct impact:</i></p> <ul style="list-style-type: none"> <li>• GDP</li> <li>• Pay balance</li> <li>• Employment</li> <li>• Development of underdeveloped areas</li> </ul> <p><i>Indirect impact:</i></p> <ul style="list-style-type: none"> <li>• Construction</li> <li>• Agriculture</li> <li>• Industry</li> </ul> <p><i>Multiplicity Impact:</i></p> <ul style="list-style-type: none"> <li>• Consumption of foreign tourists</li> <li>• Other influences</li> </ul>	<ul style="list-style-type: none"> <li>• Social function</li> <li>• Health function</li> <li>• Cultural function</li> <li>• Political function</li> <li>• Fun function</li> <li>• Country defense function</li> </ul>

Table 1: Functions of tourism [20]

The most important economic effects are the effects on the social product (GDP), the effects on the balance of payments, the effects on employment and the development of underdeveloped areas. The indirect impact of tourism is reflected in its significant impact on the development of civil engineering, agriculture and industry. The most important effects of tourism on construction are investments in the construction of new ones as well as upgrading and modernization of existing catering facilities and infrastructure such as roads, airports, etc. All of these contribute to the growth of economic activity and the growth of national income.

The direct effects of tourism influence the strengthening of the economy through six main channels [22]:

- Encouraging employment through several paths, e.g. hotel staff, tour operators, chefs, etc.
- Supply with goods and services: Local or national companies can supply goods and services to tourism companies, such as food or furniture. However, these items may be imported even if the local provision does not meet the demand in any sense of the cost, quality or quantity,
- Direct sales of goods and services: Traders at tourist destinations can directly sell their products and services to tourists (souvenirs or food), directly taking into account the financial profits of tourism activities,
- Establishment of tourism enterprises: high (or increased) levels of tourism activity can lead to the establishment of new tourist companies, creation of new employment opportunities, etc.,
- Tax benefits: tourism companies contribute to national income through taxes, while tourists can (and often) be directly taxed, for example through visas, which additionally generates revenues for national or local authorities,
- Investing in infrastructure: Given that the tourism sector is expanding its requirements for local infrastructure, investment in the infrastructure of private actors or the public sector will increase.

There is no doubt that there is the impact of tourism on GDP growth, but there are some problems when it is necessary to calculate the impact of tourism on GDP growth. The most significant positive and negative items that cause the problems in calculating are [23]:

- Non-payment services - services in which there are no economic flash transactions, but are realized in other ways, reciprocal or barter payment (mutual gifts of domestic and foreign tourists),
- Uncalculated services - services for which payment is made, but never formalized (gray economy),
- Abbreviated costs - costs of a single activity and are calculated in the scope of another activity (buying a real estate used for holiday)
- Distribution of public and private income - the difference between the revenues generated by the private sector in one activity and the costs of the public sector in another activity can lead to the problem related to the double tax calculation.
- Irregularities in the balance of payments - there are problems of calculating investments in tourism and realized tourism revenues that are generated in a fluctuating currency.
- Positive and negative externalities of tourism in the environment - benefits from the tourism of a destination can at the same time cause large losses of another activity in the same destination, whereby problems arise in calculating real incomes or losses from tourism in a given destination or country.
- The value of public goods - tourism affects the rise in the value of public goods, but this value cannot be calculated concretely, as these goods are equally accessible to all.

In addition to the above-mentioned problems in calculating the GDP, some authors point out the direct and indirect negative economic effects of tourism. Direct negative economic impacts related to travel and tourism include those directly attributable to tourists in the destination community. The most obvious direct negative impacts are fiscal costs for the government. These negative economic impacts typically include the costs of building and maintaining the provision of tourism-related facilities and services, such as parks, visitor information centers, marketing promotional programs, museums, police and fire protection. Indirect negative economic impacts are much less clear and difficult to clarify. These are costs that are indirectly the result of tourist activities. Due to a different approach to costs, it is very difficult to measure the direct and indirect economic impacts of tourism [24].

Also, the development of tourism influences the growth of food production as a result of industrial production to meet the needs of domestic and foreign tourists. The indirect impact of tourism development on agriculture is reflected in satisfying the needs of a large number of tourists consuming products from this activity [25].

A very significant impact on tourism, as one of the world's leading economic activities, has globalization. With that, globalization has a very vain role in the growth of international tourism on the world market. In addition to the contribution of the globalization process in economic, political and cultural terms, the process of globalization directly influenced the increase in tourist trips outside the national borders to distant areas.

Today's transitional changes and the polarization of European economic relations have been conditioned that world tourism gets new dimensions. One of the most important characteristics of tourism is its ability to economically valorize unpredictable disruptions (natural, anthropogenic and social attractive factors), then in the generator and integrative function in relation to complementary sectors and non-commercial activities, constant increase in employment, de-

mographic and social effects. The global characteristic of tourism is its aspiration in the process of creating partnership at all three levels of the sector (public, private and civil). All has been stated, with the aim of strategic development of the tourist economy and use of resources for economic growth, thus providing the necessary investments for the development of tourism and strengthening of international tourism in relation to domestic tourism [26].

The development of tourism in the future will depend on a number of factors, among which are [27]:

- Growth limit triplets,
- Destination quality,
- Renewal of destination and differentiation,
- Responsible (social) marketing,
- Change of political structures,
- Change in distribution in tourism (development from north to south).

It is very important to point out that international tourism has seen constant growth in recent years even in the conditions of the global economic crisis. According to estimates and in subsequent years, this growth will be stable, which makes this area of business one of the most important economic sectors, equalizing or even surpassing sectors such as oil exports, food production or cars [28].

#### **4. METHODOLOGY OF RESEARCH**

Secondary research was used in this paper. From the basic methods of knowledge, and for theoretical considerations of the subject of research, analytical-synthetic, inductive-deductive, abstraction and generalization methods were used. The method of analysis of content was used from scientific methods. The data from the available expert literature, scientific and professional papers, the Internet and other sources were also used.

#### **5. FINANCIAL EFFECTS OF TOURISM ON ECONOMY OF SERBIA**

Tourism, by its capabilities and its nature, can be one of the key factors of Serbia's favorable development. By developing this economic activity, opportunities would be created for the development of other economic and non-commercial activities, the development of backward economic areas, and the employment of a large number of people in Serbia [29].

One of the key problems is the fact that tourism has not been in the focus of the primary areas of economic policy of Serbia for many years [30].

Also, the global economic crisis of 2008 had a negative impact on the development of tourism in Serbia. One of the problems in the development of tourism is the lack of diverse tourism products that would influence the growth of foreign back, low level of quality of services, whereby the prices and quality are not harmonized in the part of the offer and all the lower competitiveness of the tourist economy [31].

Due to the impact of the crisis both on the tourism sector and on other sectors in the country, when people face the fear of losing their jobs, having less earnings, the inability to repay loans, they generally spend less money, where the journey under the circumstances may be considered luxury [32].

The results of the research so far indicate that the Serbian market must work to reduce the various entry barriers in order to become more attractive for the entry and operation of international companies in the field of tourism. A great motive for countries such as Serbia to develop their market and make it more accessible is the multiple benefits of the entry of international companies in the field of tourism [33].

<i>Year</i>	<i>Employment in the Republic of Serbia</i>	<i>Activity of tourist services</i>
2014.	1.845.494	58.636
2015.	1.896.295	69.308
2016.	1.920.679	72.186

Table 2: Employees in tourism [34], [35]

Along with the growth of employment in the Republic of Serbia, employment in the activity of tourist services also increased. The number of employees in tourist services in 2014 amounted to 58,636, in order to increase the number in 2015 to 10,672 and amount to 69,308 employees. In the next year, there will also be an increase in the number of employees in the activities of tourist services, and this year the number of employees was lower than 2,878, with the total number of employees in tourist services in 2015 amounting to 72,186.

<i>Year</i>	<i>EUR (in mil)</i>	<i>Index</i>	<i>USD (in mil)</i>	<i>Index</i>
2007.	630	/	531	130
2008.	640	101	944	109
2009.	617	97	865	92
2010.	605	98	798	92
2011.	710	117	992	124
2012.	708	100	906	91
2013.	792	110	1,053	116
2014.	863	109	1,139	108
2015.	945	109	1,048	92

Table 3: Foreign exchange inflow from tourism in the Republic of Serbia from 2007 to 2015 [36]

Table 3 shows the positive development trend of foreign exchange inflows from tourism in the period from 2007 to 2015, with an average annual growth rate of 3.3%, expressed in euros, and 9.8% in USD.

<i>Year</i>	<i>EUR (in mil)</i>	<i>Index</i>	<i>USD (in mil)</i>	<i>Index</i>
2007.	759	/	1,041	/
2008.	845	111	1,254	120
2009.	686	81	959	76
2010.	724	105	953	99
2011.	791	109	1,114	117
2012.	805	102	1,350	121
2013.	841	104	1,117	83
2014.	849	101	1,177	105
2015.	993	112	1,097	93

Table 4: Foreign exchange outflow from tourism in the Republic of Serbia from 2007 to 2015 [36]

Table 4 clearly shows the steady growth of foreign currency outflows in the period from 2007 to 2015, with an average annual growth rate of 1.1% expressed in USD. A positive change is reflected in the reduction of travel expenses for our citizens abroad.

<i>Indicators</i>	<i>Amount in EUR</i>
Capital	-63.030.867
Obligations	88.450.472
Business income	-18.508.500
Business expenses	-35.970.502
Business result	17.462.002
Net profit	43.361.959
Foreign Exchange Inflation from Tourism in Serbia 2009	617.200.000
Foreign exchange inflows from tourism in Serbia 2015	1.048.000.000

Table 5: Macroeconomic and financial effects [37]

In the period from 2008 to 2013, the capital fell by 63 million euros in the tourism industry, the liabilities increased by more than 88 million euros, but business expenses decreased by 35 million euros. On the other hand, in 2013, a positive business result was achieved, and net profit in the tourism sector of over 40 million euros was realized in relation to 2008. The registered business revenues of the entire tourism industry (and directly related activities) were at the level of over 620 million euros, which, when compared with the total turnover in tourism, indicates the existence of an extensive gray economy, which accounts for 69% of tourist traffic.

<i>Direct travel and tourism contribution to GDP</i>	<i>2012.</i>	<i>2013.</i>	<i>2014.</i>	<i>2015.</i>
<b>Bosnia and Herzegovina</b>				
billions of dollars	0.4	0.4	0.5	0.4
% share in GDP	2.4	2.5	2.6	2.7
<b>Croatia</b>				
billions of dollars	5	5.5	5.7	4,9
% share in GDP	8.8	9.5	9.9	10,1
<b>Macedonia</b>				
billions of dollars	0,1	0,2	0.2	0.2
% share in GDP	1.4	1.5	1.5	1.5
<b>Montenegro</b>				
billions of dollars	0.4	0.5	0.5	0.5
% share in GDP	9.9	10.3	10.1	11.3
<b>Republic of Serbia</b>				
billions of dollars	<b>0.8</b>	<b>0.9</b>	<b>1.1</b>	<b>1.07</b>
% share in GDP	<b>1.9</b>	<b>1.9</b>	<b>2</b>	<b>2.82</b>
<b>Slovenia</b>				
billions of dollars	1.6	1.7	1.7	1.5
% share in GDP	3.4	3.5	3.4	3.6
<b>Bulgaria</b>				
billions of dollars	1.9	2	2	1.6
% share in GDP	3.5	3.6	3.6	3.3
<b>Romania</b>				
billions of dollars	2.1	2.3	2.6	2.3
% share in GDP	1.2	1.2	1.3	1.3

Table 6: Direct contribution of the travel and tourism sector to GDP in the countries of the region% [36], [38]

Tourism, that is, the global tourism industry, is a major catalyst for socio-economic development in the world. According to the WTTC estimates, the direct contribution of the travel and tourism sector to the global GDP in 2015 was 10%. Observing Serbia can be seen on the basis of the presented table that the contribution of tourism GDP in the first two observed years had the same share of 1.9%, so that in 2014 the share fell to 2%, and in 2015 the share was 2.82%.

<b>Total contribution of travel and tourism to GDP</b>	<b>2012.</b>	<b>2013.</b>	<b>2014.</b>	<b>2015.</b>
<b>Bosnia and Herzegovina</b>				
billions of dollars	1.5	1.6	1.6	1.4
% share in GDP	8.7	9	9.2	9.5
<b>Croatia</b>				
billions of dollars	11.7	12.8	13.1	11.3
% share in GDP	20.7	22.2	22.9	23.2
<b>Macedonia</b>				
billions of dollars	0.5	0.6	0.6	0.6
% share in GDP	5.2	5.5	5.6	5.7
<b>Montenegro</b>				
billions of dollars	0.8	0.9	0.9	0.9
% share in GDP	19.1	20.2	20.2	22.1
<b>Republic of Serbia</b>				
billions of dollars	<b>2.3</b>	<b>2.6</b>	<b>2.6</b>	<b>2.47</b>
% share in GDP	<b>5.6</b>	<b>5.6</b>	<b>6</b>	<b>6.5</b>
<b>Slovenia</b>				
billions of dollars	5.8	6.1	6.2	5.5
% share in GDP	12.5	12.9	12.4	13
<b>Bulgaria</b>				
billions of dollars	6.7	7.2	7.3	5.9
% share in GDP	12.5	12.9	12.9	12.1
<b>Romania</b>				
billions of dollars	8.6	9.1	9.9	8.9
% share in GDP	5	4.8	5	5.1

Table7: Total contribution of the travel and tourism sector to GDP in the countries of the region% [36], [38]

A similar situation is when it comes to the overall contribution of tourism to GDP. The WTTC estimates that the total contribution of the travel and tourism sector (the sum of direct, indirect and induced) in the Republic of Serbia in 2014 amounted to 6% of the total GDP (\$ 2.62 billion), and in 2015 the overall contribution of tourism to GDP growth of the Republic of Serbia, which amounted to 6.5%, or about 2.5 billion USD.

Apart from the fact that tourism development has a great importance as the potential for economic growth and development, creating new added value and new employment, it has a great impact on continuously improving the image of the country. Therefore, taking into account the aforementioned aspects, it is necessary to define the growth model in the following period of time. The purpose of estimating the growth model of tourism in the Republic of Serbia by 2025 is to link the vision and goals of tourism development with all relevant elements of supply and demand. In other words, the growth model represents, on the one hand, a detailed setting of goals, and on the other hand, a check on their rationality and achievability through internationally standardized parameters and methodologies in tourism planning.

The economic effects of the growth model were assessed on the basis of the following assumptions: 1. model of growth of accommodation capacities and tourist traffic, 2. growth of unit tourism consumption (per night) by 2025, 3. growth of the total GDP of the Republic of Serbia until 2025 1.5% per annum, 4. the growth of multiplier impacts of direct tourism on the total (indirect and induced) through stronger linkages of tourism with other economic branches under the influence of the Government's policy modeled on other EU countries.

	<i><b>ECONOMIC EFFECTS OF THE GROWTH MODEL</b></i>					
	PROJECTIONS			AVERAGE PER YEAR GROWTH RATES (in%)		
	2015.	2020.	2025.	2020/2015.	2025/2020.	2025/2015.
Arrivals total (domestic and foreign)	2.437.165	3.689.000	4.713.179	8.6	5	6.8
Nights total (domestic and foreign)	6.651.852	9.607.926	14.840.134	7.6	9.1	8.4
Arrivals - domestic	1.304.944	1.975.221	2.373.449	8.6	3.7	6.1
Arrivals - pages	1.132.221	1.713.780	2.339.730	8.6	6.4	7.5
Nights - domestic	4.242.172	5.200.000	6.600.000	4.1	4.8	4.5
Nights - Side	2.409.680	4.300.000	8.100.000	12.3	13.5	12.9
Recorded foreign exchange income (in millions \$)	1.048	2.500	5.000	19	14.9	16.9
Participation of foreign exchange income from tourism in the total value of export of goods and services (in %)	6.04	9.01	12			
Participation of foreign exchange income from tourism in the total value of exports of services (in %)	22.11	32.05	41.60			
Share of recorded foreign exchange income from tourism in GDP (in%)	2.82	5.18	7.58			
Investments (in millions \$)	320	770	1.440			
Employees - directly	81.000	95.580	111.829	3.4	3.2	3.3
Employees - total	115.020	133.812	156.560	3.1	3.3	6.3
Estimated participation of tourism (total) in GDP (in%)	6.57	9.61	12.15			

Table 8: The economic effects of the growth model [37], [35], [36], [38]

Based on the presented table, it is evident that by implementing the previous model of growth in the Republic of Serbia, it is possible to achieve excellent economic effects from tourism development by 2025: 1. increase of direct tourism revenue of 3.7 times, about 30.000 newly employed directly in the tourism sector, about 157.000 new employees total in tourism and related activities with a large number of newly opened micro and small enterprises in the field of tourism and hospitality and related activities, 3. growth of the share of recorded foreign exchange income in GDP by 2.7 times, or increase in the share of estimated foreign exchange income from tourism in GDP to 12.5%. This growth will require an increase in total investments in relation to 2014 by four times or about two billion USD, with 20% of that amount being to

be public sector investments, and the rest to be provided from EU funds to which the Republic of Serbia has access, private domestic and foreign investors. The responsibility and obligation of the Government and ministries will primarily be to create a favorable legal, administrative and tax environment for the implementation of the Strategy in further capacity building of the overall development of the tourist system [37].



Graph 1: Net inflow of FDI, based on investment by non-residents [36], [34]

During the year 2016, tourist services (accommodation and food services) registered a symbolic inflow of FDI, based on non-residents' investments of EUR 1.5 million, which is 5.5 million euros lower than in 2015, when amounted to 7.0 million euros. The investment activity of non-residents in the third quarter of 2016 was the highest (EUR 4.6 million).

## 6. CONCLUSION

Tourism is one of the best instruments of economic development in general. The tourism sector plays a major role in assisting poor and developing countries to increase the employment rate. Tourism was hit by a major economic crisis, however, regardless of the effects of the crisis, it showed relatively high resilience, with the tourism sector in some countries recovering faster from some national economies and in some situations, it was the driver of a rapid recovery. The European continent is still the most popular tourist destination in the world, with a trend of growth of tourist nights.

Serbia has significant resources for the development of rural and mountain tourism, whereby tourism should be one of the key factors for Serbia's economic development. However, there are still numerous limitations that hinder the development of tourism such as: lack of adequate infrastructure, inefficient planning of waste management in tourist places, slow implementation of legislation, as well as poor establishment of partnership and interconnection of all participants in the tourism sector. Very important for the development of tourism in Serbia is also the newspaper, which should be used appropriately, that more and more tourists are directed towards new, still insufficiently explored destinations, which Serbia is actually for. In the last few years, tourism in Serbia has been producing positive results, with a rise in employment in tourist services. Also, there is an increase in the contribution of tourism to total GDP, but the ratio of total foreign exchange inflows and total foreign exchange outflows still has a negative attitude. It is very important to emphasize the fact that Serbia has adopted a new Tourism De-

velopment Strategy, with the aim of this strategy to approach tourism systemically, not only through economic indicators, but also through multiplier effects that tourism has on overall socio-social development, local and regional development, development of culture and education, improvement of the environment and development of complementary activities (trade, agriculture, construction, etc.). It is precisely in the foregoing that it is very important that tourism takes an important place on the agenda of strategic decisions of the Government and thus finally determines Serbia's high level of ambition towards this economic sector in the medium and long term. Based on the conducted research, it can be concluded that Serbia has all the preconditions for the development of tourism, which will significantly influence the growth of employment, the increase in foreign exchange inflows and the increase in total GDP.

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