

MULTIPLICATIVE EFFECTS OF TOURISM ON THE ECONOMY OF THE REPUBLIC OF SERBIA

Jelena Vujadinović¹

Univerzitet u Kragujevcu,

Fakultet za hotelijerstvo i turizam u Vrnjačkoj Banji, Srbija

Abstract: In modern times, the tourism sector plays a significant role in achieving important macroeconomic goals, namely: employment, positive impact on GDP, NI, and balance of payments of the country, development of less developed areas, as well as overall economic growth and development. Among the economic effects of tourism on the country's income, the impact of realized tourist consumption stands out. The multiplicative effects of tourism on the economy are exclusively related to the effects that are created as a result of the consumption of foreign tourists. The development of international tourism contributes to the so-called transfer of funds from one tax system to another and in this way positive economic effects are created in the destination visited by tourists. The subject of this research is the analysis of the multiplicative effects of tourism on the economy of the Republic of Serbia and the contribution of tourism to overall economic growth and development.

Keywords: tourism sector, tourist consumption, multiplicative effects, economic growth and development, The Republic of Serbia

МУЛТИПЛИКОВАНИ ЕФЕКТИ ТУРИЗМА НА ПРИВРЕДУ РЕПУБЛИКЕ СРБИЈЕ

Абстракт: У савремено доба сектор туризма има значајну улогу у остварењу важних макроекономских циљева, а то су : запошљавање, повољан утицај на БДП, НД и платни биланс земље, развој мање развијених подручја, као на свеукупан привредни раст и развој. Међу економским ефектима туризма на привреду земље издваја се утицај остварене туристичке потрошње. Мултипликовани ефекти туризма на привреду се искључиво везују за утицаје који су настаји као последица потрошње иностраних туриста. Развој међународног туризма доприноси тзв. преливању новчаних средстава из једног пореског система у други и на тај начин се креирају позитивни економски ефекти у дестинацији коју туристи посећују. Предмет рада овог истраживања је анализа мултипликованих ефеката туризма на привреду Републике Србије и доприноса туризма свеукупном економском расту и развоју.

Кључне речи: сектор туризма, туристичка потрошња, мултипликовани ефекти, привредни раст и развој, Република Србија

¹ j.vujadinovic15@gmail.com

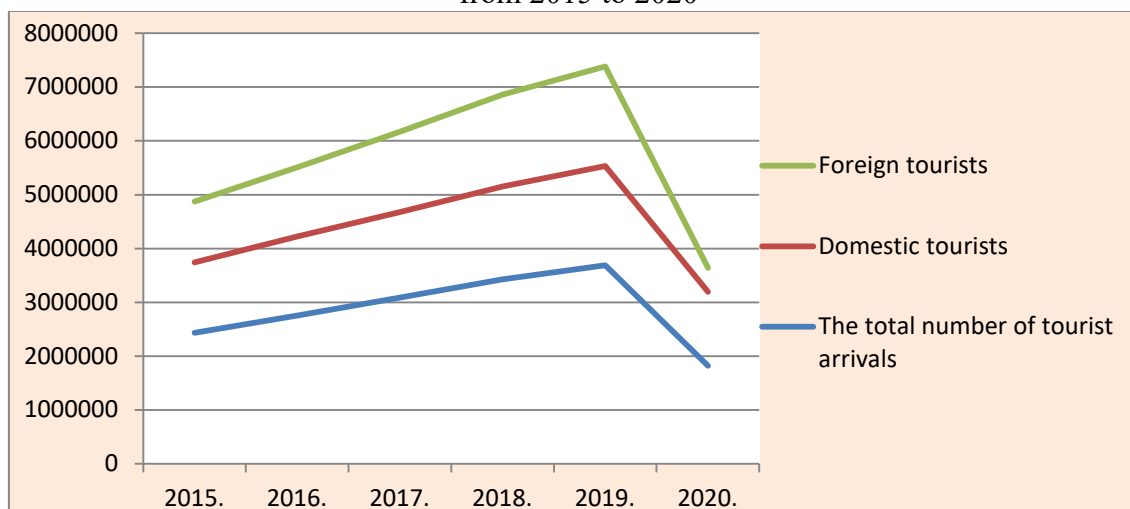
INTRODUCTION

Tourism is considered an important industry accounting for 10.3% of global GDP and accounting for 3.9% of total employment (World Travel & Tourism Council, 2019 <https://wttc.org/Research/Economic-Impact>). In recent decades, world tourism has recorded a positive trend of growth in the number of tourist arrivals and income from tourism. This growth in international tourism over recent decades was interrupted by the outbreak of the Covid-19 pandemic. The tourism sector has, several times so far, shown that it is very sensitive to various negative influences from the external environment, but also it has shown that is the sector that recovers the fastest (Vujadinovic, 2022). Tourism represents a global social and economic phenomenon and a sector that significantly contributes to economic growth and development of the national economy, therefore it should be accepted as an effective instrument for improving the economic situation in the country. The development of tourism as an activity has equal importance to the economy, both at the local and global levels. Governments of many countries are trying to develop tourism as an important economic activity in order to realize some of the benefits. The development of tourism affects the redistribution of national income on a global scale, as well as the redistribution of income between sectors and companies within the national economy. With its economic function, tourism affects almost all branches of the national economy and thus creates multipliers for the growth of GDP, employment, and investments, enabling the acceleration of local, regional, and overall economic growth and development of the economy (Veselinović, 2013). For a better understanding of the impact that tourism has on the economy, it is necessary to look at the data on its share in GDP, the number of employees, the number of accommodation facilities, tourist traffic, and income from tourism. Some of the positive effects of the development of the tourism sector relate to the development of underdeveloped regions, increasing the employment rate, increasing the standard of living of the domestic population, renewing existing and building new accommodation capacities and contents, developing and improving infrastructure, increasing investment activities and others. Given that the tourism sector is considered a generator of socio-economic development in the Republic of Serbia, it is important to look at the multiplicative effects, the impact of which varies depending on the level of tourism development.

1. Analysis of tourism turnover in the Republic of Serbia

A major contribution to the growth of activities in the tourism sector of the Republic of Serbia was made by the positive results achieved in tourism turnover.

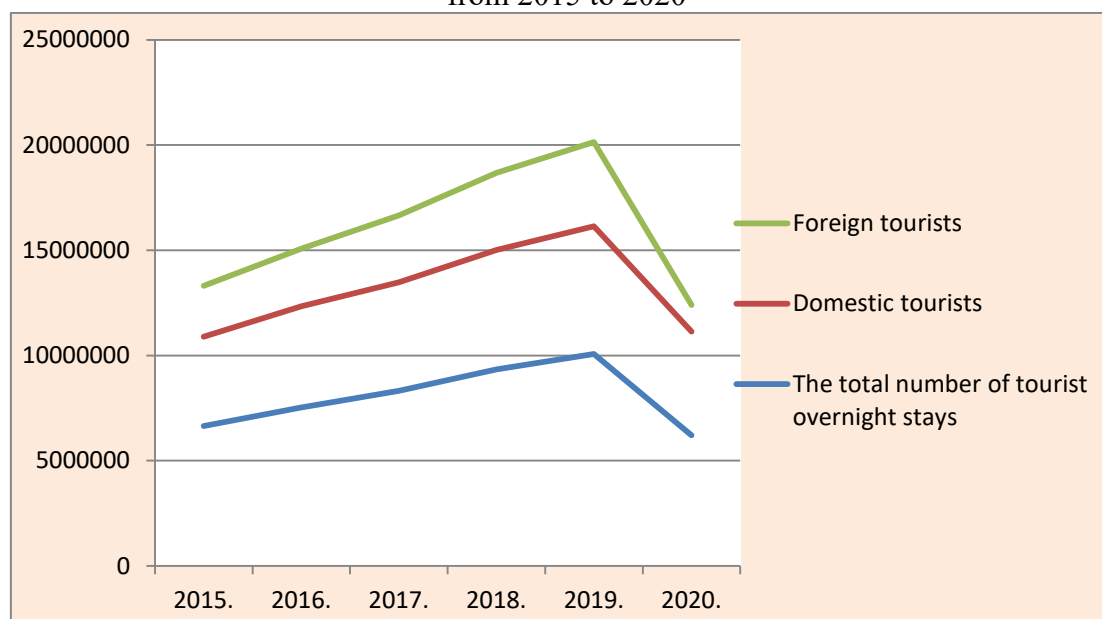
Graph 1. The number of tourist arrivals in the Republic of Serbia from 2015 to 2020



Source: Author's work based on data from the Statistical Yearbook of the Republic of Serbia, 2018, 2019, 2020, 2021.

From graph 1, it can be seen that from year to year, until 2019 Serbia records an increase in the number of tourist arrivals, as well as the noticeable dominant share of tourist arrivals by domestic tourists. In the observed period, the number of tourist arrivals by foreign tourists shows a growing tendency. The largest number of tourist arrivals was achieved in 2019 with a total of 1846551 tourist arrivals.

Graph 2. The number of tourist overnight stays in the Republic of Serbia from 2015 to 2020



Source: Author's work based on data from the Statistical Yearbook of the Republic of Serbia, 2018, 2019, 2020, 2021.

From graph 2, it can be seen that from year to year, Serbia records an increase in the number of overnight stays by tourists, as well as the noticeable dominant share of overnight stays by domestic tourists. In the observed period, the number of overnight stays by foreign tourists shows a growing tendency. The largest number of overnight stays was achieved in 2019 with a total of 9,387,488 tourist overnight stays.

The largest number of arrivals and overnight stays in the Republic of Serbia were made by tourists from Bosnia and Herzegovina, the former Yugoslavia countries, as well as from other significant emission markets such as Turkey, Germany, Russia, China, Italy, Greece, Great Britain, and Austria (Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia).

2. Multiplicative effects on of tourism on the economy

The main advantage compared to the development of domestic tourism is the influence on the internal redistribution of financial resources within a national economy. States are therefore increasingly interested in developing tourism activities aimed at foreign tourists. Financial resources that were created due to the consumption of foreign visitors, after their basic flow, continue to circulate in the national economy and affect the overall economy and economic events in the country. Expert literature that analyzes the positive effects of foreign spending in the field of tourism most often uses the multiplier theory.

multiplicative coefficient

$$K = 1 / (1 - (C / Y))$$

Here, K represents the multiplicative coefficient, C is the change in consumption, and Y represents the change in income.

The total effect of the money (for example \$1000) with which the tourist pays for accommodation, food, and other services in the destination, after 13 transactions, amounts to \$3,483, the original amount was reversed 3.48 times before it disappeared (Unković, Zečević 2019).

3. Effects of the tourism sector on the country's economy

Tourism has an indirect positive effect on the development of other economic activities. Companies that provide services to tourists invest in the development of the offer (for example, the construction of a hotel) and thus stimulate economic activity in other sectors. Also, for the needs of their business, these companies buy certain products and services from other companies (for example, food for the needs of restaurants) and thus encourage their activity. These effects are thus reflected on economic activities related to the tourism sector, such as trade, traffic, construction, agriculture, industry, and others (Strategija razvoja turizma Republike Srbije za period 2016 – 2025).

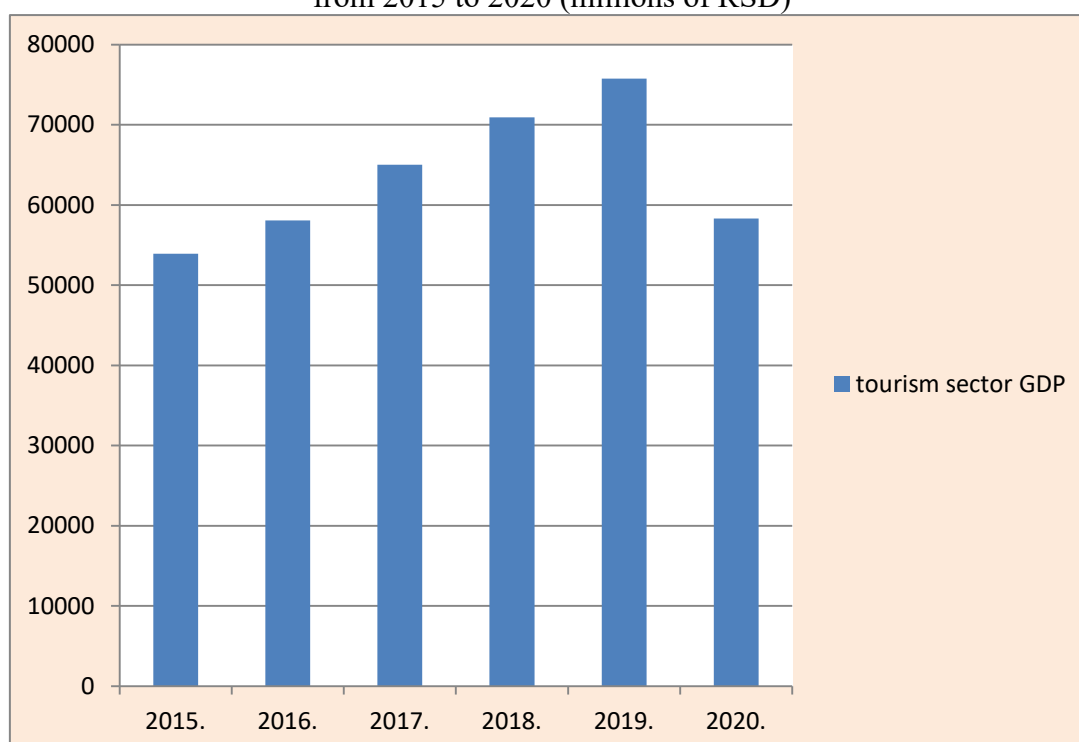
The most important direct influences are (Bošković, T., 2009):

- the impact of tourism on the gross social product and national income,
- the impact of tourism on the country's balance of payments,
- the impact of tourism on employment and the standard of living of the population.

3.1. The impact of tourism on the gross domestic product and national income

Tourism activity directly and indirectly affects the gross domestic product and national income of the country.

Graph 3. The share of the tourism sector in the GDP of the Republic of Serbia from 2015 to 2020 (millions of RSD)



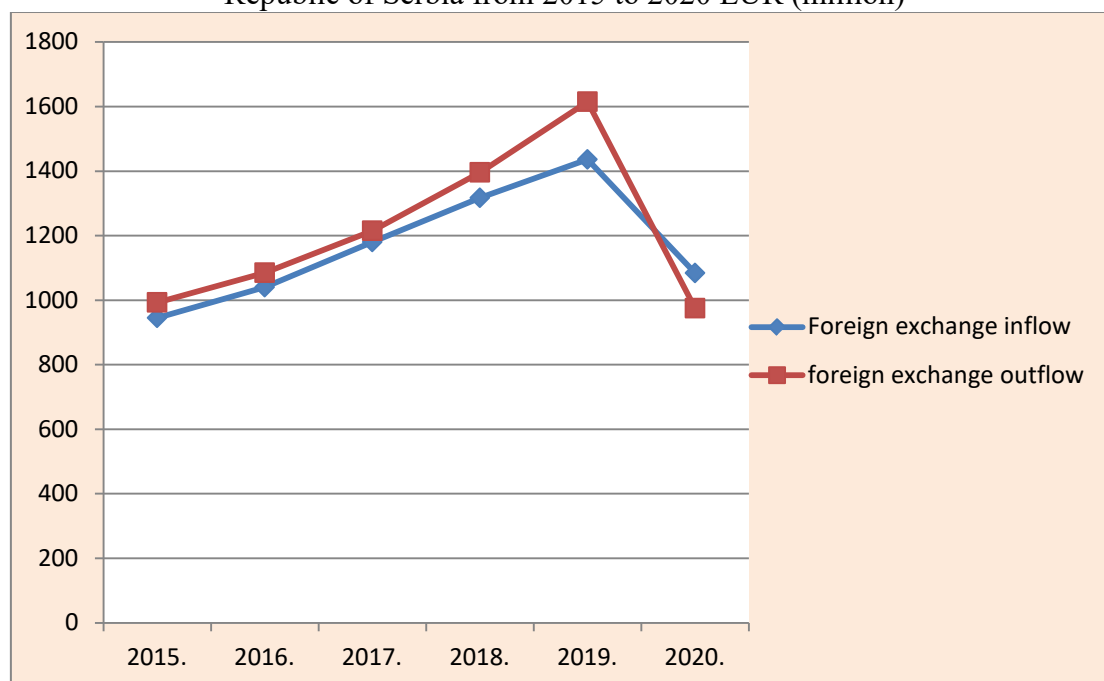
Source: Author's work based on data from the Statistical Yearbook of the Republic of Serbia, 2018, 2019, 2020, 2021.

Graph 3 shows that from 2015 to 2019 there was an increase in the contribution of the tourism sector to the country's GDP. in 2019, tourism contributed to the GDP with about 75 billion RSD, that is, it participated in the formation of the country's GDP with 1.6%. The following year, due to the Covid-19 pandemic, a decline was recorded.

3.2. The impact of tourism on the country's balance of payments

In order to get an idea of the impact of tourism on the balance of payments of the Republic of Serbia, the following graph shows foreign exchange inflow and outflow from tourism from 2015 to 2020.

Graph 4. Foreign exchange inflow and foreign exchange outflow from tourism in the Republic of Serbia from 2015 to 2020 EUR (million)



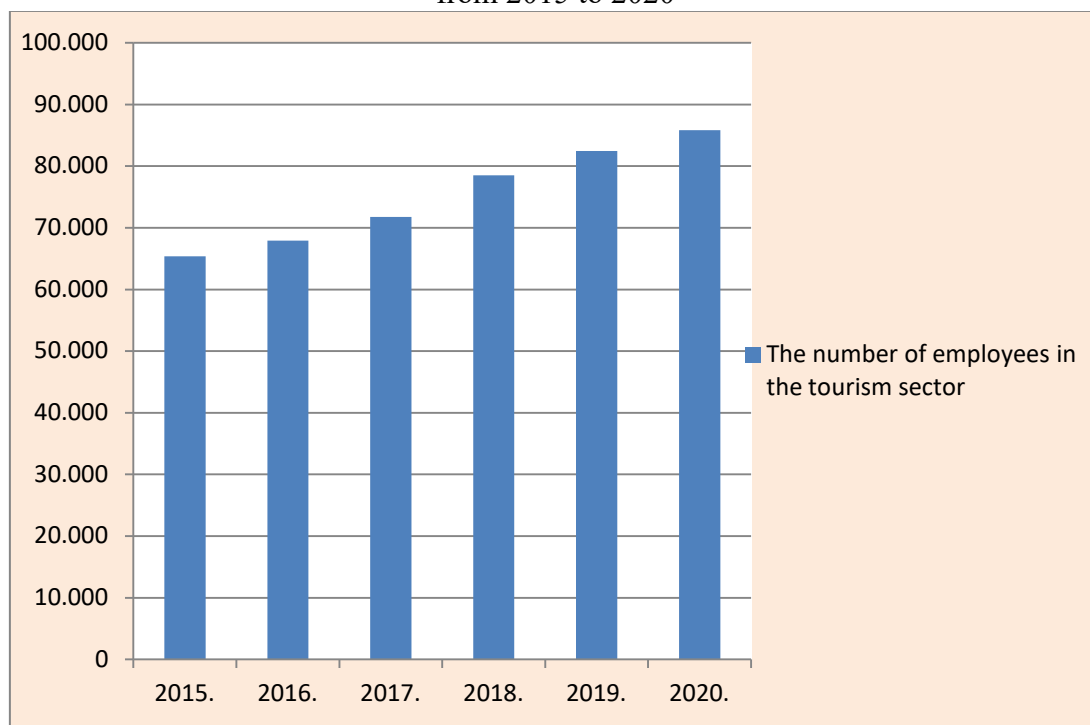
Source: Author's work based on data from the National Bank of Serbia

According to the data shown in graph4, it can be seen that the Republic of Serbia traditionally achieves a greater foreign exchange outflow than foreign currency inflow, an important reason lies in the fact that the citizens of the Republic of Serbia allocate more money for traveling abroad. In 2019, the Republic of Serbia achieved the largest foreign exchange inflow, which is the result of the work of the Ministry of Tourism and the Government of the Republic of Serbia to encourage citizens to spend their vacation in the country through tourist vouchers. Of course, the Covid-19 pandemic caused a significant decrease in foreign exchange inflows and outflows from tourism in 2020.

3.3. The impact of tourism sector on employment and standards of living of the population

The development of the tourism sector has a positive effect on the increase in the employment rate of the population and thus can help solve the unemployment problem faced by many economies. The development of tourism has an equally positive effect on direct and indirect employment.

Graph 5. The impact of tourism sector on employment in the Republic of Serbia from 2015 to 2020



Source: Author's work based on data from the Statistical Yearbook of the Republic of Serbia, 2018, 2019, 2020, 2021.

From Graph 5, it can be clearly seen that during the observed period, a positive trend of growth in the number of employees in the tourism sector was recorded. The largest number of employees was achieved in 2020 with 85.840 employees, despite the fact that the Covid-19 pandemic was reducing tourism turnover.

CONCLUSION

Serbia needs to effectively use the tourist potential it has and creates a tourist offer, using some applied world experiences and its own innovations, in order to increase the competitiveness and attractiveness of economic activity and ensure activity in business. It is important to develop products and business sectors in tourism that have a global perspective and where Serbia can build global competitiveness. Based on the analyzed data, it can be concluded that tourism emerges as an important factor in the economic development of the Republic of Serbia through its influence on the social product and national income, balance of payments, and employment. Also, tourism creates a wide range of jobs in activities related to tourism. Tourism contributes to the economic development of the Republic of Serbia, because it affects the increase of added value created in the activities of the tourism industry, creates jobs places in tourism, and encourages the development of tourist and non-tourist activities.

Tourism in Serbia must be coordinated at the national, regional, and local levels, through a clearly defined planned development policy. In this way, the opportunity for the economic and social development of the whole society is ensured, i.e. the products and services of many activities, which participate in the formation of the tourist product, achieve greater value by placement through tourist consumption.

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