THE EFFECT OF REGIONAL TOURISM ON ECONOMIC DEVELOPMENT (CASE STUDY: THE EU COUNTRIES)

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ABSTRACT

Transformations of the tourism market structure in a pandemic necessitate a study of the extent to which EU countries can provide their citizens with tourism products to minimize the negative impact of the pandemic and, consequently, the negative impact on economic development. This article aimed to develop recommendations for minimizing the negative impact of reducing regional tourism on economic development through the support of domestic tourism. This research uses a quantitative methodology based on indicators of growth of tourist external and internal flows in the regions, the growth rate of economic regions of the EU for 2015-2019. The following countries were selected for correlation analysis: Belgium, Bulgaria, Czech Republic, Germany, Estonia, Greece, Spain, and Italy. The analysis of the impact of regional tourism on economic development in the EU for 2015-2019 indicates the need to develop regional strategies for smart specializations of the tourism industry based on the most attractive industries for tourists. It is determined that within the EU, economic development is less dependent on developed tourist regions due to potentially low tourist costs, as a result - short-term revenues from the industry. It is proved that regions with a high level of tourist flows can provide economic development by increasing the innovation of industries related to tourism, as such industries attract tourists. In a pandemic, businesses need to focus on promoting regional products and shift the focus to domestic consumption within the country. The theoretical value of this study is that regional tourism affects the economic development of the EU countries through the total costs of tourists, the volume of which in the short term has a negligible impact on the region's development. At the same time, the income of the tourism industry as a contribution to the economy is overestimated in the scientific literature.

Keywords: regional tourism, tourist attractiveness, economic development, pandemic.

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INTRODUCTION

In the context of the pandemic, the tourism industry has suffered significantly, as evidenced by the reduction in the number of tourists arriving by 65% in the first half of 2020 globally [1]. International tourism will be reduced by 80% [2]. The significant negative impact of the pandemic on the economy will be especially observed in tourism-dependent countries. Due to quarantine restrictions, 58% of tourists plan to vacation within their countries [3]. Transformations in the tourism services market structure necessitate a study of the extent to which EU countries can provide domestic tourist services to minimize the negative effects of the crisis caused by the spread of the pandemic, particularly the reduction of income and share in GDP of EU countries. Given that the hospitality industry covers several other sectors of the economy (transport, accommodation infrastructure, entertainment, food industry), the impact of reducing regional tourism on economic development can be catastrophic [1-4].

This study examines the relationship between the development of regional tourism and the economic development of EU countries, in particular the effects of domestic and foreign tourism on the growth of member countries. The main purpose of this article is to develop recommendations for minimizing the negative impact of reducing regional tourism on economic development through the support of domestic tourism. To this end, the study examines the economic effects of tourism in different regions within the EU. Domestic tourism can reduce the negative effects of tourism enterprises and the industry as a whole at the regional level through appropriate support measures [2].

LITERATURE REVIEW

There is little research in the scientific literature on the impact of regional tourism on the economic development of countries, in particular, due to the complexity of assessment and the availability of regional data, especially consumer spending in tourism [4,5]. Tourist demand is used as an indicator that reflects the share of tourism in regional economic demand, especially in underdeveloped economic regions [5,6]. Revenue from tourism is also used to assess a country's economic growth [7].

The effectiveness of regional tourism depends on such factors as open trade, the intensity of market competition, climate change [8], which are also indicators of economic development. This means the complexity and nonlinearity of the causal links between regional tourism and economic growth, which are exacerbated by globalization and regional integration [6]. Thus, certain sectors of the economy provide regional attractiveness of tourist destinations [9], can determine the sustainability of the tourism sector [10]. For example, innovative strategies for the development of wine tourism in German companies affect the tourist attractiveness of the regions [11]. The directions of causality between tourism and the economy depend on the specific country [12]. For example, China has a higher level of tourism efficiency in the eastern regions than in the central and western regions [7,8]. In Portugal, the leader in regional tourism development is the central region of Porto, with the highest level of competitiveness [9,10]. In Croatia, a larger volume of incoming tourist flows in the region corresponds to a higher level of regional economic development [13]. The economic growth of China, Indonesia, India, and Peru determines the level of income from the tourism industry; in Brazil, the Philippines, and Mexico, tourism impacts economic growth; in Chile, there is a close causal link between tourism and economic growth [12].

Imbalances in the development of regional tourism and differences in tourism activities [7] are related to the cultural and historical heritage of the region and available natural resources [14]. Sustainable use of the region's assets determines the prospects for long-term tourism development. The differentiation of tourism destinations depends on the integration of natural and cultural resources into the industry's supply [14].

There is a long-term relationship between the revenues and incomes of the tourism industry, and economic development, the growth of the industry provides growth in production in the short term [15]. The tourism industry contributes to regional growth and specialization [16,17]. For example, the intellectual strategy of tourism specialization in Apulia (Italy) provides sustainable, inclusive growth [16]. The positive impact of tourism on economic development is associated with the classic effect of market integration [18]: different sectors of the economy establish and develop economic ties to meet tourism demand [13-17].
A review of the literature shows the complexity and nonlinearity of the links between regional tourism and economic development of the country, which ultimately provide the effects of integration of different industries to meet consumer demand for tourism services. Causal links depend on the specific country, its cultural, historical, and natural resources, the state of the economy. At the same time, over the past five years, the scientific community has studied the experience of different countries but does not discuss the impact of regional tourism on the economic development of EU member states [19, 20].

METHODOLOGY

The study uses a quantitative methodology based on indicators of growth of external and internal tourist flows in the regions, the growth rate of the economy of the regions of the EU for 2015-2019.

The following countries were selected for correlation analysis: Belgium, Bulgaria, Czech Republic, Germany, Estonia, Greece, Spain, and Italy. Countries are selected based on the following criteria: 1) the difference in economic growth; 2) the availability of attractive natural resources for tourists; 3) tourist attractiveness of the country due to cultural and historical heritage; 4) the tourist attractiveness of the country through related innovation industries (for example, winemaking).

The study's main limitation was the lack of data and indicators that reflect the contribution of tourism to the economy: the total cost of tourists by region, total revenues of the industry by region, the level of innovation in the tourism industry. In addition, data on tourist flows were available for 2015-2019 at Eurostat. These problems are typical of similar studies in this area [4, 5].

RESULTS

Within the EU, there is a significant differentiation of countries in the development of regional tourism. This means that different regions differ in cultural, natural resources, which are fundamental to the tourism industry. As a result, some regions in different countries provide more economic growth through tourism, while others have absolutely no impact on economic development or slow down due to the need to service infrastructure and transport, which does not bring profits.

Analysis of the average growth rate of tourist arrivals in the regions of different countries indicates a general increase in regional tourism, except for some regions during 2015-2019.

According to Eurostat data [21-23], on the rate of regional tourist arrivals and the growth rate of the runway, we can conclude about the complexity and nonlinearity of the links between these indicators, which is graphically presented in Fig. 1. Such nonlinearity is associated with higher rates of tourist arrivals in some regions high growth rates. In addition, the graphical representation of the links between tourism and the economy of the regions makes it possible to identify three groups of countries: 1) with a direct impact of regional tourism on the economy; 2) with developed regional tourism, but a low level of economic development; 3) with underdeveloped regional tourism, but high rates of economic development.
Fig. 1. Dependency between arrivals at tourist accommodation establishments (foreign countries) and regional GDP growth rate, %, the average growth rate for 2015-2019
Source: [21-23].

There is a significant direct link between domestic tourism flows and regional economic development within the EU (Fig. 2). Some countries are characterized by a higher level of communication; in others, the connection is less noticeable.

Fig. 2. Dependency between arrivals at tourist accommodation establishments (reporting countries) and regional GDP growth rate, %, average values of growth rate for 2015-2019 EU-27
Source: [21-23]

In Belgium, Bulgaria, the Czech Republic, and Spain, there is an inverse relationship between the growth rate of external tourist arrivals and the growth rate of regional GDP. Obviously, in these countries, tourism is not the main driver of the economy or regional tourism does not depend on external tourist flows. At the same time, in Bulgaria, regional domestic tourist flows are directly related to economic growth. The same situation is observed in Germany, Greece, Spain, and Italy. In Germany, Estonia, Greece, and Italy, there is a significant direct link between the indicators, which means a significant dependence of the economy on tourist flows. Thus, of the eight countries in four, regional external tourist flows affect the economy, and in the other four, feedback has been identified. In five countries, domestic tourist flows between regions affect the economy (Table 1).
The first resources that determine the economy, while foreign tourism directly affects the growth rate. At the same time, due to the unique cultural, historical, and natural heritage, external tourist flows greatly impact the economy. The average growth rate of the indicator was 8.57% in 2015-2019, while economic growth was only 0.68%. For comparison, domestic tourist flows grew at a slow pace - by 1.38% over five years. This means that tourism in the country has little impact on the economy, in particular on the domestic one: the growth rate of regional GDP in the Czech Republic is not significantly different from 0.5% to 3%.

The analysis of the development of regional tourism in some countries makes it possible to explain the reverse relationship of these indicators. For example, in the regions of Belgium, tourist flows have grown rapidly over the past five years, but economic growth in these regions has remained stable (Prov. Limburg with an average revenue growth rate of 2015-2019 of 7.322% and an average regional GDP of 2.97%, Oost-Vlaanderen Province - 5.738% and 3.74% respectively, Région wallonne - 5.214% and 3.33% respectively, Luxembourg Province (BE) - 8.058% and 3.13% respectively). In contrast, in some low-income regions, economic growth is high (Prov. Vlaams-Brabant - 1.888% and 3.89%, respectively; Prov. Vlaams-Brabant - 1.888% and 3.89%, respectively; Prov. Brabant wallon - 3.75, and 5.79% respectively). Obviously, regional tourism does not have a decisive influence on the economic development of Belgium, although in some regions, tourism is developed. Also, in Bulgaria, it is not possible to trace a significant relationship between external tourist flows and economic growth, but regional domestic tourism has a significant impact on the country's economy. For example, there are high average growth rates of these indicators in three regions of the country for 2015-2019 (Yugozapadna and yuzhna tsentralna Bulgaria - 5.99% and 8.72%, respectively; Yugozapaden - 5.80% and 8.87, respectively). These regions are close to the sea, which means the availability of natural resources that determine the level of tourism development in the country and domestic tourist flows.

The Czech Republic, like Belgium, has achieved significant growth in domestic and foreign tourist arrivals over the past five years, but tourist flows, in general, do not determine economic development. For example, in some regions the growth rates of tourist flows are high, but the growth rates of the economy are similar to other regions with less developed tourism (Strední Cechy - 8.54% and 8.09%, respectively; Jihozápad - 11.08% and 6.84%; Severozápad - 7.18% and 6.12%, Severovýchod - 7.6% and 7.38%, in the Czech Republic as a whole, the economic growth rate for 2015-2019 was 7.26%).

In Germany, on the other hand, domestic and foreign tourist flows determine economic development. For example, in regions with higher tourist flows, the economic growth rates are higher in 2015-2019 (Schwaben - 7.012% and 3.44%, respectively; Tübingen - 5.948% and 3.66%; Leipzig - 5.696 and 3.65%; Oberbayern - 5.366% and 3.68%, Bayern - 5.012% and 3.51% respectively). The regions of Germany can be divided into three groups according to the level of tourism development: 0.5% to 3%; from 3% to 5%; from 5% to 8%. Each of the groups corresponds to the average economic growth rate: the first - 3%, the second - 3.5%; the third - 3.5% - 4%.

In Estonia, two regions have high growth rates of foreign tourism and economy at the same time: Ireland - 12.50% and 13.27%; and Eastern and Midland - 9.88% and 10.06%, respectively. At the same time, the country is dominated by domestic tourism - the average growth rate of tourist flows was 6.9% in 2015-2019 with an economic growth rate of 6.87%. Besides, domestic tourism does not significantly affect the economy, while foreign tourism directly affects the growth rate.

Greece is one of the countries where there is a direct link between domestic and foreign tourist flows and economic growth. At the same time, due to the unique cultural, historical, and natural heritage, external tourist flows greatly impact the economy. The average growth rate of the indicator was 8.57% in 2015-2019, while economic growth was only 0.68%. For comparison, domestic tourist flows grew at a slow pace - by 1.38% over five years. This means that tourism in the country has little impact on the economy, in particular on the domestic one: the growth rate of regional GDP in the Czech Republic is not significantly different from 0.5% to 3%.

### Table 1. Correlation between the growth rates of external and domestic tourist arrivals and the growth rates of regional GDP (calculated based on average values for 2015-2019)

<table>
<thead>
<tr>
<th>Country</th>
<th>Correlation between the growth rate of external tourist arrivals and the growth rate of regional GDP</th>
<th>Correlation between the growth rate of domestic tourist arrivals and the growth rate of regional GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Belgium</td>
<td>-0.1766</td>
<td>-0.5411</td>
</tr>
<tr>
<td>2 Bulgaria</td>
<td>-0.1107</td>
<td>0.3636</td>
</tr>
<tr>
<td>3 Czech Republic</td>
<td>-0.0663</td>
<td>-0.1394</td>
</tr>
<tr>
<td>4 Germany</td>
<td>0.2654</td>
<td>0.1380</td>
</tr>
<tr>
<td>5 Estonia</td>
<td>0.9632</td>
<td>-0.2246</td>
</tr>
<tr>
<td>6 Greece</td>
<td>0.3912</td>
<td>0.3079</td>
</tr>
<tr>
<td>7 Spain</td>
<td>-0.1748</td>
<td>0.3628</td>
</tr>
<tr>
<td>8 Italy</td>
<td>0.2462</td>
<td>0.3422</td>
</tr>
</tbody>
</table>

Calculated by the author based on regional growth rates of the number of tourists who arrived in the regions of the country and the growth rate of regional GDP [21-23].
particular, due to the lack of technological and innovative development, and tourist flows are unlikely to provide significant revenues to the industry.

Spain is characterized by a feedback loop between external tourist flows and economic growth, but the link between domestic flows and the economy is direct and significant. This is because tourist-developed regions that attract tourists, with an average growth rate of 7.24%-9.6% in 2015-2019 are characterized by the economic growth of 3.61%. For less tourist-attractive regions (tourist growth rate 5.01%-6.91%), economic growth is also 3.5%. For the regions with the lowest level of tourist flows (1.88%-4.15% in 2015-2019), economic growth was 3.98%. Instead, the regions of Spain are also characterized by different levels of attractiveness of domestic tourists: it is possible to distinguish two groups of regions by the growth of tourism - the average growth rate of 4.5% and 2.85%. In the two groups, economic growth was 3.67% and 3.52%, respectively. The Spanish tourist industry does not offer innovative types of tourism.

In Italy, there are some different causal links between tourist attractiveness and economic development. There are three groups of regions: with the level of external tourist flows of 8.59%-14.25% and economic growth of 1.76%; with the level of external tourist flows of 4.37%-6.36% and economic growth of 1.99%; with the level of external tourist flows of 0.26%-3.96% and economic growth of 1.48%. An example of Italy proves that the impact of regional tourism and economic development is overestimated because between the two groups with low levels of tourist flows, there is no significant gap in economic development (1.99% and 1.48%). Like Spain, Italy attracts tourists from certain regions, which may have little effect on the country’s economic growth as a whole due to the lack of other sectors of the economy. Domestic tourist flows also do not provide a significant direct impact on the economy; the level of domestic tourist flows in the range of 5.47%-9.64% in regions with an economic growth rate of 1.77%; the level of domestic tourism flows in the range of 3.08%-4.92% in regions with an economic growth rate of 1.89%; the level of domestic tourism flows in the range of 1.18-2.93% in regions with an economic growth rate of 1.51%.

DISCUSSION

The study found that tourist attractiveness is determined by cultural and historical heritage, natural resources, or developed industries related to the tourism industry and attract tourists. Within the EU, factors such as open trade, intense market competition, and climate change do not act as drivers of the economy, according to a study by Chaabouni [8], which has little effect on tourism. At the same time, we also prove the complexity and nonlinearity of causal links between regional tourism and economic growth [6]. However, regional integration will not be a determining factor in the complexity of such a relationship in a pandemic. Domestic tourism will also not provide a significant contribution of the industry to the economy, apparently due to the low total costs of tourists. Research shows that the impact of this sector on the economy is indirect and overestimated. This is evidenced by the example of Belgium, the Czech Republic, Spain, Italy, Estonia, and Bulgaria. In these countries, there is a different relationship between the tourism industry and the economy of the regions. It can be argued that tourist-attractive and developed regions have little impact on the economy. This is also evidenced by the findings of Teixeira & Ferreira [9], who noted the regional attractiveness of tourist destinations due to certain sectors of the economy that are relevant to tourism. In this study, the example of Germany best characterizes such a statement. Dressler & Paunovic [11] confirm this opinion, arguing that innovative strategies for the development of wine tourism in German companies affect the tourist attractiveness of the regions. On the other hand, the tourism industry contributes to regional growth and specialization [16, 17], because it is the tourist flows that are the driving force behind the development of highly specialized regions. Therefore, in Germany, the sustainability of the tourism sector [10] will be ensured in a pandemic due to tourism-related industries. Assets of German wineries determine the sustainability of tourism in a pandemic [14] when quarantine restrictions do not allow tourists to travel to explore cultural and historical resources and natural resources. Greece, Italy, and Spain can also be expected to achieve a certain level of sustainability through domestic tourism. In contrast, in Bulgaria, Estonia, the Czech Republic, and Belgium, it is difficult to predict such resilience due to the lack of direct significant effects of the impact of domestic and foreign tourism on economic growth.
This study also found an imbalance in the development of regional tourism and differences in tourism activities [7], which are determined by the cultural and historical heritage of the regions and available natural resources [14].

As tourist demand declines, different industries will interact less, and the classic effect of market integration will decline [18]. As the revenues of the tourism industry will decline in the next three years, it can be expected that in 2021-2025 the economy of the regions will develop little due to tourism. We can expect a reduction in production in all related to tourism industries: restaurant business, transport, winemaking, and other industries.

In regions with a high level of specialization and developed strategies for tourism innovation development, it will be possible to ensure a certain level of sustainability through domestic tourism. However, it is obvious that in less developed EU countries the tourism industry will be in a period of recession in the next three to five years.

The creation of a regionally integrated system of entities that form the boundaries of the tourism supply chain to ensure the sustainability of tourism in the regions of Europe could ensure the implementation of an intelligent strategy for tourism specialization. Del Vecchio & Passiante [16] propose a similar practice for the Apulia region (Italy) for sustainable inclusive growth. However, in a pandemic, public spending will be aimed at overcoming the consequences of the negative impact in more important sectors of the economy: agriculture, industry, services. In addition, the problem of overcoming the lack of entrepreneurial regional tourism culture [16] within the EU will exacerbate the budget deficit in tourism financing. The regional tourism culture of the EU is mainly the presence of micro-companies with a family management style and a fragmented offer of products and services. Accordingly, it restricts domestic tourists in obtaining information about potential tourist products within their own country, due to the asymmetry of tourist demand. At the same time, a positive trend in regional tourism within the EU: consumers are increasingly showing a growing preference for regional and local products [9]. This means that in a pandemic, businesses need to focus on promoting regional products and shift the focus to domestic consumption within the country.

**CONCLUSION**

Analysis of the impact of regional tourism on economic development in the EU for 2015-2019 shows a change in the causal links between these variables. The nonlinearity and complexity of connections arise because of the available cultural, historical, natural resources, and business activities in the region. The tourist attractiveness of the most developed regions is determined by these variables, but economic development is little dependent on developed tourist regions due to the potentially low costs of tourists, as a result - short-term revenues from the industry. The total costs of tourists are insignificant, and the contribution of regional tourism to the development of the region is short-term. Regions with a high level of tourist flows can provide economic development by increasing the innovation of industries related to tourism. Such industries attract tourists. Therefore, regions need to develop and implement smart specialization strategies. In a pandemic, businesses need to focus on promoting regional products and shift the focus to domestic consumption within the country.

The most attractive tourist countries in the EU are Germany, Greece, and Italy due to cultural, historical, natural resources, unique types of recreation offered to tourists. The Czech Republic, Belgium, and Spain are examples of economically developed countries where tourist flows do not determine their growth. These countries are likely to be attractive destinations due to their cultural and historical heritage, rather than innovative tourism. For comparison, Germany has unique wineries and a well-developed winemaking infrastructure that directly affects the economy. This means that tourism is an indirect driver of the economy through other developed industries. Therefore, there are complex nonlinear causal links between tourism and the economy.

The practical significance of the study is to identify differences within the EU-27 impact of regional tourism on economic development, which is the first original quantitative study of the role of tourist destinations within the regions of individual EU countries. In addition, the study proves the effectiveness of related industries to the tourism sector in a pandemic.

The theoretical value of the study is to confirm the impact of regional tourism on the economy through the total costs of tourists in the short term. The low share of such costs causes a short-term effect.
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