International Journal of Hospitality and Tourism Systems
Volume 16 Issue 4 2023
ISSN: 0974-6250 (Print)

Hospitality & Tourism Systems

The Influence of Cultural and Natural Heritage and Characteristics of the Cultural Sector on the Development of Tourism in the European Union

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Abstract *The subject of this research is conducting a panel analysis on the influence of cultural and natural heritage, and the determinants of the cultural sector on the development of tourism in 27 EU member states. The empirical part of the research will include secondary data collected from several relevant sources. In order to accept or reject defined research hypotheses. We will use the Blundell and Bond estimator the results showed that natural resources and cultural heritage have a significant and positive impact on the development of the tourism sector. Also, the results of the panel analysis show that there is a connection between the development of the cultural sector and the development of the tourism sector. Covering 27 European countries and including additional determinants of culture and tourism, this research provides a broader picture of Europe's cultural and natural heritage and its potential. The obtained results will contribute to the understanding and evaluation of cultural and natural heritage and its impact on the tourism sector. The results of this research will help in planning further guidelines for the development of both the cultural and tourist sectors.*

Keywords: *Cultural Heritage, Natural Resources, European Union*

INTRODUCTION

Each sector of the economy plays, more or less, an important role for its stable and long-term development. The travel and tourism sector has become a significant generator of economic development in recent decades. We live in a time when tourism is becoming an increasingly important economic activity and one of the fastest growing economic sectors. In many countries, it represents the main instrument of regional development because it encourages new economic activities. More and more people travel, increasing the volume and quality of the tourist offer, and thus the consumption of tourist services. In this global game, good economic success is guaranteed only by the most original tourist offer. In such a competitive battle, every tourist destination is increasingly "obliged" to monitor its competitiveness, since only on the basis of a good analysis of the current situation and sufficiently precise predictions of the future can it successfully and effectively respond to changes in the demands of tourist consumers.

The European Union is the world's most visited region. In 2019, the EU-27 received around 539 million international tourist arrivals, almost 37% of the global total. This makes tourism a key economic sector in the EU, accounting for 9.9% of the gross domestic product and 11.6% of all jobs in 2019. In the same year, the EU-27's international tourism receipts were €383 billion, 28.9% of global tourism receipts. Four EU Member States (France, Spain, Italy and Germany) are individually within the top ten countries in the world in terms of international tourist arrivals and tourism receipts UNWTO, International Tourism Highlights, 2020 Edition. The economic importance of the tourism sector varies considerably between Member States, from 4% to 6% of GDP in Ireland, Poland, Belgium and Lithuania to over 20% in Croatia and Greece Special Report (2021) EU

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Support to tourism Need for a fresh strategic orientation and a better funding approach. The COVID-19 pandemic has had a dramatic, and unprecedented impact on the tourism sector sharply reducing tourism flows and thus the revenues of tourism-related businesses. Beyond this immediate shock, the tourism sector is facing other, more long-term challenges related to its green and digital transformation, its competitiveness, its sustainability and its resilience. The fall in the visitor numbers due to the travel restrictions in place has led to a substantial drop in the contribution of the tourism sector to the economy. In 2020, the EU lost around two million jobs in the travel and tourism sector and its contribution to the GDP fell by half compared to 2019 (from around 10% to 5% of GDP) WTTC, Economic Impact Report 2021. European Union. Traditional tourism destinations such as Croatia, Cyprus, Greece, Malta and Spain suffered the largest reductions (more than 60%), together with Ireland Special Report (2021) EU Support to tourism Need for a fresh strategic orientation and a better funding approach.

As an important element of tourism product, the core resources and attraction sites mutually strengthen the attractiveness and competitiveness of a destination by creating distinctiveness in a crowded global travel marketplace. Namely, the natural and cultural heritage of a region represents one of the main motivations for tourists to visit, or they provide a complementary offer for other types of tourism, for example, congress tourism, recreation and sports tourism, etc. The extraordinary natural and cultural characteristics of the region are what make that place. "special", i.e. worth visiting. Natural heritage consists not only of flora and fauna, but also of every other part of the natural environment, eg inorganic nature, such as rocks, geological formations, rivers, lakes, mountains, as well as the relationship of these natural components as an ecosystem. The main components of natural heritage are vegetation and wildlife, geology, hydrology and natural phenomena. Also, "events", such as climatic, volcanic or astrological incidents during the year, evolution and changes in ecosystems, are part of the natural heritage. Cultural heritage includes all existing cultural phenomena from tangible to intangible assets. This includes immovable historical monuments (historical gardens, parks, industrial facilities, traffic-related monuments, etc.), movable historical monuments (paintings and sculptures, religious works of art, historical handicrafts, craft equipment, agricultural and industrial tools and machines); verbal and customs cultures such as festivals, rituals, costumes, legends, behavior and habits, music, dances and culinary culture. As the name already implies, cultural heritage is based on the past and is part of tradition, but it also includes contemporary culture such as music, theater, literature, fine arts, etc. In order to provide a basis for the development of tourism not only in the present, but also for future generations, natural and cultural heritage must be protected. Considering the protection and development of tourism as a means of preserving natural and cultural heritage is the basic principle of sustainable tourism development. In line with that, Dwyer and Kim (2003) indicated that destination competitiveness highly depends on the value added to available core resources and attractions. The core resources and attractions are the fundamental reasons for travellers to visit a destination over another which in the end should offer memorable experiences to them. Tourism destinations with one or more favourable and unique physiographic resources tend to compete by employing this strength against others (Ritchie & Crouch 2003). On the other hand, culture and heritage sites are the influential dimensions of destination attractiveness and the primary reasons why visitors choose one particular destination over another (Ritchie & Crouch 2003).

The growing connection between cultural heritage and tourism is fueled by numerous factors. Globalization has strengthened the role of culture as a source of local identity, and the increasing level of education and the aging of the population have contributed to the increased interest in cultural and national heritage. Postmodern forms of consumption and the desire for new experiences also play a significant role in this process. This form of tourism has become a source of new jobs and income as well as a means of strengthening the image in the increasingly competitive tourism market (OECD, 2009). The tourism sector as a whole is estimated by the World Travel and Tourism Council (WTTC) to contribute 330 million jobs – one in ten jobs around the world – while cultural tourism alone accounts for a significant share of tourism employment by generating 40% of world tourism revenues. In view of this major impact on employment in many countries – notably in regions that are major tourism destinations such as Europe, the Pacific or the Caribbean but also many countries in the developing world – restarting cultural tourism is a major concern for governments around the world, as strongly voiced by ministers at the Online Meeting of Ministers of Culture hosted by UNESCO on 22 April 2022 UNESCO (2022) Cutting Edge | Bringing cultural tourism back in the game

The subject of this research is conducting a panel analysis on the influence of cultural and natural heritage, and the determinants of the cultural sector on the development of tourism in 27 EU member states based on the collected data for the period from 2008 to 2021. The number of cultural heritage resources included in the UNESCO World Cultural Heritage List and the number of natural heritage resources included in the UNESCO World Natural Heritage List were selected as independent variables, i.e. indicators of natural and cultural heritage. State investments in the cultural sector, the number of employees in the cultural sector and the number of visits to museums were selected as indicators of the cultural sector. International tourism, number of arrivals, total tourist consumption, number of overnight

stays in tourist accommodation, and number of employees in the tourism sector were selected as dependent variables, or indicators of tourism development. In addition to the variables that are the focus of the research, the model also uses control variables that have been shown to be significant determinants of tourism development in previous research, namely: GDP per capita, higher education, political stability and inflation. The variables were selected based on the study of previous scientific research and their results

The contribution of this research to works dealing with the analysis of the impact of cultural and natural heritage on tourism is reflected in the quantification of the impact of cultural and natural heritage and the cultural sector on the development of tourism. Given that the majority of papers dealing with this issue are focused on theoretical research, there is a strong need to create empirical evidence. The researches that have been carried out so far, for the analysis of the impact of cultural and natural heritage on tourism, used case studies that mostly covered a limited area of a particular tourist region or cultural locality. Furthermore, investments in culture were mostly analyzed following the number of open museums, the number of their visitors and the generated sociological impacts on society. Covering 27 European countries and including additional determinants of culture and tourism, this research provides a broader picture of Europe's cultural and natural heritage and its potential. The obtained results will contribute to the understanding and evaluation of cultural and natural heritage and its impact on the tourism sector. The results of this research will help in planning further guidelines for the development of both the cultural and tourist sectors.The paper is organized as follows. Section 2 briefly reviews the existing studies who have investigate the effect of the quality of institutions on tourism development. Section 3 introduces the empirical methodology and data. Section 4 shows the empirical results, while, Section 5 synthesizes the paper findings and Section 6 offers policy-relevant conclusion and recommendations.

LITERATURE REVIEW

The desire to get to know other cultures has always motivated people to travel. Therefore, it is not surprising that the impact of natural and cultural heritage on the decision to undertake a tourist trip, as well as on the tourism sector globally, can be observed. For Richards (2000), heritage is a vital resource for tourism development, and tourism in turn contributes to cultural development. In addition to the role of heritage as a travel motivator, Richards (2000) notes that the diversity of heritage is crucial when choosing a destination. Tourists choose destinations that are interesting to them, and precisely the diversity and abundance of cultural and natural resources significantly affects the image of the destination, as well as its perception and experience by tourists.

Michael Hitchcock (2004) explained that tourism and culture have a deep connection. Culture is based on originality, authority, authenticity and much more. Tourists are attracted by such factors, and in order to save cultural heritage and attract tourists, the culture should be original.

Smith and Robinson (2005) consider cultural heritage to be the basis of tourism, and emphasize its influence on the growth of tourism and the inclusion of various social groups in development processes. Goodwin (2002) points out that the existence of cultural and natural diversity creates many opportunities for the local community and enables the formation of a tourist product. Also, cultural and natural heritage is considered a resource for the development of tourism by Robinson and Picard (2006), according to which, through heritage, tourism gains meaning and society an opportunity to participate in the development process. Therefore, the valorization of heritage through tourism contributes to economic as well as human development in which social well-being increases through cultural exchange.

Dugulan, Balaure, Popescu and Veghes (2010). In their research, which included the countries of Central and Eastern Europe, they start from the position that cultural resources are one of the factors for increasing the competitiveness of tourist destinations. However, research shows that cultural resources, to a surprisingly small extent, contribute to increasing the overall competitiveness of these countries as tourist destinations. Knowledge and capacities for efficient employment of cultural resources are key in attempts to transform these factors into key drivers of tourism competitiveness in the countries covered.

Jovanović et al. (2015) believe that the former role of tourism in terms of providing services has been overcome. In the countries of Southeast Europe, according to them, cultural resources directly affect tourism, and in their work they examine the contribution of cultural resources in the development of a tourist destination using the analysis of the Travel and Tourism Competitiveness Index. These authors conclude that the development of tourism is very important for economic development. It is necessary to develop more attractive tourist destinations, which, along with cultural heritage, will significantly contribute to attracting more tourists.

Furthermore, Ursache (2015) emphasizes that cultural and natural heritage is most closely related to the tourism industry. In addition to contributing to attractiveness and competitiveness, heritage significantly affects the quality of tourism itself. Its contribution to local development is most clearly seen through the connection of natural and cultural heritage with tourism. Namely, heritage often becomes the basis of regeneration within the destination.

According to Nigoy and Chinonso (2016) cultural resources are related to human activity. By this they mean all the

factors of human cultural life that can be mobilized in order to meet the conditions for the development of tourism. The conclusion is that cultural heritage and heritage have a huge value and significance for tourism. Although tourism is largely based on infrastructure development, there is a great need to use cultural resources as a form of tourist attraction.

Hanafiah and Hemdi (2017) start from research that examines whether basic tourism resources improve the competitiveness and performance of the destination itself. Using panel data from eight member countries of the ASEAN group, they examine the statistical relationship between key tourism resources, tourism performance and rank on the TTCI list. The conclusion is that in the surveyed countries cultural resources, as well as the history and physiography of the destination represent powerful forces for attracting potential visitors. These factors also influence the creation of an unforgettable experience for users, and increase competitive advantage.

A similar point of view is presented by Lo et al. (2017) highlighting unique natural and cultural resources as the main factors for attracting the attention of potential tourists and influencing their travel decision. Moreover, the influence of natural and cultural heritage on raising the level of competitiveness of tourism is emphasized.

Morozov and Morozov (2018) claim that the presence of cultural heritage acts as the main but not the only motivating factor for tourists when choosing a destination. They believe that the attractiveness of the destination is one of the most important factors that attracts tourists. According to them, the successful development of cultural tourism is connected is with the correct identification of the attractiveness of the destination, and the presence of cultural heritage as a factor for choosing the destination.

Trajković (2019) is to show the contribution of natural and cultural resources to the performance and competitiveness of the tourism sector. Regression analysis on a sample of 33 European countries undoubtedly showed a significant influence and a high degree of connection between these variables. This research indicates the importance of natural resources and cultural heritage as drivers of the attractiveness and competitiveness of the tourism sector. It can be concluded that the countries of Western Europe have developed their material much more and intangible natural and cultural assets for gaining competitive advantages and creating recognition in the light of globalization. Namely, comparing the sub-indices of the TTCI index, the most significant differences exist in the natural and cultural resources sub-index, whereby the countries of Western Europe have a value of this sub-index significantly above the average for the analyzed countries. The countries of Central and Eastern Europe, which are ranked lower in all sub-indices compared to the countries of Western Europe, should be turned into more attractive destinations for international tourists, which generate higher incomes and thus have a positive effect on the overall competitiveness of the tourism and travel industry.

Based on a brief review of the literature, we can conclude that the decisive influence for the survival of the tourist product on the competitive market is the emphasis on the identity of the destination and the integration of natural and cultural heritage into the tourist product. Heritage, i.e. natural and cultural treasures, should be preserved for future generations in order to preserve the identity, which has become one of the most important pillars for the recognition of the tourist product. It is important to protect the environment, society and the individuals who visit them. Tourism is now emerging as one of the basic development tools at all levels of government, and international tourism is the largest exporter in the world. Culture and heritage act as drivers for the development of tourism that is truly sustainable.

METHODS

Model Specifications

In almost all the researches mentioned in this paper, panel analysis was used to prove research hypotheses, which speaks of its popularity and applicability in science. The popularity of this type of analysis can be attributed to the availability of data, greater capacity to model the complexity of human behavior, and simplification of calculations and statistical explanations (Hsiao, 2007). As with all available methods, numerous advantages as well as possible limitations are noticeable (Baltagi, 2021).

According to Škrabić Perić (2015), panel data proved to be more efficient in research due to the simultaneous analysis of the temporal and spatial components of selected phenomena. Moreover, panel data contain more data than corresponding spatial data or corresponding time series. Estimates obtained by panel analysis are more precise due to changing the dependent variable by observation units and by time. Also, panel data reduces parameter bias that occurs due to missing data. The use of panel data also reduces the problem of multicollinearity because in the case of a strong correlation between two variables of the same observation unit, this correlation loses significance, that is, it is not expressed between the units of other observation units. The use of panel data enables the definition and testing of more complicated econometric models, as well as the measurement of diversity within observation units. Furthermore, panel data show less sensitivity to atypical values, so-called "outliers". Surveys using panel analysis at the micro level have proven to be more accurate than those at the macro level. The homogeneity of panel data is important

for panel analysis. Panel data are considered homogeneous when the observation units have common characteristics. If the panel data is not homogeneous, it often happens that none of the variables show statistical significance, that is, the panel analysis becomes irrelevant. According to the availability of data, panel data can be divided into balanced and unbalanced. When the necessary data are available for each unit of observation, in each period and for all variables, then we speak of balanced data. If for any observation unit there is a lack of data for a variable in a certain period, then we are talking about unbalanced data. Also, according to the dependence on the dependent variable, panel data can be divided into static and dynamic. The main assumption of static panel models is the absence of autocorrelation, i.e. the dependence of the current value of the selected variable on its previous value. Given that most economic phenomena are dynamic in nature, that is, the current value of the selected variable depends on its previous values, dynamic panel data are used in most research, including in this paper.

The sample in our work contains 27 observation units, which are observed through 14 periods. Given that the influence of the dependent variable with one time shift back turned out to be statistically significant, a dynamic panel model is used in the assessment. Blundell and Bond's two-step estimator with the minimum number of instruments proved to be the most suitable estimator. Namely, Blundell's and Bond's estimator removes the shortcomings of Arellan's and Bond's estimator by including the equation in levels, thus enabling the estimation of variables that are not dependent on time. It is also more efficient and shows better properties for highly persistent variables and in cases where the number of observation periods, as in this sample, is small. Based on the characteristics of the set economic relationship, a dynamic model with Blundell and Bond's estimator was chosen for the purposes of this paper.

The results of each model will be subsequently verified with appropriate tests. The first of them is the Sargan test, which will test the validity of the instruments that have been selected to evaluate the model. The null hypothesis of the Sargan test assumes that the selected variables are uncorrelated with the residuals. If the null hypothesis is accepted, it is concluded that the selected instruments are valid. Otherwise, there is an endogeneity problem in the model. Furthermore, two diagnostic tests on autocorrelation among the first differences of residual deviations, the m1 and m2 test, are also performed in empirical research. The null hypothesis of the m1 test assumes the absence of first-order autocorrelation among the first differences of the residuals, and the null hypothesis of the m2 test assumes the absence of second-order autocorrelation among the first differences of the residuals. Considering that the existence of autocorrelation of the first order is expected among the first differences of the residuals, the results of the test with its existence are most often ignored. However, the existence of correlations of the second or higher order indicate problems with the specification of the model, that is, they show that some of the conditions are not satisfied at times. So, with the existence of first-order autocorrelation among the first differences of the residuals, the parameter estimates are consistent, and if there is a second-order correlation among the first differences of the residuals, the parameter estimates are inconsistent. The model was estimated with the Blundell and Bond GMM estimator in two steps, with a minimum number of instruments for the dependent and independent variables. According to the recommendations from the studied literature (Škrabić, 2012), a minimum number of instruments was used to eliminate the possibility of increasing the bias of the estimator and so that the number of instruments would not exceed the number of observation units. This estimator is an upgrade of the two estimators, and has proven to be better at solving situations where the latter show deficiencies. Arellano and Bover added a level equation to Arellano and Bond's estimator, which allowed the estimation of the effects of time-independent variables. Furthermore, Blundell and Bond continue to upgrade Arellano and Bover's estimator and create a system of estimators where the equation in first differences and the equation in levels are evaluated simultaneously. The two-step estimator found to be the best for this study uses the value of the first differences of the residuals from the estimation of the systematic estimator instead of the relation errors. The Blundell and Bond estimator is generally suitable for research in which the number of periods is relatively small and in situations where the variables are highly persistent.

In the continuation of the work, four models will be tested by panel analysis.

Initial model:

$$y_{it} = \mu + \gamma y_{i,t-1} + \beta_1 GDPPC_{it} + \beta_2 INF_{it} + \beta_3 EDU_{it} + \beta_4 PSA_{it} + \beta_5 NCH_{it} + \beta_6 NNH_{it} + \beta_7 CE_{it} + \beta_8 GEXC_{it} + \beta_9 VIS_{it} + \alpha_i + \varepsilon_{it} \quad (1)$$

i = 1, ... N, t = , ...T

Where is:

y – one of the selected indicators of the development of the country's tourism sector in period t (number of international tourism arrivals-NITA, total tourist expenditures-TTE, the number of overnight stays in tourist accommodation-NOS, and the number of employees in the tourism sector-NETS)

$y_{i.t-1}$ one of the selected indicators of the development of the country's tourism sector in the period t-1.

GDPPC – GDP gross domestic product per capita in euros in the country i and in the period t.

INF –Inflation measured by the consumer price index in the country and i in period t.

EDU – Higher education in the country and in period t (number of persons enrolled in higher education programs) in the country and i in period t.

PSA – Political Stability and Absence of Violence/Terrorism in the country and i in period t. The values of each of the listed indicator range between -2.5 and 2.5, where a lower value indicates a lower, or worse, level of quality.

NCH – Number of cultural heritage resources included in the UNESCO World Cultural Heritage List in the country i in period t

NNH – Number of natural heritage resources included in the UNESCO World Natural Heritage List in the country i in period t

CE – Cultural employment in thousand persons in the country i in period t

GEXC – Total general government expenditure in culture (% of total) in the country i in period t

VIS – Visits od museums per 100.000 inhabitant in the country i in period t

μ – constant member

γ – two-step system estimator

β_1, β_2 – parameters to be estimated

α_i – random effect

ε_{it}– standard error

Data, Variables Definition and Hypotheses

The variables in this model were selected based on the studied relevant literature, previous research and in accordance with the availability of data. Each variable from the model, data sources as well as theoretically expected signs are explained below. For the purpose of researching the influence of the quality of institutions on tourism, the sample included 27 member countries of the European Union (Austria, Belgium, Bulgaria, Croatia, Czech Republic, Cyprus, Denmark, Estonia, France, Finland, Greece, Germany, Hungary, Italy, Ireland, Lithuania, Latvia, Luxembourg, Malta, Netherlands, Portugal, Poland, Romania, Sweden, Spain, Slovakia, Slovenia). Annual data were collected for 14 periods, i.e. for the period from 2008 to 2021.

The database was created from web sources, primarily from the databases of the World Bank and Eurostat, and supplemented with official data from UNESCO and EGMUS. Data on GDP per capita as well as indicators of higher education, political stability and the absence of violence and terrorism, and inflation were taken from the World Bank database. The EUROSTAT database is the source of data on the number of international tourism arrivals, total tourist consumption, the number of overnight stays in tourist accommodation, and the number of employees in the tourism and cultural sector, state investments in the cultural sector. The source of data on the number of visits to museums is EGMUS (The European Group on Museum Statistics), and data on cultural and natural heritage resources were collected from UNESCO.

Based on empirical literature, dependent and independent variables were selected. Dependent variables selected as number of international tourism arrivals, total tourist consumption, the number of overnight stays in tourist accommodation, and the number of employees in the tourism sector. In order to test the hypotheses, independent variables were determined, of which the following were chosen as control variables: inflation, GDP per capita, political stability and the absence of violence and terrorism, and higher education. The following indicators of natural and cultural heritage and the development of the cultural sector were selected as independent variables: the number of cultural and natural heritage resources included in UNESCO's world heritage lists, the number of visits to museums, the number of employees in the cultural sector, and the amount of government investments in the cultural sector.

The GDP per capita is an indicator of the country's economic development. Given that a stable economy favors the development of tourism and enables more available funds to invest in the development of the tourism sector, a positive effect of GDP per capita on the dependent variables is assumed. Inflation has a positive effect on the dependent variables, because it makes the receiving country relatively cheaper. Higher education is often associated with the realization of a higher income for an individual, so it is assumed that the individual has more disposable income for involvement in tourist activities. Political stability and the absence of violence and terrorism is key to attracting tourist flows to the destination because it provides a sense of security to the individual.

Furthermore, the independent variables natural and cultural heritage are considered the basic attraction resources for the development of tourism. They are essential in forming the image of the country and creating a unique and competitive tourist product. Apart from the mere existence of heritage, its correct interpretation and appropriate valorization is important. Therefore, it is assumed that the growth of employees and state investments in the cultural sector have a positive effect on the development of the tourism sector, that is, on the dependent variables. The number of visits to museums is an important indicator of the effectiveness of state investments and the work of cultural sector employees.

Also, cultural heritage sites are often located within museums or under their patronage, therefore a positive relationship between the number of visits to museums and the dependent variables is assumed.

After determining the research variable, the research hypotheses were defined.

Su et al. (2019) points out that the main reason for heritage protection is the development of tourism. In order to empirically examine the influence of protected heritage on the development of the tourism sector, in this paper, through the first hypothesis, the influence of protected natural and cultural heritage on the indicators of the development of the tourism sector will be investigated.

H1: The number of cultural and natural heritage resources on the UNESCO World Heritage List affects the development of the tourism sector.

Many works emphasize the importance of natural cultural heritage for the development of tourism.

Richards (2001 & 2005) claims that the public accessibility of museums, exhibitions and other cultural manifestations contributed to the strengthening of the tourism sector. The connection between cultural heritage and tourism is particularly noticeable in Europe, whose rich cultural and historical heritage has attracted tourists since the first organized trips. Moreover, in many countries a positive correlation has been observed between the growth of visits to cultural attractions and the growth of tourism. Cultural attractions are considered symbols of important periods of global culture. They are the focus of many tourist activities and represent the basis for differentiation and achieving competitiveness of the destination. For this reason, an increasing number of cities and regions in the European Union are developing strategies to promote cultural heritage, and the number of cultural attractions is growing.

Weiler and Seidl (2004) conclude with an econometric assessment of the effect of the conversion of national monuments into national parks that the transformation emphasizes the importance of the area and increases tourist interest in the area. Changes implemented in eight areas in the US resulted in an increase in the number of visitors on an annual basis.

Investigating the relationships between tourism indicators, Joshi et al. (2016) conclude that policies and legal regulations that favor tourism, abundance of natural resources, rich cultural heritage and favorable health and hygiene conditions contribute more significantly to the growth of tourism income than transport infrastructure, safety, development of tourist accommodation capacities and price competitiveness of the destination. The research results confirm that countries rich in natural and cultural attractions generate higher revenues from international tourism.

On the other hand, Romao et al. (2017), contrary to theories, still do not find empirical evidence that would confirm the positive and significant impact of natural heritage on tourism competitiveness, while the impact of cultural heritage turned out to be less important than assumed.

Furthermore, Nocca (2017) saw the need to empirically prove the valorization of heritage as an investment, not a cost. He points out that it is necessary to develop a systematic and integrated approach to conservation that would enable tools to estimate the costs of conservation and compare them with the benefits of changes. Therefore, through the second hypothesis, the connection between the development of culture and the development of the tourism sector will be investigated.

H2: There is a connection between the development of the cultural sector and the development of the tourism sector.

Through the review of the literature, it is evident that natural and cultural heritage is not sufficient in itself for the development of tourism. Cultural and natural heritage must be appropriately interpreted and presented in a marketing plan. Therefore, investments are necessary both in the preservation of heritage and in the education of professional staff and the development of additional content.

Pančić-Kombol (2006) points out that cultural resources are latent until they are activated by use. Cultural heritage becomes a cultural and touristic resource only after conservation and special design. Furthermore, cultural resources become tourist attractions through planned design and interpretation and attract a larger number of tourists. Vrtiprah (2006) emphasizes that tourists are more interested in interactive attractions where tourists are not only spectators but also participants. It is no longer enough to just have a rich cultural heritage, but it is necessary to manage it through marketing and create a cultural product. A cultural product implies an interpretation of the past and the provision of an experience of landmarks.

Correct interpretation requires the coordination of the work of experts from the cultural as well as the tourism sector. Through the analysis of secondary data, Richards (2000) concludes that the employees of the cultural sector have a key role in the transformation of the cultural into a tourist asset.

Furthermore, the increase in the number of tourist attractions contributes to the increase in their mutual competitiveness. Richards (2005) points out that the opening of culture to a wider market leads to the establishment of new evaluators of the success of cultural institutions. Investments in cultural heritage increasingly have to be justified in quantitative terms. The number of visitors or revenues become important performance indicators. Given that institutions financed by the public sector must demonstrate the efficiency of subsidies, attracting more tourists becomes an important means of improving the performance of the attraction.

Given that the development of marketing, the refinement of heritage, the creation of additional content and thus the enrichment of the tourist offer requires financial resources and professional staff, it is necessary to examine the effectiveness of state investments in the cultural sector. The effectiveness of the investment in this case will be represented by the number of museum visitors.

In Table 1 we present the descriptive statistics for the determinants used in our study. The lowest number of arrivals was 525000, while the highest number of arrivals was 217877000. The average number of people employed in tourism is 462470.5. The range of the number of employees in tourism varied from a minimum of 5,700 to a maximum of 2,850,000 people.

The average number of overnight stays in hotels and other tourist accommodation is 1,230,000,000 overnight stays. The minimum number of overnight stays is 6,254, and the maximum is 1,030,000,000. Furthermore, the average value of total tourist spending is 1,445,7647 euros. The minimum value of total tourist spending is 39,056.4 euros, and the maximum is 1,670,000,000 euros.

Descriptive analysis of independent control variables calculated the average value of GDP per inhabitant in the amount of 25532.25 euros. The average deviation from the average value of GDP per capita is 16,813.07 euros. The minimum value of GDP per capita is 4,970, and the maximum is 86,330 euros. The average inflation rate is 1.779% with an average deviation of 1.512 percentage points. The minimum inflation rate is -4.478013, and the maximum is 15.40232%. The average indicator of educational attainment, at least Bachelor's or equivalent, population 25+, total (%) is 22.85, which is attainment, at least Bachelor's or equivalent, population 25+, total (%). Furthermore, the results of the descriptive analysis show that based on 378 observations, the average value of the perception of political stability and the absence of violence and terrorism was calculated in the amount of 0.775 with an average deviation of the amount of 0.369. The minimum value of perceived political stability and the absence of violence and terrorism is -0.4738, and the maximum is 1.511. The sample also calculated the average number of cultural heritage resources registered on the UNESCO World Cultural Heritage List in the amount of 10,50529 cultural heritage resources, with an average deviation of 11,26442 cultural heritage resources. The minimum number of cultural resources inscribed on the UNESCO List of World Cultural Heritage is 0, and the maximum is 46 cultural resources. In addition to cultural heritage resources, the average number of natural heritage resources registered on the UNESCO World Natural Heritage List was calculated in the amount of 2.633 natural heritage resources, with an average deviation of 5.031 natural heritage resources. The minimum number of natural resources inscribed on the UNESCO World Natural Heritage List is 0, and the maximum is 26 natural resources.

Furthermore, descriptive statistics were calculated for indicators of the development of the cultural sector. The average number of visits of museums per 100.000 inhabitant is 218827 visits with an average deviation of 730073 visits. The average number of employees in the cultural sector is 255.76 people with an average deviation of 360.3 people. The minimum number of employees was recorded at the level of 5.1 employed persons, while the maximum number of employees in the cultural sector is 1807 in thousand persons. Finally, the average value of state investments in the cultural sector is 1.24% of the total state investment, with an average deviation of 0.563. The minimum value of state investments in the cultural sector is 0.1%, and the maximum is 3.1% of the total state investment.

Table 1: Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.	Observations
ITA	29575876	10604000	218000000	525000	43010919	335
NNET	451017	224380	2850000	5700	629756	326
NNSN	123000000	38100857	1030000000	6254	218000000	378
NEXP	14457647	3495724	167000000	39056	26831333	378
GDPPC	25532.25	20455.00	86330.00	4970.00	16813.07	378
INF	1.78	1.51	15.40	-4.48	1.97	378
NEDU	22.65	21.95	45.69	0.84	6.69	311
PSA	0.74	0.78	1.51	-0.47	0.37	378
NCH	10.51	7.50	46.00	0.00	11.26	378
NNH	2.64	0.00	26.00	0.00	5.03	378
VIS	218827	111704	7732003	57.65	730073	238
NCE	259.05	128.60	1807.50	5.10	365.55	378
NTGEC	1.24	1.10	3.10	0.10	0.56	378

Source: Author calculations.

Table 2: Correlation Matrix

	ITA	NNET	NNSN	NEXP	GDPPC	INF	NEDU	PSA	NCH	NNH	NVIS	NCE	NTGEC
ITA	1	-0.14	0.97	0.71	0.38	-0.07	-0.25	-0.5	-0.16	-0.08	-0.06	0.65	-0.17
NNET	-0.14	1	0.87	-0.22	0.22	0.12	0.23	0.03	0.42	0.51	-0.24	-0.17	-0.42
NNSN	0.97	0.87	1	0.73	0.38	-0.08	-0.23	-0.5	-0.18	-0.12	-0.01	0.57	-0.11
NEXP	0.71	-0.22	0.73	1	0.49	-0.1	-0.19	-0.34	-0.2	-0.16	0.16	0.63	-0.16
GDPPC	0.38	0.22	0.38	0.49	1	-0.03	-0.22	0.12	0.24	0.44	0.41	0.46	-0.53
INF	-0.07	0.12	-0.08	-0.1	-0.03	1	-0.21	-0.02	0.04	0.11	-0.14	-0.1	-0.1
NEDU	-0.25	0.23	-0.23	-0.19	-0.22	-0.21	1	-0.11	0.33	-0.02	0	-0.23	-0.01
PSA	-0.5	0.03	-0.5	-0.34	0.12	-0.02	-0.11	1	-0.16	0.16	0.36	-0.48	0.16
NCH	-0.16	0.42	-0.18	-0.2	0.24	0.04	0.33	-0.16	1	0.55	-0.32	-0.19	-0.59
NNH	-0.08	0.51	-0.12	-0.16	0.44	0.11	-0.02	0.16	0.55	1	-0.08	-0.07	-0.43
NVIS	-0.06	-0.24	-0.01	0.16	0.41	-0.14	0	0.36	-0.32	-0.08	1	0.07	0.27
NCE	0.65	-0.17	0.57	0.63	0.46	-0.1	-0.23	-0.48	-0.19	-0.07	0.07	1	-0.17
NTGEC	-0.17	-0.42	-0.11	-0.16	-0.53	-0.1	-0.01	0.16	-0.59	-0.43	0.27	-0.17	1

Source: Author calculations.

Before evaluating the proposed model of determinants of tourism demand, it is necessary to check the correlation between potential independent variables to identify possible problems of multicollinearity between them. Pearson's correlation coefficients in pairs were calculated for all pairs of variables and are shown in Table 2. We will have multicollinearity problem if the correlation between selected determinants is above 0.80 Gujarati and Porter (2009) and simultaneous inclusion of the variable in the model should be avoided. A high correlation is observed between international tourist arrivals and the number of overnight stays and between employment in tourism and the number of overnight stays.

RESULTS

Before interpreting the results, it is necessary to first perform the necessary diagnostic tests to verify the validity of the models. The results of the Arellano-Bond and Sargan tests can be seen in Table 3.

The results of the Sargan test show a p-value greater than 0.05 and the validity of the instruments used is confirmed. Likewise, the results of tests indicating the absence of first and second order autocorrelation problems. Since the models satisfied both diagnostic tests - Arellano-Bond and Sargan test, it can be further analyzed and interpreted in accordance with the obtained results.

Table 3: Estimation Results

Variables	Model 1	Model 2	Model 3	Model 4
Constant	1.935** (1.562)	0.396*** (0.707)	4.697*** (0.762)	3.299*** (3.032)
NITA (-1)	0.842*** (0.150)			
TTE (-1)		0.850*** (0.178)		
NOS (-1)			0.651*** (0 .308)	
NETS (-1)				0.775*** (0.218)
GDPPC	0.038** (0.088)	0.202*** (0.255)	0.308* (0 .140)	-0.091*** (0.092)
INF	0.027 (0.012)	0.004 (0.020)	-0.025 (0.014)	0.031 (0.025)

Variables	Model 1	Model 2	Model 3	Model 4
EDU	0.015 (0.004)	0.003* (0.006)	0.003** (0.011)	0.007* (0.008)
PSA	0.087 (0.039)	0.048 (0.025)	0.087** (0.051)	0.080*** (0.069)
NCH	0.004** (0.008)	0.001*** (0.003)	0.004*** (0.005)	0.021** (0.024)
NNH	0.010* (0.005)	0.012 (0.010)	0.001*** (0.004)	0.013* (0.011)
CE	0.056** (0.130)	0.141* (0.154)	0.556*** (0.467)	0.042* (0.059)
GEXC	0.080 (0.081)	0.029** (0.106)	0.037* (0.125)	0.051** (0.092)
VIS	0.027 (0.024)	0.004 (0.004)	0.083 (0.111)	0.001 (0.006)
Number of countries	27	27	27	27
Sargan test (p-value)	0.449	0.132	0.227	0.627
Arellano-Bond test [AR (1)]	0.041	0.093	0.084	0.076
Arellano-Bond test [AR (2)]	0.243	0.237	0.485	0.526

Notes: Standard errors are presented in parentheses.

***, **, * denote statistical significance at the 1, 5, 10 percent level respectively.

Source**:** Authors' calculations.

Panel analyzes of the model were conducted in order to accept or reject the research hypotheses. The first research hypothesis assumes that the number of cultural and natural heritage resources on the UNESCO World Heritage List affects the development of the tourism sector. The direction of influence of statistically significant relationships between independent and dependent variables is shown in Table 3.

Based on the results shown in Table 3, it can definitely be concluded that the use of dynamic panel models in the estimations is justified, given that the values of all dependent variables from the previous period proved to be statistically significant with a positive impact on the current value of the dependent variables. Furthermore, Table 3 shows the statistical significance of the influence of the control variables: GDP per capita, higher education and political stability and the absence of violence and terrorism with the variables selected as indicators of the development of the tourism sector.

The first control variable, GDP per capita, in accordance with expectations, showed a statistically significant and positive impact on income from international tourism, the number of overnight stays in hotels and other tourist accommodation, as well as on total tourist consumption. Furthermore, the results of the panel analysis indicate a negative and statistically significant relationship between GDP per capita and employment in the tourism sector. This result is not surprising if one takes into account that the share of the tourism sector in the total economy of developed countries is smaller compared to its share in economically less developed countries. The share of income from tourism in the total GDP of a country is one of the indicators of the importance of the tourism sector for the overall economy. We can conclude that the share of the tourism sector in the total economy of countries with a higher GDP per capita is smaller, which means that other sectors of the economy are more developed. Consequently, the number of employees in tourism is lower than the number of employees in other sectors of the economy.

The results of the panel analysis show a positive and statistically significant impact of higher education on the income from international tourism, the number of overnight stays, the total tourist consumption as well as employment in tourism. Considering that Crouch (1995) points out education as one of the stimulators of the desire to travel, and Šimundić (2015) points out the increase in the share of the highly educated in the total population as a population characteristic that positively affects tourism demand, this result is in line with previous knowledge.

Culiuc (2014) emphasize the importance of political stability for the growth of tourist demand for a destination. The results of the panel analysis also show that political stability and the absence of violence and terrorism positively contribute to the number of overnight stays in hotels and other tourist accommodation. Moreover, the aforementioned control variables contribute positively and statistically significantly to employment in tourism.

The influence of inflation turned out to be statistically insignificant considering that the direction and sign of this control variable changes through the models. The cause of such results may be in part of the panel data used in the performed analysis. Namely, part of the data refers to the period of the financial crisis in 2008 and a few years after, when, according to Bernoth et al. (2014) and Mazumder (2017), in the countries of the European Union recorded inflation rates below the target rates of the European Central Bank. Moreover, in some countries, such as Greece and Cyprus in 2014, deflation also occurred.

Dependent and control variables form the basis of all other models. In order to test the first hypothesis, two independent variables were separately added to the model base, the number of cultural heritage resources on the UNESCO World Cultural Heritage List and the number of natural heritage resources on the UNESCO World Natural Heritage List, which were selected as indicators of cultural and natural heritage.

The results of the panel analysis showed that the number of cultural heritage resources on the UNESCO List of World Cultural Heritage has a significant and positive effect on all indicators of tourism development, that is, on all dependent variables. Also, the number of natural heritage resources on the UNESCO World Natural Heritage List significantly and positively affects all indicators of tourism development, except for the number of overnight stays. The obtained results are in accordance with the previous literature (Dujmović, 2019; ICOMOS, 1993; Josh et al., 2016; Lo et al., 2017; Nilsson, 2018; Richards, 2000, 2001 and 2005; Ursache, 2015) that cultural and considers natural heritage as a fundamental resource for the development of tourism.

Considering the presented results of the panel analysis, the first hypothesis is accepted. Therefore, we can conclude that the number of cultural and natural heritage resources on the UNESCO World Heritage List affects the development of the tourism sector.

The second research hypothesis assumes the existence of a link between the development of the cultural sector and the development of the tourism sector. The direction of influence of statistically significant relationships between independent and dependent variables is also shown in Table 3.

The results shown in Table 3 justify the use of dynamic panel models in panel data estimations. The control variables GDP per capita and higher education show the same results as in the first eight models, and it can be concluded that they have a statistically significant and positive influence on the dependent variables, that is, indicators of the development of the tourism sector.

Furthermore, the conducted panel analysis showed that the number of employees in the cultural sector has a significant and positive effect on all selected indicators of tourism development. Also, state investments in the cultural sector showed a positive and statistically significant impact on the number of overnight stays in hotels and other tourist accommodation, tourist consumption and employment in tourism.

These results of the panel analysis are in accordance with previous theoretical research (Josh et al., 2016; Pančić-Kombol, 2006; Vrtiprah, 2006; Richards, 2000) which emphasize that the existence of heritage is just as important for the development of tourism as its preservation, valorization and interpretation. Richards (2000) particularly emphasizes the importance of the cultural sector and its employees in ensuring the appropriate preservation and use of heritage for tourism purposes.

The third indicator of the development of the cultural sector, i.e. the number of visits to museums, does not have a statistically significant effect on the indicators of the development of the tourism sector. This result is unexpected, and it needs to be studied in more detail in future research.

Considering the presented results of the panel analysis, the second hypothesis is also accepted. So, it is concluded that there is a connection between the development of the cultural sector and the development of the tourism sector.

CONCLUSION

Tourism, as one of the most complex socio-economic phenomena, enters into many aspects of the development and life of both individuals and the global economy. Cultural and natural heritage have attracted tourists since the first organized trips, therefore they are considered basic attraction resources for the development of tourism. However, many theoretical studies indicate that the mere existence of heritage is not enough to develop the tourism sector. Therefore, the inevitability of the cultural sector in the processes of valorization of heritage, its preservation, interpretation and presentation is emphasized.

Due to the aforementioned findings, this paper investigated the relationship between the development of the tourism sector and heritage, and the development of the tourism sector and the development of the cultural sector. Indicators of the development of the tourist sector, cultural sector, cultural and natural heritage, and certain control variables were identified. The indicators of the development of the tourism sector were selected: international tourist arrivals, number of overnight stays in hotels and other tourist accommodation, total tourist consumption and number of employees in tourism. Natural and cultural heritage indicators are represented by: the number of natural heritage resources included in the UNESCO World Natural Heritage List and the number of cultural heritage resources included

in the UNESCO World Cultural Heritage List. Furthermore, state investments in the cultural sector, the number of employees in the cultural sector and the number of visits to museums were selected as indicators of the cultural sector. Also, control variables that have been shown to be significant determinants of tourism development in previous research are included in the models, namely: GDP per capita, higher education, political stability and inflation. The contribution of this paper is reflected in the quantification of the influence of heritage and the cultural sector on the development of tourism, as well as in providing a broader picture of European heritage and its potential. The results of a panel analysis of four models, formed on the basis of data from 27 European Union members over a period of 14 years, indicate that there is a strong link between the heritage and cultural sector and the tourism sector. The obtained results are in accordance with the existing theoretical literature, which indicates the complexity of the tourist and cultural sectors and their mutual intertwining. Also, it is important to emphasize that many authors, through professional works, warn about the lack of quantitative analyzes and evidence that would confirm generally accepted theoretical conclusions about the relationship between heritage and tourism, as well as about the relationship between the cultural and tourist sectors. Moreover, the lack of quantitative research on the mentioned topics was also noticed during the preparation of this paper.

The conducted panel analysis, in accordance with previous theoretical works, confirmed that the indicators of natural and cultural heritage have a statistically significant and positive influence on the indicators of the development of the tourism sector. More precisely, the number of cultural heritage resources not on the UNESCO World Cultural Heritage List has a significant and positive effect on international tourist arrivals, the number of overnight stays in hotels and other tourist accommodation, total tourist consumption and employment in tourism. Moreover, the number of natural heritage resources on the UNESCO List of World Natural Heritage statistically significantly and positively affects all indicators of tourism development, except for the number of overnight stays.

Furthermore, the conducted panel analysis showed that the number of employees in the cultural sector has a significant and positive effect on all selected indicators of tourism development. Also, state investments in the cultural sector showed a positive and statistically significant impact on the number of overnight stays in hotels and other tourist accommodation, tourist consumption and employment in tourism. The third indicator of the development of the cultural sector, i.e. the number of visits to the museum, does not have a statistically significant effect on the indicators of the development of the tourism sector.

Based on the obtained results, both the first and second hypotheses were accepted. Therefore, it is concluded that the number of cultural and natural heritage resources on the UNESCO world heritage lists affects the development of the tourism sector, and there is a connection between the development of the cultural sector and the development of the tourism sector. In accordance with the obtained results, it is recommended that the current situation within the cultural sector be taken into account when forming the development policies of the tourism sector. Moreover, the results of the research indicate that a greater part of public resources should be directed towards the development of the cultural sector, both for attracting further investments from the private sector and for implementing a greater number of projects aimed at connecting the cultural and tourist sectors. The importance of human resources within the cultural sector in the appropriate valorization of heritage through tourism is unquestionable, therefore it is suggested to encourage the professional development and training of employees of the cultural sector. In order to achieve synergy between the cultural and tourist sectors, it is necessary to encourage the development of their cooperation and further networking.

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