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FIELD RESEARCH OF SUSTAINABLE TOURISM: INVESTMENTS AND FUNDING
OF LOCAL TOURISM ENTREPRENEURS AND PUBLIC ROLE IN TOURISM
DEVELOPMENT OF BALKAN DESTINATIONS

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Фабио Котифава. Теренно изследване на устойчивия туризъм: инвестиции и финансиране на местни туристически предприемачи и ролята на публичния сектор за туристическото развитие в балканските дестинации.

Статията представя част от резултатите, получени в резултат на анкетно допитване до местните туристически предприемачи в три български, три сръбски и четири македонски села с цел разкриване на икономическите предпоставки за развитие на устойчив туризъм.

Сравнителният анализ на селата откроява особеностите на човешкия фактор, на капиталовложенията и финансирането, както и на ролята на публичния сектор за туристическото развитие в дестинациите. Резултатите показват слабостите и противоречията между поставените цели и възприетите от местните предприемачи

икономически стратегии, а така също и на публичния сектор, който често не е в състояние да осигури условия за местното туристическо развитие.

Изведени са заключения относно преимуществата и недостатъците на предложената методология и нейното приложение в бъдещи туристически проучвания.

Ключови думи: структура на капитала, инвестиции, финансиране, местни туристически предприемачи, публична подкрепа, анкетно проучване

Fabio Cotifava. Field research of sustainable tourism: investments and funding of local tourism entrepreneurs and public role in tourism development in Balkan destinations.

The current paper presents a part of the results of a questionnaire-based survey of local tourism entrepreneurs in three Bulgarian three Serbians and four Macedonians villages, with the purpose to find the economic assumptions for development of sustainable tourism.

Comparative analysis of the villages outlines the features of the human factor, of the capital and the funding and the public role for tourism development of the destinations.

The results show the weaknesses and the contradictions between goals and the economic strategy adopted by local entrepreneurs in their businesses and a public function often not able to ensure the basic conditions for local tourism development.

Conclusions are drawn regarding the advantages and disadvantages of the suggested methodology and its application in future tourism surveys.

Key words: structure of capital, investments, funding, local tourism entrepreneurs, public support, questionnaire survey

1. Introduction

Sustainability, due to its mission to ensure the future revenue of local community through the preservation and proper exploitation of resources, leads the companies involved in sustainability strategy to an economic gap which can be only overcome by a correct management. In small mountain destinations, where the structure of supply is highly fragmented and dominated by small businesses, local entrepreneurs don't have the education to organize their firms in accordance to the principles of good management. At the same time public subjects have often played a low role both in support of local entrepreneurs and public structures.

The research presented in this paper was carried out in 2010 and 2011 within a wider project aimed to develop a theoretical model regarding the economic assumptions for the development and/or survival of sustainable tourism subjects. This model was tested through field research and comparative analysis of three Bulgarian villages in the West Rhodope Mountain, four Macedonian villages in the region of the Ohrid and Prespa lakes and three Serbian villages in the southern part of the country.

Analysis of present literature shows that contributions by scientific community and international institutions in survival and economic development of small tourism entrepreneur are insufficient.

Although small businesses are often considered the drivers of local tourism development, most of documents are focused on environmental protection, the preservation of local cultural and traditions and the questions of local community. The needs of small businesses are mentioned only in a few documents and, probably, it leads to lack or insufficient studies about the economic characteristics of these entrepreneurs.

This paper wants to overcome this information deficit through the study of the capital structure of local tourism firms according to the principles of management and the role of public subjects in tourism development. Special emphasis is put on private investments, the related funding and the public support. The last part of the paper includes some recommendations regarding the problems explained in the chapters.

2. The Research Territorial Scope and Methodology

2.1 Subject of research (field)

In the case of sustainable tourism it's not so easy to determinate the population, so according with Statistic Science the methodology of quantitative research can be developed on no-probability sample which doesn't allow to make inferences to the population. The case cannot be studied in its entirety. Hence this study uses a sample determined by the researcher on the basis of the aspects which represent the aims of the research which defines the type of information obtained by the data collection and analysis. The choices of the sampling have involved:

1. area

1. countries. The research spreads over a part of the Balkan Peninsula. In order to obtain a high degree of comparability among the results of the questionnaires surveys, three neighboring countries, located in the central part of the Balkans, were considered:

Bulgaria, Macedonia and Serbia

2. villages have been chosen on the basis of these criteria:

1. they are not involved in mass tourism;
2. they have tourism potential regarding, the cultural heritage, local tradition, tourism attractions, tourism services, natural beauties, etc. in other words thanks to their characteristics;
3. they can be involved in a sustainable tourism project;
4. they are rural areas with different strengths. However they are all rural areas, they can base the local tourism on different variables which depend on their location, history, traditions, etc.;
5. sustainable tourism would be the main chance for local tourism development in them;
6. they show a certain degree of local tourism development. They are known in the tourism market and they offer some local tourism services.

Studied villages:

(BG) Dolen, Lesten and Kovachevica are three villages, famous for their architectural heritage and natural beauty. They are characterized by small tourism businesses since the mid 1990s.

(MK) Veciani, Babino, Elsani and Brajcino located in the southern part of the country, not far from Ohrid and Prespa lakes, are considered to be among the most popular destinations in Macedonia. The specific appearance and atmosphere of these villages combined with the ancient carnival of Veciani, the old library of Babino or the wonderful view on the lake Ohrid from the village of Elsani are only a few of the assumptions for the development of a sustainable project.

(SBR) Guca, Sirojgoino and Mecavnik, located in the southern part of the country close the border with Kosovo, are bit different from the previous villages. The fact that they can offer a combination of heritage, rural and eco-tourism, they are known for the events or festivals organized here every years and for their two ethno-villages considered a perfect examples of old Serbian villages. In particular Mecavnik is a destination in Mokla Gora municipality founded by the famous film director Mr. Kusturica.

Using the collected information it was interesting to compare Kovachevica to Mecavnik because these villages are characterized by a same specific condition: they became famous thanks to some movies filmed in their areas and they are always associated with the most famous national artists and actors. Although the same “strength” from the tourism standpoint the two villages show great differences which can be summarized as follow:

Kovachevica	Mecavnik
Architecture and traditional preservation	
It's the renovation of a old mountain village	It's a ethno-complex built to be the set of a film, 10 years ago
It's a good example of traditional architecture preservation	It's a good rebuilt of traditional houses
Its a traditional village which offers the visitors the specific appearance and atmosphere of the old Bulgarian villages	It's a mere business tool (the payment of a ticket is required)
Services and facilities	
It shows the problems and limitations of small rural destinations involved in tourism	It was designed to satisfy tourists and guests
Local community and tourism	
Most of its houses are property of local community	All complex is property of Mr. Kusturica
The community who lives in the village is involved in tourism both as worker and entrepreneur	Mecavnik involves only workers who live outside the ethno-complex
The number of its citizens have been decreasing for the last years	Mokla Gora (the municipality which includes Mecavnik) is characterized by a demographic grow: in the last 10 years the number of its citizens has increased with about 200 (20%)
In the villages there are some restaurants, shops, small hotels and guest-houses which evidence a local tourism development	It seems that the ethno-complex don't have great effects on local tourism development. A few private guest houses on the road for the ethno-complex are the only establishments related to tourism outside the complex: restaurants, hotels and other shops for tourists don't exist It has positive effects on local housing, which are shown by the new private houses built near the complex
Local entrepreneurs show great limits in management and low resources.	Complex's life is totally based on its founder and owner. The presence in the complex of the family of Mr. Kusturica, who lives here, represents the main marketing tool for the destination

2) subjects

Sustainable tourism is not a special type of tourism, but a philosophy which aims to preserve the local resources whose rules and principles can be applied both by mass tourism and alternative tourism (WTO - 2004), however, in reality, only the small entrepreneurs of the alternative ones have the characteristics to be the real driving force of the development of sustainable tourism (Alternative tourism is based around small local businesses - Carter, 1993).

Hence, the research studied **54 analysis units**: restaurant 7, restaurant with bed/rooms 10, hotels 5, guest-houses 28, local associations 1, ethno-village 1, other firms 2.

The questionnaire of basic information about the village-municipality was filled in by employees of associations and public offices according to the official reports and their knowledge.

In the Bulgarian villages practically all local entrepreneurs were interviewed. However most of guest-houses in the Bulgarian villages (Dolen 94% of the establishments with 90% of the available bed places, while in the others two about 50%) are not categorized and do not exist in the registers of local administration, while in the Macedonian and Serbian villages only the registered establishments were included in the data collection.

In all villages the interviewers have chosen the key actors in local tourism development according with the following their characteristics: organization and assets (material goods and intangibles); role in the village and in local tourism. In the village of Vevciani the questionnaires of the main local entrepreneurs (key actors) were not filled in.

Table 1

Stakeholders											
	Dolen	Leshten	Kovachevica	Elsani	Babino	Brajcino	Vevciani	Guca	Siroigojno	Mecavnik	Tot.
Number	1	1	4	3	3	1	0	2	1	2	18

2.2 Methodology

According to the aims of this study and in order to answer these questions a questionnaire survey was designed to find information about:

- 1) villages-municipalities general information, population, facilities, etc.
- 2) local establishments tourism services offered, human factor, capital structure, funding, costs, etc.
- 3) private and public actions, public support, relationships between public and private subjects, local tourism cooperation, etc.

Usually, researches can be vary in methodology but every one is based on data which is collected trough two data collection techniques: primary and secondary.

The present study uses mainly a quantitative approach, which was the core of this study, but even the qualitative one, according to Gall, Borg & Gall (1996) conducted through open-ended questions and interviews, is involved in determination of primary data. Secondary data are used to understand and analyze the situations and consequences related to primary ones.

Primary data. The collection of primary data in the present research is based on direct observations, questionnaires and interviews.

Direct observations

In order to have complete information about the research topics and to check some answers in the questionnaires, a direct observation of the studied villages and establishments has been conducted by the author.

Direct observation is very useful to have deeper information and better perception about the villages, the local economy and life-style. It's also used to check some of the answers regarding general information on the villages and the studied establishments.

Questionnaires and interviews

The main components of the field research are:

- 1) the questionnaire of basic information about the village-municipality;
- 2) the questionnaire - based survey of local tourism entrepreneurs;
- 3) the questionnaire - based survey of key actors in local tourism development.

The method is focused on the three specially designed questionnaire in Bulgarian, Macedonian and Serbian languages, but also interviews with local entrepreneurs were conducted to obtain fuller and more accurate answers. In this way a possibility to add information and free comments to the answers related to close-ended questions was provided.

The questionnaires were filled in by the respondents directly or with the help and/or clarifications by the interviewers regarding some questions. The questionnaires mainly include close-ended questions which are selected to provide a uniform response easy to be processed and analysed and some open-ended ones focused on current situation and perspectives of local tourism development.

Basic information about the villages-municipality (BIATVM)

It posed 30 questions (4 open and 26 close-ended) about:

- 1) population – 9 questions;
- 2) local facilities and general infrastructure - 4 questions;
- 3) historical, religious, cultural attractions and natural beauties - 8 questions;
- 4) local tourism information and tourism organizations – 2 questions;
- 5) projects and problems for local tourism development – 5 questions (4 of them open).

Basic information about the establishment (BIATE)

It posed 35 questions (3 open and 30 close-ended) about:

- 1) characteristic of the establishment and tourism supply – 4 questions;
- 2) persons involved in tourism activity – 5 questions;
- 3) visitors – 6 questions (1 of them open);
- 4) commercial (which means all the measures to sell the products), promotion and prices – 4 questions;
- 5) expectations about the demand, prices and financial results – 3 questions;
- 6) capital structure, investments and funding – 6 questions;
- 7) operating costs – 3 questions;
- 8) local tourism cooperation – 2 questions;
- 9) main future purpose – 1 question;
- 10) obstacles and solutions for local tourism development – 2 open questions.

Questionnaire of major tourism development stakeholders (QMTDS)

It posed 14 questions (all close-ended) about:

- 1) present local tourism development – 4 questions;
- 2) factors and obstacles for tourism development – 2 questions;
- 3) cooperation and partnerships - 4 questions;
- 4) support for local tourism development - 1 question;
- 5) concept of sustainable tourism – 1 question;
- 6) general informations about the interviewees – 2 questions.

Secondary data

This research has used the followings secondary data sources:

- books: mostly books of management, businesses administration, tourism and banking sector coming from the author's collection and used in his studies and work as an accountant.
- websites: a great number of websites was used to obtain general information about the studied villages, about national financial data, etc.
- official records and publication: mostly official publication from institutional websites such as Unicredit Bulbank, Raiffeisen Research CEE Banking Sector Report, The World Bank, Standard & Poor's 2012 Global Credit Portal, WTO, EU etc.

- academic journals: Annuaire of Sofia University “St. Kliment Ohridsky”– Geography of Tourism Department.

Data Processing and Analysis

Obtained quantitative and qualitative information was farther processed and analysed to outline the features of the economical, financial and patrimonial aspects (the structure of the investments related to the fundings) of the local entrepreneurs as well as to delineate the existing relationships among private and public subjects and the public measures in support to local tourism development. The researcher applied the following methods of data processing and analysis:

- Analysis of the close-ended questions
 - calculation of the average rate of positive answers
 - calculation of the response rate of completed surveys
 - analysis of frequencies
 - analysis of the characteristics suggested by the interviewees
 - comparisons, to determine the differences or the similarities among the areas and the local entrepreneurs
 - comparisons, to determinate and analyze the difference between the studied data and those usually related to the entities characterized by a good management
 - comparisons, to determinate and analyze the difference between the studied data and those following from the suggested method
- Analysis of the open-ended questions
mainly used to identify and compare common problems, needs, themes or trends.

3. Research Findings

3.1 Structure of human factor

According to the survey results the total number of people involved in the establishments of the studied area amounts to 273, divided into 165 annual workers and 108 seasonal workers. 42% of the workers have experience in tourism and only 12% have a specialized education.

Low training in tourism and in particular in economy is confirmed by the *education structure* of the villages, which host 81% of annual workers and 90% of seasonal workers, characterized by 48% of basic education and *social structure* mostly agricultural.

The interviewees affirmed that low professionalism of locals, low knowledge of foreign languages and skills in tourism are some of the main problems for tourism development (open-ended responses n. 28, 29 and 30 BIATVM). Even major tourism development stakeholders include the lack of skills and knowledge of local who work with visitors among the main obstacles for tourism development for the village.

The analysis shows that knowledge of the people working in the establishment comes from the daily experience without the support of specific studies about the principles of economy and management. Before to work in tourism, may be most of the entrepreneurs and their employees were involved in manual tasks which didn't required education in economy. The studied villages don't show differences which require further explanations.

Of course lack/low knowledge in economy and management is a great limit to the management development of the studied firms.

3.2. Investments

Over the last five years the investments by the entrepreneurs in the studied villages are more or less equally divided between the categories: increasing capacity, increasing standard and new facilities and services (Table 2). Only in the villages of Vevciani (Macedonia) and Siroigojno (Serbia) a large part of the entrepreneurs didn't make new investments.

Table 2

Investments for the establishment's development in the last 5 years										
	Dolen	Leshten	Kovachevica	Elsani	Babino	Brajcino	Vevciani	Guca	Siroigojno	Mecavnik
no		50%		33%			75%		50%	
Yes, Increasing capacity	18%		9%	33%	50%	25%	25%	80%		50%
Yes, increasing standard	6%		36%	33%	50%	50%		60%	50%	
Yes, new facilities and services			36%		100%	25%		60%	50%	50%

These and the previous investments have led to a structure of the investments, made in the last 5 years (Table 3), which outlines a great imbalance between material goods and intangible goods which are almost non-existent. Not investments were made to develop new products, commercial relationships and training.

Even investments in advertising are very low: only 3%. It has to be noted that the development of a commercial network doesn't belong to the strategy of the studied establishments which most of them (about 50%) seem to prefer intermediary companies both at the national and the international markets.

Even the Serbian ethno-village of Mecavnik, which more than the others shows a well organized management, bases its promotion mainly on the figure and the personal relationships of its owner and founder Mr. Emil Kusturica.

The table shows that buildings are the greatest majority of investments: 52%. Lowest value (10%) is reported in the village of Brajcino, because the buildings are old or poor houses and investments in general equipments, although often related to the buildings, are not included into the house's value. The Bulgarian villages show the high role of the buildings (80%) in the structure of investments and the low of the furnishings (8%), while the Macedonian and Serbian villages show a more balance between the material goods.

Investments in Elsani are focused on vehicles used by the firm to connect the village to the lake Ohrid, but all the studied villages show the same structure of investments and operating expenses.

Usually, when the investments are focused on material goods, the entrepreneurs see their firms like an “assurance”. This erroneous idea of businesses, typical of small firms characterized by lack of modern economic view, leads to considers the investments in intangible goods as not necessary expenses and almost always related to the planning and the management of the public sector.

Hence, when the public support and/or public planning are missing, like in the studied areas, no one invests in intangible goods which, especially in tourism sector, are one of the main conditions for local development. In other words, invest in facilities and not in intangibles “it's like, build the engine and not spend money for the petrol!”.

Table 3

Structure of investments											
	Dolen	Leshten	Kovachevica	Elsani	Babino	Brajcino	Vevciani	Guca	Siroigojno	Mecavnik	%
Material goods											
Buildings	89%	80%	78%	30%	25%	10%	53%	40%	65%	50%	52%
furnishings	8%	10%	5%	10%	25%	47%	27%	50%	35%	10%	23%
General equipments	1%	4%	10%	0%	25%	90%	10%	47%		10%	20%
Electro equipments	1%	5%	5%	10%	25%		10%			10%	6%
Vehicles				50%			10%	30%		20%	11%
Intangible goods											
Formation (notary..)	1%	1%	1%								0%
licensing			1%								0%
Research											0%
Commercial expenses*											0%
Advertising expenses*			1%			20%	5%				3%
Training expences*											0%
* durable - 2years at least											

Low or lack focus on intangibles is also proved by the following table. The expenses in administration and services, which include advertising, training and commercial, cover only 3% of operating expenses, while, especially in tourism, these measures would be the main part of the business strategy.

Table 4

Operating expences (Approximate %)											
	Dolen	Leshten	Kovachevica	Elsani	Babino	Brajcino	Vevciani	Guca	Siroigojno	Mecavnik	%
salaries				20%		0%	27%	22%	20%	40%	22%
energy				40%		23%	22%	12%	20%	30%	24%
Administration-services*				5%		0%	5%	5%	0%	0%	3%
Purchase of goods				30%		19%	46%	42%	60%	30%	38%
Bank interests				0%		0%	0%	5%	0%	0%	1%
Bank charges											
Maintenance				20%		40%	8%	8%	0%	0%	13%
other											
* (including: advertising, training and commercial expenses)											

The studied entrepreneurs don't invest in commercial expenses (included into the “administration/services”) and this could be a sign of the important role played by the intermediary companies, such as travel agencies and tour operator in their management.

The collected data are not able to prove if the studied entrepreneurs apply this strategy which can be very dangerous for the development of the area due to the following considerations:

- among the studied villages only Mecavnik has an hotel able to accommodate groups, hence in other villages the group has to be divided between different houses each of them with different quality level, operating, etc.;
- the difference between individual and groups prices is often too small and the intermediary companies have to apply higher or similar prices than those so called “rack rate” to obtain a good profit;
- the prices applied by local entrepreneurs are often lower than the administrative costs for the booking of individual clients (the bank costs to transfer money, the callings abroad, etc.);
- local employees who don't speak foreign language and don't have economic skills can be considered a bothering obstacle by foreign intermediaries who are used to work with professional suppliers.

Hence, in short time, it's easy to accept that intermediary companies, considering these operations a loss of time, will focus on other easier and more profitable destinations.

The situation shown by the previous tables leads the entrepreneurs to a great contradiction into their management. Most of the studied entrepreneurs include the attracting of new clients and the development of loyal clients on the list of their main purpose in the future development of their business (Table 5), but, on the other hand, they don't put the bases to reach this goal. This contradiction characterizes all three countries.

Of course, investments to increase the capacity and/or the quality of the establishments are important and often necessary, but the increasing of the number of clients mainly depend on strong investments in promotion, advertising, research and the development of commercial network.

Table 5

Main purpose in the future development of your business										
	Dolen	Leshten	Kovachevica	Elsani	Babino	Brajcino	Vevciani	Guca	Siroigojno	Mecavnik
Attracting new clients	100%	100%	91%	100%	100%	75%	100%	100%	50%	100%
Develop. of loyal clients	63%	50%	82%	33%	100%		100%	100%	50%	100%
Increase the length of visitor's stay	50%	50%	36%	33%	66%	75%	50%	100%	50%	100%
Improving the product's quality	13%	0%	45%		100%	50%	75%	50%		100%
Increase the prices	0%	0%	0%							
New investments	6%	50%	45%	33%	100%			75%		
Other								25%		
I'm closing down the business	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Another contradiction between the purposes and the current state can be found analysing the questionnaire basic information about the villages-municipality (BIATVM). Three open-ended questions show that most of the interviewees consider lack of promotion, lack of professionalism in tourism, lack of professionalism of locals, lack of information, low or lack knowledge of foreign language, etc., the main problems for tourism development. These results prove that local entrepreneurs well know the problem, but at the same time they do nothing to solve it probably due to their chronicle diffidence for the investments in intangibles.

Usually, current management theory states that higher competitive differentials need intangible resources, while material goods are not so useful to competition especially in micro-economy.

Material goods due to their high degree of standardisation, can be easily obtained by others entrepreneurs, hence economic activities mainly founded on material goods are difficult to defend.

Despite the intangible investments have a degree of risk three times bigger than material goods,

a modern firm characterized by a high growth invests most of its resources in intangibles, especially in know-how, which are the first conditions to manage and understand the future market trends.

In the studied areas, these principles must be applied especially in marketing and commercial network. Investments in research and development of new local products, etc. have a high degree of risk because it's very difficult to protect them from other entrepreneurs which can use or copy these new ideas in the future: the risk to become the “trailblazer” exists. Hence before to invest large resources in research the entrepreneurs have to be sure to be able to defend their “position” in the future.

Further analysis of the collected data show that studied entrepreneurs consider very important the investments in promotion and advertising, as declared by some of the main local entrepreneurs, but they include these measures in the aims of the cooperation and partnership between entrepreneurs and public subject.

The answers by the major tourism development stakeholders, outline the important role played by the cooperation and partnerships in local tourism development (almost all studied entrepreneurs consider them important or very importance), which can be summarized through the promotion for attracting visitors, the supply of informations in the villages and in the nearby areas and the developing of a planning framework for local tourism development (Table 6). The major tourism development stakeholders consider the local authorities as the leader and partner of local cooperation and partnership. This shows the high degree of expectation by local entrepreneurs in the public support and involvement in tourism development of the area. There are not significant differences between the ten villages, which require explanations.

Table 6

Content of cooperation and partnership										
	Dolen	Leshten	Kovachevica	Elsani	Babino	Brajcino	Vevciani	Guca	Sirogojno	Mecavnik
Joint promotion for attracting visitors	100%	100%	100%	75%		100%		100%	100%	
Supply of info for sight and tourism supply in the village	100%		75%	50%		100%		100%	100%	
Supply of info for sight and tourism supply in neighboring village	100%		100%	25%		100%			100%	
Joint creation and maintenance of tourism facilities/services		100%	75%	50%				100%		
Joint planning of tourism development in the destination	100%	100%	50%	100%		100%		100%	100%	
Smplification of administrative procedures for the business		100%	75%							
Effective controll over tourism activities and product quality		100%	75%					100%		
others					100%					

In nutshell the research outlines areas characterized by entrepreneurs who limit their mission to supply a good accommodation, good services, etc. Investments in intangibles, such as the promotion, the supply of information, the development of local tourism planning, are tasks of the public and private cooperation and partnerships promoted and led by local authorities.

Probably they well understood their limit in management, in financial resources and the obstacles to obtain bank credit, hence they focus their limited resources in investments characterized by a low risk degree, or which can be sold or used as private possessions or property when the economic activity ends: in other words they apply the well known principle “in any case the material goods remain even if the things will not go well”.

3.3. Funding

Investments are mostly funded by the owners in the Bulgarian village of Leshten and in all the Serbian and Macedonian ones. Table 7 shows that only 50% of the entrepreneurs in Kovachevica and Dolen used bank credit for their investments. Public support is quite non-existent.

Table 7

Structure of funding for investments											
Capital:	Dolen	Leshten	Kovachevica	Elsani	Babino	Brajcino	Vevciani	Guca	Siroigojno	Mecavnik	%
by owner	40%	100%	20%	100%	100%	93%	100%	100%	100%	100%	85%
by bank credit	54%	0%	50%	0%	0%	0%	0%	0%	0%	0%	10%
by public istitutitions	6%	0%	30%	0%	0%	20%	0%	0%	0%	0%	6%
by other subjects	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

All establishments in 7 villages show 100% of capitalization and no entrepreneur in 8 villages uses bank credit for development their businesses. This situation leads to 85% of average capitalization in the whole studied area.

The perfect rate between capital of the owner and debts doesn't exist (it depends on several variables such as the economic sector, the financial leverage, etc.) but usually it's not wrong to finance a part of the investments with bank loans. Especially for the type of entrepreneurs, like those studied, characterized by low private resources, lack of bank help often leads to a reduction of the potentials of the firm and the lost of interesting growth opportunities. Of course it's not easy to convince a entrepreneur who almost always doesn't use bank loans for material goods, to make bank debts for the intangibles.

Low use of bank loans depends on entrepreneur's skills and on the banking systems of Bulgaria, Serbia and Macedonia which put great obstacles to loans.

Macro-economic data, provided by researcher of Unicredit Bulbank, Raiffeisen Research CEE Banking Sector Report, The World Bank, Standard & Poor's 2012 Global Credit Portal, show that in all three studied countries low use of bank loans is not a characteristic of tourism, but involves all economic sectors (Table 8).

Analysis of *domestic credit provided by banking sector*, which includes all credit to various sectors on a gross basis, with the exception of credit to the central government, which is net, outlines a situation where in these three countries, banking sector has provided, in the last 4 years, less than the half of the loans provided by banking sectors in France, German and Italy.

Table 8

Domestic credit provided by banking sector (% of GDP)				
	2008	2009	2010	2011
Bulgaria	64%	69%	70%	71%
Macedonia	41%	43%	48%	46%
Serbia	40%	48%	57%	54%
France	124%	128%	132%	133%
Germany	126%	133%	130%	124%
Italy	132%	141%	151%	157%
Font: World banks				

Usually the low degree of domestic credit covered by the banking system depends on a few variables, among them some of the most interesting are the *Loans-to-deposit-ratio* (Table 9) which give an idea about the willingness of banks to led money and the *bank interest rates* (Table 10).

Table 9

Loans-to-deposit-ratio			
	2009	2011	Trend
Bulgaria	120%	105%	
Macedonia	105%	90%	80%
Serbia	125%	125%	
Font: World bank			

Table 10

Bank interest rates (Lending interest rate*)		
	2010	2011
Bulgaria	11,40%	10,60%
Macedonia	9,40%	8,90%
Serbia	17,30%	17,20%
Font: World bank, Index mundi * the rate charged by banks on loans to prime customers		

The three countries are characterized by different situations about the loans-to-deposit-ratio and the bank interest rates. During the last years, Bulgaria always has had a loans-to-deposit-ratio 15 points higher than the Macedonian one, while the banks in the two countries have applied more or less the same interest rates.

In this situation it's clear that Macedonian entrepreneurs always had higher difficulties than their Bulgarian colleagues, to obtain bank loans. The future trend of loans-to-deposit-ratio in Macedonia will decrease to 80% (it has be noted that this rate is decreasing in most of the European countries) and local entrepreneurs will have much more problems than in the past to finance their investments using bank loans.

The Serbian situation is bit different due to the high bank interest for the loans in Serbian Dinars, which are subjected to high level of speculation and inflation. The low marginal profit which characterizes the tourism sector, is not able to cover bank interest rates about 20%. The Serbian entrepreneurs can reduce the cost of bank credit using the exchange difference between Euro and Serbian Dinars, but this procedure requires great caution and special skills in the banking sector.

In nutshell the low use of bank credit and the resulting high capitalization of the studied firms depend on variables which come from both the erroneous suspicion in banking sector by the studied entrepreneurs due to their low-lack economic knowledge and the low willingness of the banking sector to lend. Even the high interest rates play a important role in the management choices.

3.4. Public support

Survey results show the low role played by the public subjects to help and finance the establishments and the management.

Despite the fact that Bulgarians data are a bit approximate, the results show that public help has been focused only on buildings, furnishings and training for the village of Kovachevica and Dolen. In the other countries, only 20% of the Serbian entrepreneurs received public support for advertising expenses and the complex of Mecavnik was helped to be included on the list of Unesco heritage.

No one of the Macedonian and Serbian entrepreneurs declared to receive public financing (money) for the development of their establishments.

Most of the studied villages show that the public subject pays a good degree of attention at the basic conditions related to the environmental preservation. The large part of the villages have organized garbage collection, potable water (most of them can use the water network and only the village of Leshten has some problems in water supply) and are connected with the other villages in the region by public buses. The results outline a good level of environmental preservation in all areas.

This public strategy is consistent with the opinion of the major tourism development stakeholders who consider clean and picturesque nature as one of the main factors for local tourism

development and eco and rural tourism the types of tourism most perspective for the village. The collected data don't show significant differences between the ten villages, which require explanations.

According to the survey results the public focus on basic infrastructures is much lower than what described earlier. Even considering the problems often related to mountain and rural areas, most of the interviewees consider lack or insufficient tourism facilities, tourism services, medical services (only two Macedonian and Serbian villages have a medical centre and two of them a pharmacy), the main obstacles for tourism development of the village. It has to be noted that bad accessibility is considered a problem only by two Bulgarian and Serbian villages, while the others include the good accessibility to their villages on the list of main factors for tourism local development. Even signage in/outside the village, especially road signs, are quite good in all studied villages.

4. Suggestions

The previous pages outline the main problems which characterizes the whole studied areas (the author didn't find great differences between the villages and between the local entrepreneurs). These problems are a great obstacle to development of local tourism and their solution needs a coordinated system of public and private measures, which, regarding the aim of this research, are related to the following aspects of the firms such as human factor, structure of investments and funding and management.

Table 11

	Problem	Subjects	Measures
Human factor	Low professionalism of locals and low knowledge of principles of economy.	Local public subject	Establish the role public adviser. Encourage new training of adults. Organize local meetings between entrepreneurs and experts.
		High schools Universities Business consultants	Cooperation with local public subject.
Structure of investments	Lack of intangibles	Local public subject	Encourage-support public and private investments in creating new local tourism products, in promotion and advertising*. Encourage the establishing of cooperation and relationships among entrepreneurs and private subjects. Help small entrepreneurs in operating promotion or marketing.
		Private entities (entrepreneurs, associations, etc.) High schools	Cooperation with local public subject. Organize relationships among private and public subjects to create new tourism offers and to promote local tourism and small local entrepreneurs.
Structure of funding	Low use of bank loans	Local public subject	Guarantee bank loans of small local entrepreneurs with local public properties
		Private subjects	Establishment of cooperatives of guarantee
Management	High use of intermediary High bank costs	Local public subject	Encourage-support public and private investments in creating a direct relation between local tourism entrepreneurs and tourism

			market
		Private subjects	Establishment of cooperatives of services
		Local public subject	Encourage agreements between banks and local entrepreneurs Encourage-support the establishment of associations and private cooperatives of services and guarantee
		Private subjects	Establishment of associations and cooperatives of services and guarantee

5. Conclusions

The questionnaire-based survey of local entrepreneurs has provided plenty of qualitative and quantitative information about the human factor, the structure of the capital and the funding which characterize the local tourism firms and role played by the public subject in supporting the tourism sector.

Despite some problems and limits in collecting the data, the results outline a situation characterized by entrepreneurs who focus their efforts on material goods considering their businesses mainly as a complex of assets, especially material goods. Economic aspect doesn't seem to be so central in their vision and the firm is often not considered as a way to produce good profits.

Of course this standpoint put great limits for the economic development of the establishments and the whole area and makes the contradictions between the strategy and the future business priorities, which prevent the firm from moving beyond the basic survival.

Bank loans are almost never used and most of the studied entrepreneurs totally cover the investments with their resources. It represents another great limit in tourism development and often it's the cause of lost of interesting economic opportunities, of low competitiveness and low economic growth.

According to the survey results, this situation depends not only on the suspicion in banking sector by the entrepreneurs, due to their low skills in management, but it's the consequence of lack or insufficient public support and the behaviour of banks. The bigger differences on the macro-economic data regard the banking systems of the three studied countries and among them Bulgaria shows the best situation: the Bulgarian entrepreneurs are the only ones which use bank credit.

Public subject shows a too limited vision of his role in tourism development. It pays much attention in some important general aspects, but it totally forgets the cooperation and the relationships between public and private subjects so required by most of the tourism entrepreneurs in the area.

The specific characteristics of the villages (heritage buildings, proximity to famous beach destinations, local events-festivals) play an important role on the seasonality and the trend of the client

presences, while they don't have great effects on the internal structure, especially about investments and funding, of the studied establishments.

From the tourism management standpoint, the research doesn't outline great differences between the studied local businesses which, with the exception of Mecavnik, show the typical limits of the small firms.

*

The research methodology is quite appropriate for small destinations and could be applied in other mountain areas. However, some improvements are necessary to be made concerning the questionnaire and the interview:

the questionnaire is too long, so it could be reduced in the future by removing some of the questions in conformity to the specific aims of the next surveys;

some questions require too specific economic knowledge both for the respondents and the interviewers, so it's necessary to involve interviewers with good economic education in the future;

economic questions require data often not available and/or unknown, so it's better to give the respondents more time to fill in the questionnaire, involving when it's possible, their accountants in the future;

some economic data can be obtained directly from the official balances submitted by the entrepreneurs.

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