

Mato Bartoluci, PhD, Full Professor

University of Zagreb, Faculty of Economics & Business/ Department of Tourism,

J.F. Kennedy Square 6, HR 10000 Zagreb, Croatia

Phone: +385 1 238 3471, Fax: +385 1 233 5633

mbartoluci@efzg.hr

Zvezdana Hendija, PhD, Assistant Professor

University of Zagreb, Faculty of Economics & Business/ Department of Tourism,

J.F. Kennedy Square 6, HR 10000 Zagreb, Croatia

Phone: +385 1 238 3267, Fax: +385 1 233 5633

zhendija@efzg.hr

Mateja Petračić, graduate oec.

Karlovac University of Applied Sciences,

J.J.Strossmayera Square 9, HR 47000 Karlovac, Croatia

Phone: +385 91 513 7135

mateja.petracic@vuka.hr

EVALUATION OF ENTREPRENEURIAL PROJECTS FOR THE PURPOSE OF SUSTAINABLE TOURISM DEVELOPMENT OF EASTERN CROATIA

VALORIZACIJA PODUZETNIČKIH PROJEKATA U FUNKCIJI ODRŽIVOG RAZVOJA TURIZMA ISTOČNE HRVATSKE

ABSTRACT

The subject matter of this research is connected with economic evaluation of entrepreneurial projects of special interest tourism in Eastern Croatia. The basic characteristics of special interest tourism (SIT) developed in tourist destinations are derived from special interests and needs of tourists for culture, religion, health, sport and physical recreation, hunting, fishing, ecology, wine, gastronomy, etc. It is precisely these varieties that are the potentials of Eastern Croatia, and they can be evaluated through various entrepreneurial projects of rural tourism. The experience of the neighbouring countries, e.g. Austria, Slovenia, Hungary, etc., has shown that similar regions have developed a wide offer of special interest tourism that generates significant economic effects. Eastern Croatia is at the very beginning of developing such offer, and at the moment the modest economic effects amount to 1% of the total turnover in tourism in the Republic of Croatia. The accession of Croatia to the European Union opened new market opportunities both as regards the foreign tourism demand and in terms of financing new investment projects. To attract new investments and means from structural and other funds of the European Union, as well as from other sources, entrepreneurial projects are necessary that will optimally evaluate ecological, socio-cultural and economic factors of development.

The aim of this paper is to research into and to economically evaluate the selected entrepreneurial projects of special interest tourism types for the purpose of sustainable development of tourism in Eastern Croatia.

The basic hypothesis of this research is that SIT types may be successfully developed as entrepreneurial projects only if they are ecologically, but also economically sustainable in a destination on a long-term basis.

The pilot research results have been used to serve to test the set hypothesis. The survey was done on the sample of tourism experts. Entrepreneurial projects can be sustainable on a long-term basis provided that the basic prerequisites be realized – the structure and the range of domestic and foreign tourism demand, favourable sources of financing, quality and competitive tourism offer, a wide range of autochthonous products and services provided by quality personnel, etc. These are elements necessary for economic evaluation of entrepreneurial projects that need to be analysed and identified before investments are made for each prospective projects. Economic evaluation of entrepreneurial projects has shown their economic profitability, which is a prerequisite of their long-term sustainable development.

To realize the set aim of the research, desk research has been made, descriptive statistics has been calculated and the methods for the evaluation of entrepreneurial projects' profitability has been applied.

Key words: *entrepreneurial projects, development of sustainable tourism, Eastern Croatia*

SAŽETAK

Problem ovog istraživanja vezan je uz ekonomsku valorizaciju poduzetničkih projekata specifičnih oblika turizma u regiji Istočna Hrvatska. Temeljna obilježja specifičnih oblika turizma (SOT-ova) koji se razvijaju u turističkim destinacijama proizlaze iz posebnih interesa i potreba turista za kulturnim, vjerskim, zdravstvenim, sportsko-rekreacijskim, lovnim, ribolovnim, ekološkim, vinskim, gastronomskim i drugim sadržajima. Upravo su to potencijali koje ima regija Istočna Hrvatska, a moguće ih je valorizirati kroz različite poduzetničke projekte ruralnog turizma. Iskustva iz susjednih zemalja Austrije, Slovenije, Mađarske i dr. pokazuju da su slične regije razvile vrlo široku ponudu specifičnih oblika turizma koji generiraju značajne ekonomske učinke. Regija Istočna Hrvatska tek je na početku značajnijeg razvoja ovakve ponude sa skromnim ekonomskim učincima koji se kreću oko 1% od ukupnog turističkog prometa u Republici Hrvatskoj. Ulaskom RH u Europsku Uniju otvaraju se nove tržišne mogućnosti kako na strani inozemne turističke potražnje, tako i u području financiranja novih investicijskih projekata. Za privlačenje novih investicija i sredstava iz strukturnih i drugih fondova Europske Unije, ali i dugih izvora, potrebni su poduzetnički projekti koji će optimalno valorizirati ekološke, sociokulturne, kao i ekonomske čimbenike razvoja.

Cilj je ovog rada je istraživanje i ekonomska valorizacija odabranih poduzetničkih projekata specifičnih oblika turizma u funkciji održivog razvoja turizma u Istočnoj Hrvatskoj.

Temeljna hipoteza ovog istraživanja je da se SOT-ovi mogu uspješno razvijati kao poduzetnički projekti samo ako su ekološki ali i ekonomski dugoročno održivi u destinaciji.

Dokazivanje hipoteze izvršeno je pomoću rezultata izviđanog istraživanja, a koje je provedeno pomoću anketnog ispitivanja turističkih stručnjaka. Poduzetnički projekti mogu biti dugoročno održivi ako se ostvare temeljne pretpostavke: određena struktura i opseg domaće i inozemne turističke potražnje, povoljni izvori financiranja, kvalitetna i konkurentna turistička ponuda, široki asortiman autohtonih proizvoda i usluga uz kvalitetnu radnu snagu i dr. Sve su to elementi za ekonomsku valorizaciju poduzetničkih projekata koje je potrebno istražiti i utvrditi prije ulaska u investicije za svaki potencijalni projekt. Ekonomska valorizacija poduzetničkih projekata pokazala je njihovu ekonomsku isplativost što je pretpostavka njihovog dugoročnog održivog razvoja.

U radu su korištene znanstvene metode: desk research, metoda deskriptivne statističke analize te metode za ocjenu isplativosti poduzetničkih projekata.

Ključne riječi: *poduzetnički projekti, održivi razvoj turizma, Istočna Hrvatska*

1. Introduction and methodology

The subject matter of this research is connected with research into perceptions regarding entrepreneurial projects of special interest tourism (SIT) in sustainable development of Eastern Croatia. The basic characteristics of special interest tourism developing in destinations are the result of special interests, wishes and needs of tourists. In the era of contemporary tourism development, special interest tourism appears as a new quality of tourism product in destinations where it represents an additional source of economic values and economic sustainability of a destination. In tourism in the continental part of Croatia special interest tourism produces new opportunities for tourism development, where it can become a primary or a recognizable tourism product. The analysis of the past development of special interest tourism will be done in this article, together with the programming and economic opportunities of development of the existing and of new special interest tourism types.

Past research, as well as the new Croatian Tourism Development Strategy until 2020 (2013), shows that special interest tourism types have not been planned on the basis of research regarding objective market opportunities, but that their future development is based exclusively on areal resources (Bartoluci, Kesar, Hendija, 2014, 4). Hence, the aim of this research is to analyse market needs, as well as areal, socio-cultural and economic opportunities of sustainable development of special interest tourism. Tourism and sustainable development are interdependent, since tourism is mostly interested in the sustainability of resources that are the basis of its long-term sustainable development. Past research has led to the perception that sustainable tourism development can be realized by applying numerous principles: ecological, socio-cultural, technological and economic ones (Vukonić, Keča, 2001, 190). It is therefore necessary to plan the sustainable tourism development according to the requirements of tourists, but also in compliance with ecological, socio-cultural, technological and economic limitations of a certain tourism area (Bartoluci, 2013, 132).

Economic sustainability is based on healthy and economically efficient development implying optimal resource management in a sustainable way, subsequently making it possible for future generations to use these resources as well. Economic sustainability in tourism is compatible with ecological, socio-cultural and technological principles of sustainability. Economic sustainability should enable an economically successful development, and resource use and management should provide their preservation for future generations. The principles of economic sustainability of tourism are not incompatible with other principles, although in practice this situation may become possible, e.g. in case of facility construction (e.g. illegal construction) or in case of overcommercialization of cultural and historical heritage, etc. The balance of sustainable development of tourism can be attained in a destination if all indicators of sustainability are harmoniously triangulated (Mihalič, 2006, 103). Economic sustainability, as well as sustainable tourism, should be built on a long-term basis by all participants in a certain area, because this is the only way to ensure the quality of life both in the present and in the future. Therefore, in sustainable development policy equal attention should be paid to taking into account all principles of sustainability, because they are interdependent and synergistically affect tourism development.

Economic evaluation of entrepreneurial projects will show their economic acceptability as a component of the long-term sustainability.

The aim of this paper is to research into and to economically evaluate the selected entrepreneurial projects of special interest tourism types for the purpose of sustainable development of tourism in Eastern Croatia.

It is hypothesized that special interest tourism types may be successfully developed as entrepreneurial projects only if they are ecologically, but also economically sustainable in a destination on a long-term basis.

The confirmation of this hypothesis has been done on the basis of research results. General scientific methods of deduction and analysis for the interpretation of secondary data have been used in this empirical research. Descriptive statistics was done and Delphi method has been used in the primary research. Secondary data have been collected from official statistical reports, scientific and professional papers, as well as relevant Internet sites. The primary research has been conducted on 237 long-term experts of various profiles in tourism in the period between 15th and 22nd January 2014 by means of distributing the questionnaires through electronic mail. A representative response of 32%, i.e. 77 questionnaires, has been realized. The results were processed on anonymous basis. The structured questionnaire consisted of six close-ended questions, half of which demanded multiple answers. The development of special interest tourism types in Continental Croatia (excluding the Town of Zagreb) has been analysed. The subjects were asked to evaluate certain research elements on a Likert five-point scale, where *five* expressed high influence or importance, and *one* low influence or importance for tourism development, depending on the contents of a question.

2. Basic features of special interest tourism types

The concept of mass tourism has developed on the basis of the economy of scale which attempts to maximize the number of tourists, the number of overnights, tourism consumption and other economic effects. Research throughout the world shows numerous positive, but also negative consequences of mass tourism, so that in searching for new concepts of development new opportunities and alternatives to negative influences of mass tourism are sought. As an alternative to mass tourism ecotourism, green tourism, alternative tourism, etc. evolved, having one common feature – sustainable tourism (Bartoluci, 2013, 184). These tourism types are termed special interest tourism (SIT). With special interest tourism the emphasis lies on market segmentation and defining the primary motive that affects the decision of tourists to travel to certain places and destinations that can meet their specific wishes and needs. Special interest tourism types can therefore be defined as those that are based on specific interests of tourists for contents and activities in a certain tourism destination (Bartoluci, Škorić, 2009, 1). In other words, specific types of tourism are based on motives as prime movers of tourists that make them choose to go to those destinations that can optimally meet their special interests. These motives are those that address sport and recreation, health improvement, culture, history, education, religion, etc. It is such needs that produce special interest tourism types like sport tourism, health tourism, cultural tourism, education tourism, congress tourism, religious tourism, etc.

Geographical area is the basic resource in a destination for the development of special interest tourism. Geographical area is also the most important attraction that obtains use and market value through various types of tourism. Apart from areal resources, special interest tourism types are created in specially prepared resources. Special interest tourism types are mostly connected with natural resources or anthropogenic tourism resources, whereas some of them use both. What is particularly important for each special interest tourism type is that each demands not only specific resources, but a different organizational and market approach, various contents, experts who will render specific services, etc.

The basic features of special interest tourism types are that they are organized on an individual basis as independent and homogeneous activities of smaller groups, and that they provide long-term optimal development (Kesar, 2007, 53). Special interest tourism types can generate larger income for all subjects, employ more people from the area, as well as

encourage family entrepreneurship, investments in attractions, facilities and contents that are smaller in volume than investments in mass tourism. Accommodation capacities are built in compliance with the style typical for a particular area, and the market of special interest tourism is more homogeneous and more independent than the mass tourism market, etc. In terms of areal planning of special interest tourism a destination, i.e. a complex areal unit referring to the area of a functional tourism entity (tourism place), becomes the carrier of development. This area builds its tourism identity on the concept of its cumulative attractions which, due to the tourism experience that they provide, together with a certain urban tourism infrastructure, creates an area of intensive gathering of tourists. In spatial terms, the development of special interest tourism types is directly connected both with the concept of sustainable development and with the concept of the carrying capacity.

Special interest tourism types can be developed in a tourism destination either as a primary tourism development orientation or as an additional tourism product. Special interest tourism types as a *primary tourism orientation* develop on the basis of special characteristics of natural resources, e.g. sea, thermal mineral water, beneficial climate, mountain areas, etc. Special interest tourism types developing accordingly are ecotourism, health tourism, spa tourism, nautical tourism, winter sports tourism, agritourism, mountain tourism, etc.

Special interest tourism types also have an influence on the area within a certain destination, because it would be utopistic to believe that economically sustainable development of a tourism activity will not have any impact on the environment (Kesar, 2007, 53). Special interest tourism types, as the concept of the development of tourism, offer more opportunities of applying the criteria of sustainable development as a developmental option of mass tourism. Therefore, the concept of the development of special interest tourism is the most acceptable option in managing attractive areas in a destination.

Each receptive tourism country or region has its own specific characteristics of tourism resources from which various types and kinds of tourism emerge.

Nowadays in Croatia various specific types of tourism are offered that have been developed in tourism offer of competition countries as well. The key difference lies in a lower degree of development of special interest tourism types in Croatia, compared to other Mediterranean countries. This is so because other special interest tourism types did not develop simultaneously with the resort-spa tourism, so that a significant amount of unused potential for the development of the existing and new offer of special interest tourism types remained in the Republic of Croatia. This claim has been confirmed by the findings of the primary research regarding the current development level of twelve special interest tourism types in Continental Croatia. According to the opinion of 77 tourism experts, special interest tourism types in Continental Croatia received a low average mark of 2.7, which points to their poor developmental level. However, the expectations related to development are much more optimistic for special interest tourism types in Continental Croatia, because they received a much higher mark of 3.9. As the types of special interest tourism that have the best opportunities for development are gastronomic and wine tourism, rural tourism, ecotourism, cultural tourism, health tourism, sport and recreation tourism and event tourism. A somewhat slower development is expected for hunting and fishing tourism, religious tourism, urban tourism, congress tourism and memorial tourism (Bartoluci, Kesar, Hendija, 2014, 4).

3. Analysis of tourism features in Eastern Croatia

Past tourism development in Continental Croatia can be assessed with a medium mark in comparison with the total development of tourism in the Republic of Croatia. Since according to its geographical position Croatia is a Mediterranean country with almost 6,278 km of the

coastline of the Adriatic Sea (CBS, 2013a, 40), it is only logical that tourism has developed strongly in its coastal area, because numerous natural and geopolitical prerequisites existed for this development. Nowadays when Croatia is already a full member of European Union, and in international tourism market a strong megatrend of special interest tourism types is under way, the continental part of Croatia represents an area with significant natural and social potentials for the development of small-scale tourism which could significantly contribute to the economic and social revitalization of numerous social communities in this area.

Potentials for the development of tourism in the area under consideration have long been known. They are derived from rich and diverse natural resources geographically dispersed across the whole territory and involving fertile planes, picturesque mountains and hills, forests, rivers and lakes, beneficial climate, thermal mineral water springs and other resources which rural areas are rich in. Additionally, Continental Croatia is rich in tangible and intangible cultural heritage that is presented to the visitors through preserved historical heritage, but also through the contemporary life style of people in these areas. Rich and exceptionally preserved natural and social resources have equally affected the development both of the rural and of urban areas in which numerous opportunities for the development of complementary special interest tourism types have been opened. Through the accession of Croatia to European Union these opportunities have become even more expressed, which has also been recognized by the participants of the tourism offer in that they invested tangible and financial assets.

Since this area is yet to face a more intense development of tourism offer, it should be mentioned that key perceptions regarding tourism development management based on the principles of sustainable development are still insufficient and poorly disseminated. This is the reason why the authors of this article are trying to critically address the necessity of applying the concept of economic sustainability of development of special interest tourism types in Eastern Croatia, and to point to potential threats arising from unsustainable investment into new tourism capacities and from incorrect management of available tourism resources.

Although the concept of sustainable development has been present in the development theory and practice for decades, though only partially treated and applied in its early years of existence, the actual turning point in its theoretical deliberation and practical implementation at the global level was made by the United Nations World Commission on Environment and Development (UNWCED, known also as the Brundtland Commission) and its report entitled "Our Common Future" in 1987. The report was, in fact, the first comprehensive conceptualization of sustainable approach to development that determined globally applicable principles of sustainability. It also defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (UNWCED, 1987). Following years witnessed much discussion on sustainable development, the peak of which was the Earth Summit in Rio de Janeiro in 1992, when the "Agenda 21" was introduced and adopted, a comprehensive and detailed UN action document that contained strictly defined directives and principles of how to rationally use resources while, simultaneously, ensuring sustainable economic growth (UN, 1992).

The implementation of the concept of sustainability in tourism development is based upon balance among three areas of seemingly opposed interests: ecological, social and economic sustainability. Each of the listed sustainability areas should be regarded as an integral component of the general model of sustainable tourism development, meaning it is not acceptable to single out any of the areas for observation, analysis and conclusion drawing. Although attention of researchers has been first oriented to the ecological component of

sustainability, due to the occurrence of serious ecological issues emerging from excessive tourism development in particular destinations of Spain, France and Italy in 1980s, recently both the economic and social components of sustainability are becoming increasingly important. It is particularly obvious in research studies on tourism, since it has been proven that all three components of sustainability, viewed through the prism of preserving tourism resources, are equally important for success of its overall development.

According to WTO (1993, 10), economic sustainability should provide economically effective development that is designed in such a way as to improve the quality of life of local community in a particular tourist destination. At the same time it should also provide high quality experience to visitors and preserve quality of environment, on which both the local community and visitors depend. Although the concept of sustainability implies the widespread implementation of its principles in tourism development, Stabler, Papatheodorou and Sinclair (2010, 310) argue that the application of sustainability concept in most economic studies has been focused on microeconomic modelling. A particular model has then been elaborated and improved through many attempts and then, after all processing, applied to a wider context. However, Goeldner, Ritchie and McIntosh (2000, 552) advise caution since, even at the level of destination management, the implementation of sustainability concept becomes rather complex and, consequently, more challenging to manage. Microeconomic approach to economic sustainability was utilized by e.g. Schaltegger, Bennett and Burritt (2006, 591) who, in order to conceptualize the processes of monitoring and reporting on the status of sustainable development, singled out three key points that determine the concept of economic sustainability – financial performance, a long-term competitiveness and economic impact. From that standpoint, it is valuable to cite Choi and Turk (2011, 118) who suggest that tourism development must be primarily profitable since tourism is, in its essence, a set of economic activities. It can be concluded, therefore, that economic sustainability of tourism development implies the optimization of economic growth to the level where its development is still manageable with regard to environmental limitations.

It is worth mentioning that Continental Croatia (excluding the Town of Zagreb) is the area occupying 55% of the inland territory of the Republic of Croatia, and that 49% of the total population of Croatia lives in it (CBS, 2013b). The share of the region in accommodation offer in Croatia amounts only to 2.4%, and in the realized physical tourist flow only 2% in the year 2013 (Institute for Tourism, 2014; CBS, 2014). Further, due to the significantly shorter duration of the average stay of tourists in this region (two nights per arrival on average) compared to their average stay in coastal Croatia (5.8 nights per arrival in the year 2013), the totally realized tourist flow in comparison to the available accommodation and other tourism capacities can be assessed as extremely modest.

It further points to the need for additional research in the field of economics-related sustainability of tourism development at macroeconomic level, i.e. in the field of profitability of business activities of numerous subjects within the system of tourism offer at microeconomic level.

It should be pointed out that hotels have the highest occupancy rate of all accommodation capacities in this region, with an average of 89 days of full occupancy, so that it is not surprising that in the year 2013 as much as 43.9% of the total tourist flow of the region has been realized in them. These numbers make it possible to conclude that the occupancy rate of all accommodation capacities in Continental Croatia (63 days on average) is relatively poor, which is by 14 days less than the average occupancy rate of accommodation capacities in the coastal region of Croatia (77 days), which is characterized by seasonal business activities in tourism.

4. An example of case analysis of an entrepreneurial project in Eastern Croatia⁵³

The entrepreneurial concept is based on positive experience of similar projects from closer and wider surroundings of Kutjevo. The project has been made for a winemaker – the owner of a family farm who is a manufacturer of different field crops and whose experience in growing healthy vegetables and in preparing traditional meals will be the frame of gastronomic offer.

The rural facility is situated in a location that is attractive both for tourists and hikers. It is well connected with the principal generating market – the city of Zagreb: 150 km by highway to Zagreb. In this way the area in question could become a recognizable and a well-known tourism destination for domestic tourists and hikers, as well as for guests from neighbouring countries. Tourism offer in this part of Croatia is still rather poor and monotonous, whereas contemporary guests look for autochthonous products and require high quality, particularly of catering services. This is why the entrepreneur offers both a gastronomic offer of domestic specialities and wines produced on the estate and high-category accommodation capacities. The whole object is decorated in autochthonous style – the house is a hundred years old and is built of wood. When selling accommodation capacities, the entrepreneur first addresses the residents of Zagreb through travel agencies, but also through direct promotion, and then the prospective guests from neighbouring countries and representatives of foreign companies in Croatia.

The specific profile of prospective guests is divided into three groups:

- tourists who require nature, good food and drink, peace and quiet, and good accommodation,
- specific guests, the so-called tourism nomads, who travel from place to place, changing destinations (even countries or regions) they visit every season, who require the best possible accommodation and who recommend, if they are satisfied with the offer, this destination to their friends and acquaintances,
- hunters from Croatia, Austria, Italy, Slovenia and Hungary who, although hunting is the primary motive for their visit, require good accommodation and good food and drink; hunters are consumers of high financial solvency.

The planned income of this project is realized from several sources. It can be divided into income from overnights, lunches and dinners for regular and special guests (group or individual), income from selling wine from one's own vineyards and the income from organizing various events such as Martinje (Feast of St. Martin), New Year's Eve parties, wedding parties, etc.

The planned average occupancy rate of rooms is 37.5%, which means that the rooms are occupied 137 days in a year.

Since this is a family farm, some business activities, e.g. facilities management and preparing wine, will be realized by family members. To provide high-quality service that can ensure added value and adequate income, additional employees are necessary, and sometimes part-time employees are required, e.g. at the time of vintage or when accommodating larger groups of tourists. There are twelve full-time employees. The monthly expenditures for gross salaries are 116,000 kunas.

⁵³The case analysis has been taken from the textbook written by M. Bartoluci (2013): *Upravljanje razvojem turizma i poduzetništva (Managing the Development of Tourism and Entrepreneurship)*, Školska knjiga, Zagreb, 424-437

The aim of investment was to equip the autochthonous wooden house which ultimately serves as a facility in which accommodation and catering services are rendered. In the basement of the house is a wine cellar where the owner's home-made wine can be tasted. Upon reconstruction and restoration of the house, a wine cellar and a room for wine tasting were built, the restaurant where autochthonous food is offered, as well as double rooms.

To finish the construction the entrepreneur used the credit of 1,615,000 kunas. The credit has been approved within the crediting programme, termed *Encouragement to Success*, of family entrepreneurship in tourism, and in compliance with a part of the same programme termed *Under Centennial Roofs*.

For the entrepreneur, mortgage on real estate is the means of insurance for returning the loan. The loan has been approved under following conditions: the interest rate of 2% in the first half of instalment payment, whereas the interest rate in the second half of instalment payment amounts to 4%, the time of repayment of the loan is 10 years or 120 monthly instalments, with the grace period of 12 months at the beginning of instalment payment.

The calculation of investment into short-term assets or working capital in investment project has been done on the basis of calculated financial amounts of working capital items, items of resources from business activities and the corresponding turnover coefficients.

The estimate of expenses of business activities is based on the past experiences regarding the costs increased by the anticipated expenses for enhancing the range of activities.

While estimating profit and loss for the investment project on the basis of data from calculations, the total income is distributed (Table 1). The distribution of the total income is presented in the profit and loss formula which expresses all allocations from the total income:

- the coverage of invested factors (capital, material and work);
- the coverage of expenses of external financial sources (interest rates and other expenses);
- general expenditures (taxes);
- profit (dividends or the share in profit, reserves and *retained profit*).

Table 1 Distribution of total income expressed through the profit and loss calculation (in kunas)

ITEMS/YEAR	-1st	0	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
TOTAL INCOME	2,266,853	2,390,853	2,515,853	2,640,853	2,765,853	2,765,853	2,890,853	3,015,853	3,015,853	3,015,853	3,166,646	3,324,978
TOTAL EXPENDITURE	1,835,531	1,898,827	2,265,546	2,321,744	2,378,022	2,434,379	2,490,816	2,547,334	2,553,931	2,560,609	2,601,366	2,642,884
GROSS INCOME	431,322	492,026	250,307	319,109	387,831	331,474	400,037	468,519	461,922	455,244	565,280	682,094
TAXES	86,264	98,405	50,062	63,822	77,566	66,295	80,007	93,704	92,384	91,049	113,056	136,419
NET INCOME	345,058	393,621	200,245	255,287	310,265	265,179	320,030	374,815	369,538	364,195	452,224	545,675

Note: Total expenditures imply production expenses, material costs, depreciation, gross salaries and financing expenses.

Source: entrepreneurial project of the family farm investor

The acceptability of the project was assessed by the annual rate of return which is calculated according to the following formula:

$$RR = \frac{I - MC}{TI} \times 100$$

$$RR = \frac{3,015,853 - 2,400,081}{2,710,936} \times 100$$

RR=22.64%

RR = annual rate of return in the representative year

I = income in the representative year
MC = material costs in the representative year
TI = total investments

In the presented entrepreneurial project the annual rate of return of the investment is 22.64%, which means that 0.23 kunas of profit can be realized for each invested kuna in a year. Therefore, the project has been rated as acceptable.

The *dynamic* approach to the assessment includes in the analysis the whole duration period of the project, implying permanent prices, and the bases are: the flow of capital for the assessment of solvency and the economic flow for the assessment of profitability.

The assessment of solvency: the flow of capital makes it possible to conclude that the project has been solvent throughout its technological duration, which means that it can regularly cover all its obligations, as well as the obligations regarding the financial loan. The flow of capital shows that the programme can regularly provide the financial resources for the return of the loan.

The period of the return on investment implies the period that is necessary for the project to be able to execute the return on investment. This period can be interpreted as a period during which it is necessary to realize net-positive revenues, so that the sum of negative net revenues in this period could be zero. The estimation of the *period of return on investment* has shown that the means invested in the project can be returned in the seventh year of its duration, which is acceptable for the project taking into account its total duration of ten years (Table 2).

Table 2 Period of return on investment for the first and the seventh year of instalment payment (in kunas)

Year	Total investment		Amount of accumulation		Uncovered part of the investment
	per year	cumulatively	per year	cumulatively	
1 st	0	4,620,715	492,042	1,481,592	-3,139,123
7 th	0	4,758,613	633,641	5,032,987	+274,374

Source: *entrepreneurial project of the family farm investor*

In this analysis the discount rate of 3% was applied that is equal to the weighted arithmetic mean of interest rates applied for commercial loans (Table 3).

Table 3 Net present value of the project

Discounted revenues = 3.57%	30,643,534
Discounted expenses = 3.57%	25,620,977
Present value of net revenues	5,022,557
Present value of investment – nominal amount	4,527,414

Source: *entrepreneurial project of the family farm investor*

The present value of net revenues, at the discount rate of 3%, amounts to 5,022,557 kunas, i.e. it is above zero, so that from this point of view the project is acceptable.

The assessment of the entrepreneurial project – this model of the entrepreneurial model has been realized according to the listed conditions. Its implementation will show to which extent the planned investments can be realized. From methodological point of view, the project can be indicative for similar entrepreneurial projects in tourism.

By applying the same methodology, it is possible to economically evaluate other special interest tourism types, e.g. gastronomic tourism, health tourism, cultural tourism, hunting

tourism, fishing tourism, etc., in Eastern Croatia as well. Without this it is not possible to identify its economic profitability, and consequently its sustainability.

5. Conclusion

On the basis of this research it is possible to draw certain conclusions and make certain recommendations. The area of Eastern Croatia is relatively poorly developed as regards tourism, although it is dominantly a rich rural area with numerous natural resources, and historical and cultural heritage, as well as other potentials. This is primarily the consequence of insufficient investment in the development of tourism and its complementary activities. The accession of Croatia to European Union opened new market opportunities for the development of tourism and activities that are connected with it: agriculture, food industry, construction, handicrafts, etc. The research has shown that it is special interest tourism types—in particular gastronomic tourism, wine roads, rural tourism, ecotourism, cultural tourism, health tourism, sport and recreation tourism and event tourism—that have the largest opportunities. The development of hunting and fishing tourism, religious tourism, urban tourism, congress tourism and memorial tourism is also anticipated. These types of special interest tourism can be developed as an integral tourism product on the basis of entrepreneurial projects that are sustainable on a long-term basis. To realize this, it is necessary to conduct a research and evaluation of entrepreneurial programmes as a prerequisite for financing the investments either from domestic sources or from EU funds.

The presented entrepreneurial model could be a methodological basis for economic evaluation and for other projects that could be sustainable on a long-term basis only if a compromise be made in applying ecological, socio-cultural and economic principles of sustainable development of tourism in Eastern Croatia.

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