

## IDENTIFYING THE IMPACTS OF NPOs ON TOURISM IN ORDER TO INCREASE THEIR FINANCIAL SUSTAINABILITY

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### **Abstract**

NPOs as associations of citizens gather individuals with the same or similar interests who come together to solve some present social problem. While having positive impact on life quality of a particular community, in a tourist destination they potentially improve the diversity and quality of tourist offer.

**Purpose** – The purpose of this paper is to determine the direct and indirect impact that NPO's activities have or may have on tourism, to point out the possibility of funding their work through tourism and that way increase the level of self-earned funds and decrease their dependence on public funds.

**Methodology** – Direct and indirect impacts of NPOs on tourism have been delimited according to the scope of activity by Register of Associations (NPOs). Data of the number of registered NPOs were compared with the tourist traffic in four major Croatian destinations by using a simple linear regression model for each of the four destinations. The four models were estimated using the OLS method.

**Findings** – The results show that the number of NPOs has a significant influence on tourism traffic (tourist arrivals). Future research should focus on the defining the models of NPOs' funding through tourism in order to increase their financial sustainability.

**Originality of the research** – This paper improves the existing knowledge with new theoretical contribution about the influence of NPOs in the field of tourism. The linkage between NPOs and tourism traffic was empirically tested on the sample of four major tourist destinations in Croatia. The paper provides the basis for NPO's board members for reconsidering their position within the tourism system and finding innovative and creative ways of connecting their activities with tourism for funding purposes.

**Keywords** NPOs, tourism, NPO funding, direct and indirect impact of NPOs.

### **INTRODUCTION – REVIEW OF PREVIOUS RESEARCH**

Successful tourism development based on sustainability implies involvement of all stakeholders in the process of tourism management (Bird, 2007; Tomljanović, Boranić Živoder, Marušić, 2013). Involving different stakeholder groups in the tourism development processes help address the various cultural, social, environmental, economic and political issues affecting the sustainable development of tourism. Until the 1990s, in published research work mostly residents, tour operators, government and tourists were regarded as key stakeholders of tourism development (Pinel, 1968, Net, 1990, Gunn, 1987, Ahmed, Krohn, 1990). In addition to the above four groups, Salim

et al. (1923) and Gunn (1987) also identified hotel entrepreneurs as an important stakeholder in the development of tourism, and Ahmed and Krohn (1990) also added to the above tourism employees, tourism business and host communities.

Only in the last 20 years in research studies NPOs are increasingly observed as one of the key stakeholders in successful tourism development (UNWTO, 2005; Hassan, 2000; Swarbrooke, 2001; De Araujo, Bramwell, 1999).

According to Fisher (1993) and Liburd (2004) the expansion of NPOs activities represents a turning point for tourism because of their capability to reduce the gap between different strata of society by involving different approaches and encouraging sustainable tourism activities. NPOs have the creative potential and flexibility in the initiatives of sustainable tourism development (Dabphet, 2012). De Araujo and Bramwell (1999) also recognize the importance and role played by NPOs in tourism and state that NPOs became more relevant as an alternative and legitimate source of tourism development, and those NPOs that focus on tourism are becoming increasingly involved in sustainable activities, particularly in creating value for tourists and local population. Moreover, NPOs in the destination can exert pressure on local authorities to create tourism policies that will aim to preserve and develop ecological, historical and social features (Günes, 2010).

Although NPOs have an unquestionable importance for sustainable tourism development, their views and attitudes as one of the major stakeholders in the tourism development have not been explored so far. Published and available research of domestic and foreign authors generally covers exploration of attitudes of several critical stakeholder groups. In addition to the attitudes of the local population on tourist development (Ap and Crompton, 1998; Chia-Pin, Chancellor and Cole, 2009; Latkova and Vogt, 2011; Choi and Sirakaya, 2005; Woosnam 2011), the attitudes of tourism offer holder in the destination and attitudes of tourist organizations are most frequently examined (Bornhorst, Ritchie and Sheehan, 2009; Eric T. Bird, 2007).

Strengthening of the civil society and a growing number of NPOs as well as their importance and impact they have, impose the need for more detailed examination of their role in tourism development.

Inclusion of NPOs as one of the stakeholders, in the processes of managing tourism initiatives can bring sustainable and long-term benefits for the community. In current circumstances, they can be an addition to the public/government sector given that they provide a range of social and other services to the public, although they have limited and uncertain financing conditions

Lack of financial resources is the most common problem encountered by NPOs and represents a direct obstacle to their sustainability. According to the Ministry of Finance for the year 2016, in the income structure of the Croatian civil sector the largest share was revenues from grants (57%) which makes the Croatian non-profit sector completely dependent on public funds. Reason for the continuing high dependency rate of organizations on state aid can be primarily attributed to the fact that these funds are more accessible and represent the most stable source of revenue (Froelich 1999, p. 255). Unlike most other countries, Croatia's income from citizens' donations constitutes

the lowest share, merely 4%, but the share of donations of commercial companies and other legal entities is also low (16%). The cause of such a low share of revenues from donations can be found in the fact that NPOs in Croatia are insufficiently educated on the activities of collecting funds (i.e. fundraising) and are not aware of the long-term benefits fundraising would bring to the organization, which entails, in addition to increased donations, the significance of creating friendships with partners and creating partnership networks as well as greater visibility of the organization and its mission. Unlike Croatia, in countries where non-profit sector invests significant funds in fundraising activities, there is an increase in individual and corporate donations in the total structure of income coming from donations (Pavičić, Alfirević, Ivelja 2006).

Nowadays, NPOs are increasingly turning to self-funding and various forms of commercial activities represent the world's fastest growing source of income for NPOs (Defourny, Nyssens 2008). However, not even the share of self-earned funds is sufficient in the Croatian non-profit sector, being far from the EU average where it amounts to 49%. Croatian practice shows that many organizations have limited internal capacity (personnel skills, time, sufficient financial resources, business plans) or external support (financial resources, consultancy support, favourable legal framework) for self-funding activities. When such organizations nevertheless attempt to run self-funding activities, they must face a variety of legal, financial, managerial and organizational issues for which there is no available help. A National Foundation for Civil Society Development study conducted on a sample of 651 non-profit organizations in Croatia in 2011 showed that only 34% had a share of self-earned funds in their total revenues. Self-funding of NPOs through commercial activities is essential, primarily on the grounds of reducing dependence on other forms of funding, and at the same commercial activities can help attract new members and donors to the organization (Kerlin, Pollak 2011; Moeller, Valentinov 2012; Cornforth 2012; Segal, Weisbrod 1998; Okten, Weisbrod 2000). Many civil society organizations are financially strengthened and institutionally empowered through self-funding, increasing their ability to generate new revenues and to determine the course of their work with fewer constraints demanded from funders. It is through self-funding that a whole range of options open up for NPOs with a goal of reducing dependence on public funds and increasing financial sustainability.

NPOs bring together individuals with same or similar interests who are gathered to solve a present social problem, but it is also important to identify their wider context: from promotion of local heritage, and traditional crafts and trades, revitalization of neglected fields (folklore societies, cultural and artistic NPOs, to the popularization of sports activities and active vacation (sports NPOs), protection of the environment (environmental NPOs) and similar. In this way, in addition to increasing the quality of life of local residents with their activities, they also affect tourism i.e. the richer and more diverse offer in the destination, which ultimately increases the quality of the guests' stay and their greater satisfaction. Based on the above, it could be concluded that the number of NPOs in a specific destination also implies a better offer of the destination. However, knowing the fact that NPOs operate in a very diverse range of areas, it is not possible to associate to tourism all the activities NPOs perform. There is a need for differentiating NPOs according to the criterion of direct or indirect connection of their activity with tourism. Linking the work of NPOs with the tourism

system, in addition to having an extremely positive effect on the tourist destination on whose territory the NPOs operates, has far-reaching positive effects on NPOs, primarily to the mitigation of the biggest problem of NPOs, that being the lack of funding.

Based on the above, the purpose and goal of this paper is, given the scope of activities of NPOs, to determine the direct and indirect impacts that NPOs have or may have on tourism through their activities, thereby directing all NPOs operating in the tourism industry to funding through tourism in order to increase self-earned financial resources and reduce dependence on public funds.

## 1. CLASSIFICATION OF NPOs BASED ON THEIR IMPACT ON TOURISM

The role of NPOs as stakeholders of tourism development has not yet been identified, and their effects have not been detected in scientific research nor in strategic documents of tourism development. For example, a significant portion of NPOs operates in the field of culture, organizing various cultural events, performances, exhibitions, sports events, which, besides the local population, attracts a large number of tourists and thus enriches the cultural offer of the destination. Although they influence the cultural offer, their impact is not recognized. Namely, in the Action Plan for the Development of Cultural Tourism of the Republic of Croatia (Tomljenović, Boranić Živoder 2015), NPOs are not mentioned in any of the contexts, although they indeed represent a significant subject of culture and cultural tourism. Of course, NPOs are not active only in the field of culture: some of them deal with, for example, preservation of the environment, beaches, hiking and biking trails, therefore influencing a more enjoyable stay of tourists in the destination and their greater satisfaction.

In accordance with the Register of Associations (NPOs), according to the field of activity, NPOs can be divided into one of the following eighteen groups: *war veterans and war victims, democratic political culture, spirituality, economy, hobby activities, arts and culture, human rights, international cooperation, nomenclature of sports, education, science and research, sustainable development, other areas of work, social activities, sports, technical culture, protection and rescue, environmental protection, health protection.*

Based on the research of the Institute for Tourism, (Tomas 2014, *Attitudes and expenditures of tourists in Croatia*), below is a table with the most common activities of tourists during their stay in a destination that will serve as a basis for linking the activities of tourists to the NPOs' field of activity.

**Table 1: Most common activities during a guest's stay in the destination and scope of activities of NPOs**

Ranking	Activity	%	Scope of Activities of the NPO
1	Swimming and bathing	98.9	Protection of the environment
2	Going to pastry shops, café bars etc.	94.5	
3	Going to restaurants	91.3	
4	Nature walks (hiking)	78.3	Protection of the environment Sports
5	Going shopping	68.6	Hobby activities
6	Sightseeing	65.0	
7	Visiting local parties	56.6	Arts and culture Hobby activities
8	Dancing or disco	43.8	
9	Excursion to national parks	38.0	
10	Diving	37.0	Sports Environment protection
11	Health and recreation and wellness programs	36.1	Health protection
12	Visiting museums and exhibitions	34.9	Arts and culture Hobby activities
13	Water sports	33.9	Sports
14	Cycling	33.2	Sports Sustainable development
15	Visiting concerts	30.7	Arts and culture Hobby activities
16	Touring wine-roads (wineries)	27.7	Environment protection Sustainable development
17	Visiting the theatre and performances	23.1	Arts and culture Hobby activities
18	Fishing	21.4	Sports
19	Tennis	21.1	Sports
20	Touring olive oil roads (oil refineries)	20.6	Environment protection Sustainable development
21	Birdwatching	15.3	Environment protection
22	Adventure sports	14.3	Sports
23	Mountaineering	12.6	Sports Protection of the environment
24	Golf	8	Sports
25	Horse-riding	6.8	Sports

Source: Author's editing according to the study Tomas 2014, Attitudes and Expenditures of Tourists in Croatia

It is evident that nearly all tourists' activities can be associated with certain activities of NPOs. Activities such as going to patisseries, cafes, restaurants, sightseeing, dancing and excursions to national parks cannot be linked to NPOs, because they are entirely in the domain of economic entities.

In the context of fields of activity of NPOs, their direct and indirect impact on tourism can be observed. Creating conditions and infrastructure that affects the quality of the guest's stay in the destination and quality of dealing with a particular type of activity can be regarded as the **indirect effect** of NPOs on tourism. This category includes NPOs operating in the field of nature protection, as their activities, such as beach cleaning (e.g. "Green Cleanup" of the Žmergo Association from Opatija, cleaning the seabed (e.g. Altum Mare Association, Ližnjan), planning of hiking trails (e.g. Vilenice Association, Zagreb), bicycle paths (Odub Association, Osijek), hiking paths (Kamenjak Association, Rijeka), planning and infrastructure development of wine trails (Vinistra Association, Poreč) and olive oil roads (Olea Association, Tar), as well as the development of infrastructure for birdwatching (Biom Association, Zagreb) and the like, provide a higher level of quality of service and guests' stay, which ultimately results in greater satisfaction with their stay in the destination. On the other hand, **direct effects** of NPOs on tourism comprise all those activities of NPOs that can be directly linked with the tourism system. The most common examples of NPOs as holders of direct impact are those NPOs that operate in the field of culture and art, and in the field of hobby activities. Such NPOs often organize various events such as local entertainment and events (e.g. Trka na prstenac Association, Barban, organizer of the eponymous event in Barban), concerts and festivals (e.g. Liburnia Jazz Association, Opatija, organizer of the Liburnia Jazz Festival in Opatija, Trade in Etno Association, Pazin, organizer of the eponymous festival in Pazin), various museum displays and exhibitions (Gloria Maris Association, Osijek - exhibition of shells and aquatic world, exhibition of photographs of the Fotoklub Rijeka), and events (ballet associations, majorettes' associations, brass orchestras). Sports NPOs that organize various events in order to popularize a particular sport also have direct effect on tourism. One such example is the association Altum Mare from Ližnjan which organizes the festival of underwater film called "White Lion", and then sailing regattas of the ORC association from Zadar. Besides the manifestations, there are various activities of sports NPOs for visitors, such as paraglider flights of the Carpe Diem association from Split, sport fishing featured by various NPOs, hiking tours, horseback riding. In addition to organizing various events NPOs that sell their own products also have a direct impact on tourism, such as souvenirs, paintings, jewellery, but also indigenous food products, using this wide variety of different products to influence the enrichment of the offer in the tourist destination and ultimately increase the so-called "non-accommodation expenditure" of tourists which further implies a positive effect on tourism revenues, revenues from collected taxes and ultimately to the growth of the entire economy. In addition to the economic effects, with their activities these NPOs also affect the promotion of authentic local heritage, history, art, architecture and lifestyle as well as the popularization of traditional customs outside Croatian borders, but also the revitalization of derelict areas for tourism purposes.

Pursuant to the above described facts, the following table summarizes detected influences that NPOs have on tourism.

Table 2: **Direct and Indirect Effects of NPOs on Tourism**

<b>DIRECT EFFECTS OF NPOs ON TOURISM</b>	<b>INDIRECT EFFECTS OF NPOs ON TOURISM</b>
Increase in the tourist traffic of a destinations (arrivals and overnight stays)	Environmental cleanliness, orderliness of beaches, underwater, hiking and biking trails, wine roads and olive oil roads etc.
Increase in personal expenditure of tourists	Revitalization of neglected areas
Increase in tourism revenues	Promotion of local heritage and culture, traditional customs
Enrichment of the tourism offer in the destination	

Source: author's edit

NPOs should be seen as an important stakeholder in the tourism system. In fact, its activities such as the organization of various cultural and sporting events, in addition to a large number of local people, attract significant numbers of tourists who happened to be in the destination or have even arrived to the destination exclusively to visits a particular event. On this ground the impact on the increase the tourist traffic in the destination is evident, measured by the number of arrivals and overnight stays, which consequently has an impact on the increase in the so-called personal "non-accommodation" tourist expenditure (for example, buying tickets, souvenirs, consumption of local products ...). Consequently, there is also the multiplying effect on the increase in tourism revenues in a given tourist destination and ultimately, enrichment of the offer of the destination. Those influences that are not directly related to tourism but have an impact on it are observed under the category of "indirect effects". These are the NPOs which take care of the cleanliness of the environment, beaches and underwater, which influence through their activities the revitalization of neglected areas and promote local heritage and culture, traditional customs outside the national borders and, as such, influence the higher quality and enjoyable stay of tourists in the destination, and consequently a higher level of satisfaction for the guest.

Through detected direct and indirect effects of NPOs on tourism, the grounds for finding models for funding NPOs through tourism are also created. Methods of funding in this context can be **direct**, which means self-funding activities, namely self-earned funds through the sale of goods and services (souvenirs, autochthonous products), charging tickets for certain events and the like. In this way, a whole range of possibilities opens up for organizations which directly affects their creativity and innovation in the design of new projects and programs. On the other hand, NPOs as important stakeholders of tourism must be funded from tourism and, conditionally speaking, **indirectly** – through funding from tourism revenues generated in the community in which they operate, due to, among other things, their activity. This particularly, but not exclusively, relates to the funding of those NPOs that have an indirect effect on tourism. Specifically, these NPOs take care of the cleanliness and protection of the environment, sea and the seabed, protection of local heritage, culture and traditional customs as well as the revitalization of abandoned locations. They affect the more enjoyable stay of tourists in the destination, and their merits are often taken by tourist organizations of the destination.

Tourism destinations have to develop awareness of the role that NPOs play in the development of tourism, and the awareness of the need to support their work through public grants (funded e.g. through tourist tax). For this purpose, it is necessary to develop specific criteria for awarding subsidies which will take into account the intensity of the influence that individual NPOs have on the tourist movement in the destination with their work scope and proposed programs.

Options for funding of NPOs through tourism are numerous, and the detected effects of NPOs are certainly to serve in the future as a basis for creating sustainable models of funding.

## 2. METHODOLOGY AND RESEARCH RESULTS

In the previous section direct impact (that can be partly quantified) and indirect impacts (which typically cannot be quantified) of NPOs on tourism were detected. In the following section of the paper, the influence of changes in the number of NPOs on changes in tourist traffic will be analysed (the number of arrivals and the number of overnight stays). These are the data that are available in the official statistics on the destination level. Contrary to this data, the data on e.g. tourist expenditure in a particular destination are not monitored in official national statistics records, and are available only to those destinations which conduct their own research for this purpose. Such research, however, is very rarely conducted on a regular basis that would ensure determining changes and trends. The situation is the same with tourism revenues that are not tracked at the level of individual destinations, nor counties, but only as the total revenue for the entire Republic of Croatia.

- **Relationship between the number of NPOs and the tourist arrivals**

The relationship between the number of NPOs and the tourist traffic (measured by the number of tourist arrivals) in the same destination will be analysed at the level of four major Croatian destinations according to the tourist traffic in the last nine years. According to the annual publications of the Ministry of Tourism called "Tourism in Figures", leading Croatian destinations in the period from 2008 to 2016, according to the tourism traffic are: Dubrovnik, Rovinj, Poreč and Medulin. Destinations are listed here with respect to the level of tourist traffic in 2016. Data were collected for the listed destinations from the Ministry of Public Administration of the Republic of Croatia on the number and types of NPOs by field of activity for the period 2008-2016. Given the types of NPOs according to scope of activity, the total number NPOs that have a direct and/or indirect impact on the tourism is shown, according to Table 1 in the previous section (Annex 1).

In modelling the arrivals for each Croatian tourist destination, namely Dubrovnik, Rovinj, Poreč and Medulin, it is assumed that the data generating process may be written as a simple linear regression model:

$$y_t = \beta_0 + \beta_1 x_t + \varepsilon_t \quad (1)$$



where

- $y$  is the number of arrivals
- $x$  is number of NPOs with impact to tourism
- $\varepsilon$  is the residual term

## EMPIRICAL RESULTS

In order to estimate the influence of the number of NPOs on tourists' arrivals in the four Croatian cities, four models were estimated using the Ordinary Least Squares (OLS) method. The estimation results are given in the table below.

Table 3: Estimation outputs

### DUBROVNIK

Dependent Variable: ARRIVALS

Method: Least Squares

Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-474.5100	95.46764	-4.970376	0.0016
NPOs	3.981987	0.323247	12.31872	0.0000

R-squared	0.955906	Mean dependent var	690.0000
Adjusted R-squared	0.949607	S.D. dependent var	178.2063
S.E. of regression	40.00462	Akaike info criterion	10.40900
Sum squared resid	11202.59	Schwarz criterion	10.45282
Log likelihood	-44.84049	Hannan-Quinn criter.	10.31442
F-statistic	151.7508	Durbin-Watson stat	0.754171
Prob(F-statistic)	0.000005		

### ROVINJ

Dependent Variable: ARRIVALS

Method: Least Squares

Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	94.75734	24.72790	3.832002	0.0064
NPOs	3.751773	0.269741	13.90879	0.0000

R-squared	0.965079	Mean dependent var	432.0000
Adjusted R-squared	0.960091	S.D. dependent var	72.89890
S.E. of regression	14.56324	Akaike info criterion	8.388008
Sum squared resid	1484.616	Schwarz criterion	8.431836
Log likelihood	-35.74604	Hannan-Quinn criter.	8.293428
F-statistic	193.4545	Durbin-Watson stat	2.611499
Prob(F-statistic)	0.000002		

**POREČ**

Dependent Variable: ARRIVALS

Method: Least Squares

Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	197.1423	39.94690	4.935108	0.0017
NPOs	1.891636	0.356145	5.311413	0.0011
R-squared	0.801199	Mean dependent var		405.2222
Adjusted R-squared	0.772799	S.D. dependent var		49.15480
S.E. of regression	23.42993	Akaike info criterion		9.339036
Sum squared resid	3842.733	Schwarz criterion		9.382864
Log likelihood	-40.02566	Hannan-Quinn criter.		9.244456
F-statistic	28.21111	Durbin-Watson stat		1.894577
Prob(F-statistic)	0.001110			

**MEDULIN**

Dependent Variable: ARRIVALS

Method: Least Squares

Date: 03/26/17 Time: 11:45

Sample: 2008 2016

Included observations: 9

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	188.0549	17.63707	10.66248	0.0000
NPOs	2.723260	0.463013	5.881611	0.0006
R-squared	0.831704	Mean dependent var		287.0000
Adjusted R-squared	0.807662	S.D. dependent var		36.23534
S.E. of regression	15.89152	Akaike info criterion		8.562578
Sum squared resid	1767.783	Schwarz criterion		8.606406
Log likelihood	-36.53160	Hannan-Quinn criter.		8.467998
F-statistic	34.59335	Durbin-Watson stat		1.686372
Prob(F-statistic)	0.000611			

In general the models fit the data well with relatively high  $R^2$ . Overall, the estimated arrivals models can be considered as well specified. Key explanatory variables are consistent and significant at the level of 5%. All estimated parameters sign are correct and consistent with economic theory as expected, suggesting that the chosen variable (number of NPOs) has a significant influence on arrivals. After parameter estimation, in order to investigate the performance of the specified models, some basic diagnostic statistics are performed. The results are shown below:

Dubrovnik

$$R^2 = 0,955 \quad \chi^2_{Auto}(2) = 4,97 \quad \chi^2_{Norm}(2) = 0,268 \quad \chi^2_{White}(2) = 2,54$$

Rovinj

$$R^2 = 0,965 \quad \chi^2_{Auto}(2) = 2,798 \quad \chi^2_{Norm}(2) = 0,459 \quad \chi^2_{White}(2) = 1,717$$

Poreč

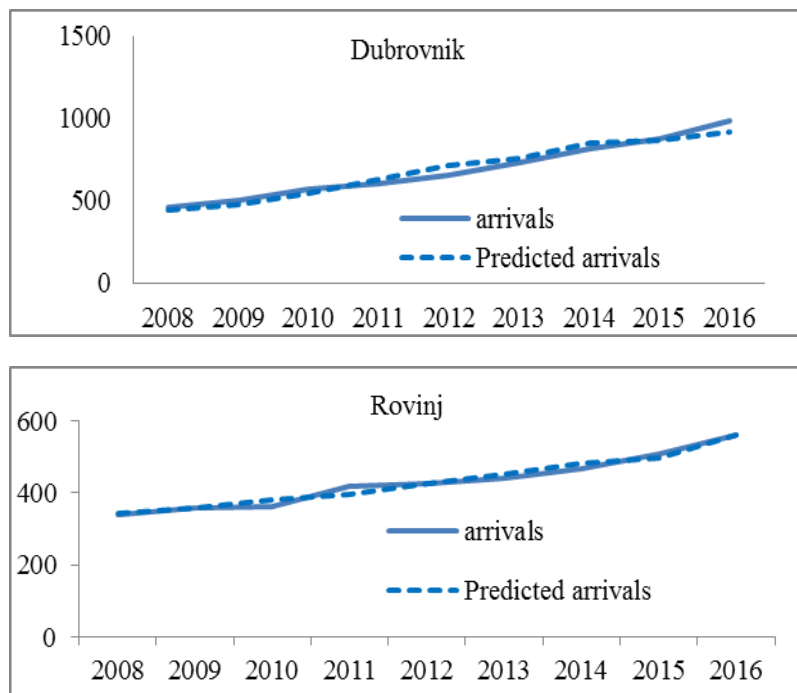
$$R^2 = 0,801 \quad \chi^2_{Auto}(2) = 1,871 \quad \chi^2_{Norm}(2) = 0,466 \quad \chi^2_{White}(2) = 0,109$$

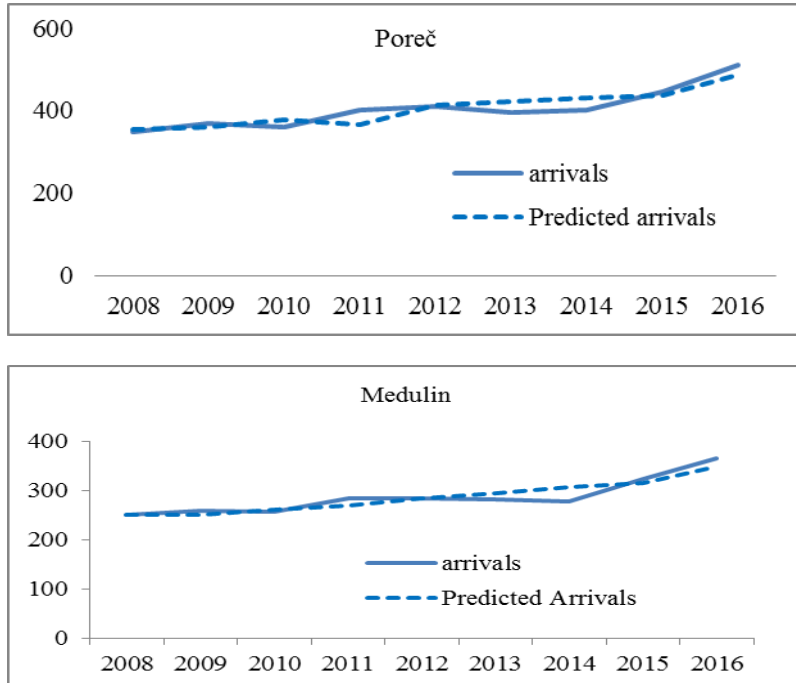
Medulin

$$R^2 = 0,831 \quad \chi^2_{Auto}(2) = 2,779 \quad \chi^2_{Norm}(2) = 1,234 \quad \chi^2_{White}(2) = 1,855$$

All the performed diagnostic statistics show that all four estimated models pass all tests. The assumptions made in econometric modelling are not violated. The figures below show the actual values and the predicted values obtain modelling the data.

Figure 1. **Annual tourist arrivals in Croatian destinations: fitted versus actual; Time bounds: 2008-2016**





As shown in Figure 1 the model fits the data reasonably well throughout the sample period. The empirical results are reasonably good; the predicted values, in fact, are quite close to the actual values.

The MAPE of the fit and the values of the Theil's U-coefficients are reported below:

	MAPE	Theil's U
Dubrovnik	4.41	0.02
Rovinj	2.38	0.01
Poreč	4.23	0.02
Medulin	3.79	0.02

The values of the Mean Absolute Percent Errors (MAPE) and the Theil's U-coefficients (all less than one) indicate that the estimated models perform well in forecasting tourists arrivals. Therefore, the estimation procedure and the model performance results reveal that the research hypothesis can be accepted.

These results should be used as a starting point for future research on the role of NPOs in tourism, since, even this limited data and sample show that NPOs have significant influence on the number of tourist arrivals.

Furthermore, on the other hand, the results are the best to show that NPOs should reflect on the importance tourism has for their existence, and that it is necessary to use activities to get closer to tourists and thus increase the proportion of self-earned funds. Considering that with the increasing range of activities of NPOs in tourism, the tourism

traffic of the destination also increases, which is also of interest to local authorities and the tourist board of individual destinations, the need to create a model for funding those NPOs becomes ever more evident.

- **The impact of NPOs on tourists' personal expenditure**

NPOs with detected impacts on tourism can also increase the personal expenditure of tourists through their activities. By organizing various cultural events and happenings, sports activities, exhibitions and the like, they influence the fact that tourists by purchasing tickets, souvenirs, sporting facilities etc. increase their own personal expenditure.

Although, as stated above, tourist spending is not monitored at the level of each destination, Tomas (2008-2016) research provides aggregated data on average spending of tourists in coastal counties. These data, in turn, make it possible to conclude that NPOs have failed to recognize and take advantage of the opportunities that tourism provides in view of funding their own work. With their activities, NPOs can primarily influence the expenditure beyond the basic one (accommodation, food and beverage). The data show that out of the total tourist expenditure, the biggest portion is allocated to accommodation and food and beverage (50-70%), while for example, on average only 2-3% of their personal budget is spent on culture and art, sport and recreation covers only 4-5 %, entertainment 4%, and 3% on excursions.

A clearer picture of the correlation of NPOs and the level of tourist expenditure would be possible if expenditure were monitored on the destination level. For example, tourist expenditure of Opatija Riviera and the "Rijeka Ring" for 2016 and 2017 is monitored within the framework of the project "Identifying economic and social determinants of tourist expenditure in order to overcome destination`s seasonality" (ZP UNIRI 3/15), and the results are presented below.

**Table 3: Structure of the average daily tourist expenditure in 2016 (in %)**

	<b>The Opatija Riviera</b>	<b>Rijeka and the "Rijeka Ring"</b>
Accommodation	62.17	44.64
Food and beverage	17.11	22.54
Shopping	9.16	13.39
Culture and entertainment	5.54	7.81
Excursions	2.41	4.91
Other services	2.41	4.46
Sport and recreation	1.20	2.23
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

Source: Author's edit according to the results of the project " Identifying economic and social determinants of tourist expenditure in order to overcome destination`s seasonality" (ZP UNIRI 3/15)

Based on the results, it is evident that the structure of personal expenditure in the Opatija and Rijeka area does not differ from the average expenditure level of coastal counties in Croatia. Here as well, the largest share is attributed to spending on accommodation and food and beverage (45% and 62%). By observing the differences between the Opatija and Rijeka areas, it is evident that in Rijeka, unlike Opatija, there is higher level of spending on culture and entertainment, excursions, sports and recreation, i.e. those areas that can be related to NPOs. By being familiar with the fact that there is a total of 617 NPOs active in Rijeka (34% of all NPOs) that can be linked to tourism, and in Opatija only 47 of them (19% of the total number of NPOs), the above data on the average expenditure can be expected. However and also based on these results, it can be concluded that even here the NPOs have not yet recognized the potential that they are provided through tourism, because the shares of spending on culture and entertainment, sports and recreation, excursions, are very low.

Based on the above results, it can be concluded that NPOs should perceive tourism and its great potential for funding their own activities. By linking their activities with the system of tourism, NPOs can be credited for the increase of tourist traffic in the destination and increase of personal tourist expenditure, which ultimately results in higher total revenue from tourism. During the next "cycle", a part of that revenue from tourism must be "given back" to NPOs that contributed to its generation.

## CONCLUSION

Given the wide range of activities of NPOs, they should be viewed as one of the major stakeholders in tourism development. Unfortunately, the current plans for the development of tourism do not perceive NPOs as the stakeholder of tourism. On the other hand, their main problem – lack of financial resources, is increasingly coming to the fore and there is no doubt that in the future they will seek new solutions and approaches to funding – such approaches that will ensure a sustainable development of the entire non-profit sector.

The structure of NPOs` funding indicates excessive dependence on public funds which are decreasing from year to year. In order for NPOs to increase the level of self-earned funds, it is necessary for them to find alternative funding sources. Tourism, as one of the main driving forces of the entire Croatian economy, can become the engine of development for the non-profit sector. Future research should primarily be focused on examination of NPOs attitudes toward tourism, e.g. detecting whether they consider tourism to be a threat or a challenge for their missions. The results of such studies would help create specific public policies with an aim to awake the understanding of the symbiosis between tourism and NPOs and to educate both tourism policy makers and NPOs on ways of improving the effects of their collaboration.

In accordance with the fields of activities of NPOs, this paper detects impacts NPOs have or may have on tourism. These detected influences should serve NPOs as a basis for reflection on the importance of tourism to their sustainability and understanding tourism as a means to increase self-funding of their own non-profit activities. Based on the results presented in the paper, it is evident that there is a correlation between the

number of NPOs in the destination and the level of tourist traffic in the destination, which is a good indication for NPOs to link their activities and funding to tourism. At the same time, the findings are also a guideline to local authorities and tourist boards for considering NPOs as important stakeholders of tourism, whereby it is necessary for them to find modes of mutually beneficial cooperation.

For the long-term existence of NPOs, it is extremely important to create funding models for their work. Future research leaves room for a detailed elaboration of the funding model of NPOs that combines the direct impacts of NPOs with direct funding methods (e.g. selling their own products, souvenirs, event tickets) and the indirect effects of NPOs with indirect funding methods (e.g. creating tenders for public funds directed specifically to NPOs that work in and for tourism or allocating partly income from tourism taxes to activities of NPOs).

Funding model that combines both approaches would not only improve financial sustainability of NPOs but would also influence their way of thinking and motivate them to consider taking a more active role in tourism and create wider aspects of their activities that improve the quality of the overall tourism product of their destinations.

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#### ANNEX 1: Number of NPOs and tourist traffic in four major Croatian tourist destinations by tourist traffic, 2008-2016

	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>DUBROVNIK</b>									
A	403	428	455	482	501	527	536	557	554
B	230	240	257	278	298	310	332	337	350
C	460	502	567	606	657	733	818	880	987
D	2.299	1.821	2.037	2.155	2.374	2.591	2.820	2.984	3.371
<b>ROVINJ</b>									
A	102	106	116	126	138	149	163	172	175
B	66	70	76	80	88	95	103	107	124
C	340	360	363	420	428	440	466	510	561
D	2.655	2.552	2.590	2.918	2.981	2.990	3.019	3.142	3.329
<b>POREČ</b>									
A	134	140	149	157	170	179	189	198	200
B	83	87	95	89	114	119	123	127	153
C	350	370	360	402	410	395	403	446	511
D	2.500	2.389	2.313	2.565	2.625	2.438	2.390	2.602	2.925
<b>MEDULIN</b>									
A	32	37	43	51	58	64	69	72	71
B	23	23	27	30	35	39	44	47	59
C	251	260	256	285	284	282	277	323	365
D	1.845	1.883	1.823	1.963	1.920	1.915	1.911	2.139	2.410

Legend: A – number of NPOs; B – number of NPOs that have a direct/indirect impact on tourism; C – number of tourist arrivals (in 000); D – number of tourist overnight stays (in 000)

Source: Author's editing according to the Ministry of Tourism, "Tourism in Figures 2008-2015"; Register of Associations <https://registri.uprava.hr/#!ludruga> (15.2.2017)

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