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# DIRECT INVESTMENTS IN SPA TOURISM OF UNDEVELOPED RURAL REGIONS: CASE STUDY OF THE MUNICIPALITY OF KURŠUMLIJA

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## ABSTRACT

In this paper we analyze the role of direct investments in spa tourism in undeveloped rural regions on the example of the Municipality of Kuršumljia. Namely, the Municipality of Kuršumljia belongs to the group of undeveloped regions. On its territory, three spa resorts are located. In order to explore the role of direct investments in the development of these spa resorts, qualitative survey was conducted using the technique of semi-structured in-depth interviews with the representatives of relevant institutions and organizations in the Municipality of Kuršumljia. Obtained results showed that the completion of the privatization process of the spa facilities along with the use of investment incentives and creation of favorable business environment for investors would lead to the increase of direct investments aimed for the development of the spa resorts. Direct investments, through better utilization of natural healing factors and human resources, would create the conditions for the development of health tourism and thus would lead to the development of the undeveloped rural area where the spa complex is located.

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## Introduction

Spa tourism, as part of health tourism, means travelling for the treatment of certain diseases in order to recover. Under medical supervision, people recover with help of natural healing factors such as thermo-mineral springs, salty lakes, mud, radioactive sand and climate.

In accordance with the Law on Spas (“Official Gazette of RS”, No. 80/92 and 67/93 - other law), „a spa is an area where one or more natural healing factors exist and meet

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the requirements regarding conditions and equipment for its use” (p. 1). In Law on Spas, Article 3, inter alia, the identification of area to be considered as spa is defined. The Government of the Republic of Serbia, by adopting individual regulations on the designation of spa resorts, determined the exact area and cadastral parcels on which the spa areas are located. The municipality where spa is located gives the right to domestic legal or natural person to use the natural healing factor in the spa. There are 28 regulations adopted on the designation of spa areas. All 28 spas as well as 19 climatic sites are listed in Annex 1 of the Regulation on the definition of incentive granting criteria in order to attract direct investment in the sector of hotel accommodation services (“Official Gazette of the RS”, No. 33/2019).

On the territory of the Municipality of Kuršumljija there are three spa resorts: Spa Resort „Lukovska Banja“ (Regulation on the designation of the area „Lukovska Banja“, „Official Gazette of RS“, No. 104/2018) and two spa resorts labelled as climatic sites: Spa Resort „Kuršumlijska Banja“ and Spa Resort „Prolom Banja“.

According to the level of development, the Municipality of Kuršumljija is classified in the group of undeveloped areas, in accordance with Article 3 of the Regulation on establishing unique list of development of regions and local administrative units for 2014 („Official Gazette of RS“, No. 104/2014 ), having income per capita more than 50% lower than the national average. According to the Statistical Office of the Republic of Serbia (2019), Municipality of Kuršumljija has been facing the problems of depopulation and unemployment for many years. In 2011, the Municipality had 19,243 inhabitants, and in 2018, this number was reduced to 17,545 inhabitants. Also, the unemployment rate in this local administrative unit amounted to 36.9% in 2018.

Private company “Planinka”, with headquarters on the territory of the Municipality of Kuršumljija, owns Spa Resorts “Prolom Banja” and “Lukovska Banja”, the Factory “Prolom voda”, as well as the Nature Park “Djavoľja Varoš”. Also, this company has recently become the owner of the Spa Resort “Kuršumlijska Banja”. The Municipality of Kuršumljija is an example of a local administrative unit where the privatization process of all three spa resorts has been pursued. Also, with the help of the state incentives, the construction of a new hotel in “Lukovska Banja” has been started. Considering all these facts, we have conducted a research, presented in this paper, to explain what factors must be fulfilled in practice, in order to induce the development of the undeveloped rural region rich with natural healing factors. The aim of the research was to collect data from primary sources obtained through interviews with the representatives of local authorities of the Municipality of Kuršumljija, the managers of the Company “Planinka” and representatives of Tourist Organizations of the Municipality of Kuršumljija. Four main research questions related to the economic specifics of the municipality where the spa area is located, unfinished privatization of the spa complex, the importance of attracting direct investment for the development of the spa area and the activities in the field of creating an environment for attracting direct investments in the spa area.

## Policy framework for direct investments in spa tourism

In order to encourage direct investments in underdeveloped regions of the economy (Stojanović, Stanišić, 2015), the state can act in two ways. One approach is to appropriate subsidies, as a form of government expenditure, and the other is to improve the legal framework that would allow smooth inflow of capital. The Republic of Serbia has opted to combine the two approaches in order to attract direct investments to selected sectors in the underdeveloped regions of the economy as effectively as possible. Sustainable development of rural undeveloped regions is one of the key priorities of the EU Member States and other countries that are in the process of stabilization and association, among which is also the Republic of Serbia (Balaban, et al., 2019), also the tourism sector is one of the drivers of the country's economic development today (Lakićević, Sagić, 2019; Sagić et al., 2019; Gavrilović, Maksimović, 2018).

Law on Investment ("Official Gazette of the RS", No. 89/2015 and 95/2018) was adopted with the aim of improving the investment climate in the Republic of Serbia and encouraging direct investments in order to strengthen economic development and increase employment. This Law equates the treatment of domestic and foreign investors, unlike the previous Law on Foreign Investments ("Official Gazette of FRY", No. 3/2002 and 5/2003, "Official Gazette of SM", No. 1/2003 - Constitutional Charter and "Official Gazette of the RS", No. 107/2014 - other law), that provided incentives only for foreign investors.

According to the data of the National Alliance for Local Economic Development (NALED, 2019), from 2000 to 2019, out of a total of 680 FDI, in the total amount of RSD 27,011 million, only eight FDI were allocated in tourism. Seven of them were allocated in developed regions and only one in an underdeveloped region of the Republic of Serbia. Namely, five FDI were realized in Belgrade, in the total amount of RSD 310 million; one in Bački Petrovac, in the amount of RSD 21 million; one in Vršac, in the amount of RSD 2.4 million; and one in Medvedja, in the amount of RSD 6 million. It can be concluded that, in the observed period, Medvedja was the only LAU in an underdeveloped region in which FDI was realized in tourism.

In the Republic of Serbia, direct investments in spa areas are realized through the process of privatization, through the sale of capital of existing spa complexes, then through investment incentives for the revitalization of existing and construction of new accommodation facilities and, finally, through the creation of favorable business environment for direct investments.

By the policy of attracting direct investments in spa areas, long-term strategic commitments related to tourism development of the Republic of Serbia are operationalized. In 2016, the Government of the Republic of Serbia adopted the Tourism Development Strategy for the period 2016 - 2025, which aims to approach tourism systematically, and that tourism needs to occupy a significant place in economic policy. According to this strategy, the purpose of tourism policy is to create an environment that maximizes the benefits for all interested parties, that is, to minimize negative impacts in

the processes and activities of creating a valuable experience for visitors (Government of the Republic of Serbia 2016).

State incentives for investments in spa resorts are a novelty in the economic system of the Republic of Serbia (Pantić, Milojević, 2019), stipulated by the Regulation on conditions and methods of attracting direct investments (“Official Gazette of RS”, No. 37/2018), which was adopted in accordance with the Investment Law. Article 4 of this Regulation, which stipulates the sources and purpose of funds for attracting direct investments, defines that “funds may be used to finance investment projects in the hotel accommodation sector on the territory of the LAU where the spa area is established” (p. 4). Incentives funds for attracting direct investments are provided in the budget of Republic of Serbia. Article 9, Paragraph 1, Point 4 of the above mentioned Regulation stipulates that funds may be allocated for investment projects in the sector of hotel accommodation in spa areas with a minimum value of EUR 2,000,000 and by providing employment for at least 70 new permanent employees related to the investment project.

The investment policy for the construction of new accommodation capacities in the areas of spas, stipulated by this Regulation, is based on the policy of balanced regional development of the Republic of Serbia. Namely, the conditions for obtaining state incentives directly depend on the level of development of the municipality in which potential investor choose to invest. The Republic of Serbia could mitigate the concentration of FDI in developed regions and accelerate the development of rural, undeveloped regions by state incentives for investments (Ionut Laurentiu, Raluca Andreea, 2019).

Above mentioned criteria stipulated in Article 9 of the Regulation did not change when in 2019 the Regulation on setting the criteria for incentives in order to attract direct investments in the sector of hotel accommodation services („Official Gazette of the RS“, No. 33/2019) was adopted. The reason for adopting the new Regulation was to separate the conditions for the state incentives for investments in the manufacturing, food processing and hotel accommodation sectors. According to the data of the Ministry of Economy (2020), out of a total of 108 investment projects co-financed by incentive funds (contracts concluded after the Law on Investment came into force) seven of them are related to investment projects in the sector of hotel accommodation services in LAU in which the spa resorts have been located; construction of the Hotel Complex „Vrdnička Kula“ in Vrdnik, in the Municipality of Irig; Hotel „Sunce“ in Sokobanja; Hotel „Fontana“, Hotel and Recreation Complex „Vrnjačke Terme“, Hotel „Park“ and Hotel Complex „Tonanti“ in Vrnjačka Banja; Hotel „Bela Jela“ in Lukovska Banja, in the Municipality of Kuršumlija.

Article 15 of the Law on Investment defines, inter alia, that the municipalities are the units of local economic development thus the subjects of investment support. Relevant literature points out that local authorities are expected to have the resources and competencies to apply policy of direct investments attraction and, broadly, the policy of regional development (Dorožynski et al., 2014). In other words, it is the responsibility

of local authorities to meet the criteria regarding providing an adequate business environment for attracting direct investment (Linde, Marković, 2017).

### Research methodology

In order to explore the possibilities and limitations of direct investments attraction in spa tourism in undeveloped rural areas, the qualitative research based on a case study of the Municipality of Kuršumljia was conducted. The research started from the hypothesis that attracting direct investments in spa tourism of this Municipality is necessary condition for its development. To that, the impact of three basic instruments of investment attraction policy was analyzed: the completion of the privatization process, the use of investment incentives and the improvement of the business environment for investors.

In the field of economic sciences, qualitative research methods are applied when, based on the perceptions, attitudes and opinions of a limited number of relevant respondents, it is necessary to perceive more deeply and comprehensively particular phenomenon (Muntean Jemna, 2016). This happens when valid explanation about the possible implications of a particular phenomenon is necessary, when it is not feasible to apply quantitative research methods (Mohajan, 2018). This is particularly related to researches on potential effects of new economic policy solutions, such as solutions in investment policy innovations (Çalışkan, 2019). In the Republic of Serbia, the implementation of the policy of attracting direct investments in spa areas is at initial stage. Therefore, there is also relatively limited knowledge of its adequacy. Considering that it is not yet possible to quantify the developmental effects of the implementation of the instruments of this policy, the research was conducted using qualitative method.

The case study is one of the qualitative research methods that is widespread in the economic sciences. The implementation of the case study method leads to the knowledge on certain phenomenon "at the level of description and explication. In the case study, different procedures can be combined ... (observation, interviews), and different available sources of existing data (statistics, various types of documentation, historical data, etc.) can be used" (p. 11) (Pejanović, 2009).

According to Branković (2014), a semi-structured in-depth interview is suitable to use when, broadly, there is a basic prior knowledge of some social phenomenon, when that phenomenon has been partially investigated based on the analysis of relevant empirical research, documents and statistics. The technique of semi-structured in-depth interview (Đokić, Milićević, 2017) in qualitative, hypothetically deductive research implies that all respondents are asked prepared, identical questions, defined broadly enough that the respondents can answer in a comprehensive way, looking at the examined phenomenon in a broader social context.

The examiner has the flexibility to ask any questions that he or she deems relevant for a deeper and more systematic clarification of the respondent opinions. Specific sub-questions may be pre-prepared or initiated during the interview itself (Kvale, 1996).

In this paper, research methodology was applied, similar to the methodology applied by Johnston, Crooks and Ormond (2015) in their exploration on Jamaica's medical tourism planning and development problems. The authors presented their research methodology in a scientific work published in the influential international journal *Globalization and Health*. The interview questions were divided in four broader groups and adapted to the specific case study. The questions were related to Jamaica's existing health care system, medical tourism development initiatives, expected economic and systemic adjustments, and to expected macroeconomic repercussions of medical tourism development. Also, the researchers had prepared specific questions for individual respondents of certain professions and vocations.

Johnston, Crooks and Ormond conducted 18 interviews with representatives of relevant Jamaican institutions and organizations. Institutions included relevant ministries and organizations included public and private medical institutions, health monitoring organizations and professional associations in the field of health and tourism. In order to formulate the questions for the interviews with the representatives of relevant institutions and organizations in the Municipality of Kuršumljija, we had to adapt their content and meaning to the specific socio-economic background of the researched locality. This step was necessary to undertake especially since the methodological guidelines were taken from the study that was conducted in the context of socio-economic distant geographical area, such as Jamaica. In this regard, on the side of institutions, in our research that was conducted and whose results are presented in this paper, on the side of institutions, the respondents were representatives of local authorities of the Municipality of Kuršumljija, and on the side of organizations were the managers of the Company "Planinka" and representatives of Tourist Organizations of the Municipality of Kuršumljija.

Interviews made for the exploration of opinions of representatives of the above mentioned institutions and organizations were conducted in February 2020. Each interview lasted between 30 and 45 minutes. Respondents' answers were stored in the examiner's notes. Respondents were numbered 1, 2 and 3. Respondents' statements were grammatically corrected, without change of their meaning.

The questions were grouped into four broad thematic areas. Starting from the methods applied by Johnston, Crooks and Ormond, the broader thematic areas were:

- economic specifics of the LAU where the spa area is located
- process of the privatization of the spa complex
- importance of the incentives for attracting direct investment for the development of the spa area
- activities in the field of creating an environment for attracting direct investments in the spa area



Opinions, attitudes and perceptions of the respondents regarding the adequacy of attracting direct investments policy in spa areas located in the territory of the Municipality of Kuršumljija were analyzed by deductive thematic analysis method. The deductive thematic analysis method is applied when the purpose of in-depth interview is to obtain answers to pre-prepared questions, of particular importance for investigating a phenomenon about which certain theoretical and empirical knowledge already exist (Nowell et al., 2017).

## **Results and discussions**

In the following part of the paper the responses on each research question have been presented and discussed.

### *Economic specifics of the LAU where the spa area is located*

The territory of the Municipality of Kuršumljija is one of the best positioned tourist destinations in Serbia. All respondents, from their points of view, agreed that tourism is the key untapped economic potential of the area. The Municipality of Kuršumljija “as a unique and attractive tourist destination in recent years, has been actively improving all local economic capacities in order to provide a comfortable and quality life for its citizens while preserving a healthy environment” (Respondent 3). Tourism is more developed in border areas of the Municipality, but also, “people come to the city center with many historical monuments” (Respondent 1), such as churches, monasteries, restaurant “Europe” where Branislav Nušić wrote “Sumnjivo lice”, and then House Koste Pećanca, which is ruined, but can be reconstructed.” The opinion of the Respondent 2 is that in “Prolom Banja” there is a possibility for better utilization of accommodation capacities in winter period, from December to the end of March. Namely, the occupancy has been significantly improved since the wellness center was put into operation in 2017. On the other hand, the problem with “Lukovska Banja” is the lack of accommodation capacities, and according to Respondent 2, it is good that another hotel is under construction, which will have “4 stars and this will be something unseen in this area.”

According to the respondents, the utilization of the healing factors available in the Municipality of Kuršumljija is insufficient, there are possibilities for their greater utilization. “Prolom Banja” has three healing factors: healing water, healing mud and climate, while “Lukovska Banja has four healing factors: healing water, healing mud, climate and gas. “Kuršumlijska Banja” was “known in Roman times. It was very healing spa that treated infertility, fractures, skin diseases, etc.” (Respondent 1). These healing factors are still being examined and researched. According to Respondent 2, mud tests were performed, especially mud in “Prolom Banja”, and also “doctors are involved and write works related to these healing factors” (Respondent 2). Another underutilized medicinal factor is the Radan Nature Park. “The Radan Nature Park, for the most part of its territory, belongs to the Municipality of Kuršumljija, and is a significant segment for connection of two districts and enhancement of tourism potential of the entire Toplica

Region. Insufficient utilization of this site implies unused health and medicinal plants, opportunities for development of recreational and sports tourism as well as hunting tourism, cultural and historical tourism” (Respondent 3).

The conclusion is that the Municipality of Kuršumlija has untapped potentials, but that it still works on better use of the healing factor. The program of local economic development of the Municipality can contribute to increase of utilization of the potentials of the spa areas. Respondent 1 believes that adopting a Strategy would be a first step towards moving closer to EU institutions, foreign donors and new sources of funding. Respondent 2, from the point of view of a company that has been involved in tourism for many years, states that they have development plan that determines their future direction and that the realization of that plan would contribute to the development of “Kuršumlijska Banja”, which has not been operating for fifteen years. According to Respondent 3, in order to develop this region, it is necessary for all parties to contribute: the Municipality, Tourism Organization, and also the private sector. “The local economic plan and its specific measures should define directly and indirectly the participation of all social groups of our society in terms of improving and developing the area where spas are located” (Respondent 3).

### *Process of the privatization of the spa complex*

By applying the policy instruments of attracting direct investments, the state would create conditions for economic development of spa areas. The instruments of direct investments attracting policy that we examined in this research were: the process of privatization of the spa complex, allocation of investment incentives and creation of business environment for attracting direct investments.

The privatization of spas resorts in the Municipality of Kuršumlija started in 1999, when the Company “Planinka” was privatized. This Company was founded on January 9, 1964 (Planinka Kuršumlija, 2020). “Prolom Banja” and “Lukovska Banja” were part of the privatized company from the beginning of its property transformation. After it was privatized, only in 2019, “Kuršumlijska Banja” became also a part of “Planinka”.

Our respondents told us about their experience in spa privatization. Respondent 2 pointed out that the privatization of “Lukovska Banja” and “Prolom Banja” is an example of successful privatization and that today “Planinka” is a joint stock company owned by small shareholders, and thus the workers have the motivation to work and to know that if the company is more successful, they will benefit, as owners, from it. Privatization of Hotel “Žubor” in “Kuršumlijska Banja” was completed in 2019, after the sale of the property of the Spa Complex, in accordance with the announcement of the Property Directorate of the Republic of Serbia and the Republican Pension and Disability Insurance Fund (Property Directorate, 2019), and after the court proceedings between the PDI Fund and the privatization entity, Special Hospital for Rehabilitation “Žubor” were completed. One of the respondents stated that this litigation is the reason for the delayed privatization of the complex, while the other stated that the incomplete privatization was due to economic instability in the domestic market.



All respondents agreed that the issue of resolving the privatization process was directly related to attracting direct investments in the spa areas. The arrival of investors “will happen at that moment when they see that something well is done for doing business. It is only at this point that investors decide to invest.” (Respondent 2). Namely, privatization of spa complexes is in the final stages in this municipality, so they hope that investors will come because there is a great interest in “Kuršumlijska Banja” and the land at this moment. “The launch of this spa complex represents a new life for not so many locals who stayed here to live, new job opportunity for young people from Kuršumljija and the surrounding area, and enhancement of the complete offer of spa tourism in the territory of the Municipality of Kuršumljija” (Respondent 2).

### ***Importance of the incentives for attracting direct investment***

Other instruments of attracting investment policy that we observed with our respondents were investment incentives. In fact, according to the “Regulation on the criteria for the incentive assignment in order to attract direct investment in hotel accommodation sector”, the scope of the incentive is inversely dependent on the level of development of the spa areas. All respondents agreed that this should be the case, that is, the more underdeveloped the area where spas are, the higher the incentives from the budget should be. Considering that the Municipality of Kuršumljija is undeveloped area, according to our respondents, this fact should be taken into account to obtain incentives. Municipality of Kuršumljija is by the side of administrative line. “The policy of the state should be to make conditions for the growth of undeveloped areas, especially because we are on the administrative line. We are an area that should remain populated, we should retain young population and increase number of inhabitants, not decrease it” (Respondent 1).

Investment incentives are necessary condition for attracting direct investments in spa areas in the territory of the Municipality of Kuršumljija. Respondent 2 pointed out that the development of the area is reflected in new employment, the arrival of new people who will invest in the area. Representatives of the Municipality of Kuršumljija observe the development of the area with the help of incentives through an increase in municipal revenues, an increase in the number of guests, the number of beds, newly constructed facilities, newly employed workers. Respondent 3 gave sublimation of these answers, which is that “investment incentives by the Government of the Republic of Serbia have crucial importance and would certainly have a positive effect on increasing the level of development of the spa areas, but not only spa, then also complete Kuršumljija region. This is the way to stop depopulation of the territory, prevent young people from going to larger cities and abroad, attract new investments and foreign capital, create a favorable business climate and stable conditions for the life of our citizens”.

Investment incentives lead to attracting direct investments, but two respondents said that this is not the only condition, but there are others such as building road infrastructure, improving demographic policy of the entire municipality. They find that incentives

are very useful tool, but do not have to be crucial ones for investors when deciding to invest in some area or not. Respondent 2, who represents the company that obtained the investment incentives, believes that they are necessary condition, because they represent a good motive.

As the municipality that is located in undeveloped area, Kuršumljija has an unemployment problem. Incentives regarding spa areas would reduce the problem of unemployment, because each investment incentive involves employment of certain number of people. Respondent 1 pointed out that other branches of the economy also need to be developed. Respondent 3 announced that the incentives “will be planned in the municipal budget, as part of more general program of stimulating investment in the territory of the Municipality of Kuršumljija. Within this measure, Municipality of Kuršumljija will decide on introduction of incentives for new and existing agricultural farms, determine the funds for the purchase of equipment, machinery and funds for work, organize in cooperation with higher levels of government and sectoral republican training and education organizations and provide necessary legal, economic and technical assistance to improve the work of cooperatives and farms.” This leads to the conclusion that the Municipality of Kuršumljija has taken an active part in solving the problem of unemployment.

The development of health tourism depends on the revitalization of existing and construction of new hotel facilities in spa areas, and investment incentives are intended to revitalize existing and build new hotel facilities in spa areas, in accordance with “Regulation on the criteria for incentives assignment in order to attract direct investment in the hotel accommodation services sector”. This leads to the conclusion that investment incentives are positively correlated with the development of health tourism. Two respondents agreed with this statement. Namely, the incentives received in 2019 by the company “Planinka” will be used to build Hotel “Bela Jela” in “Lukovska Banja”. Representative of “Planinka”, Respondent 2, explained that development of health tourism has always been their primary goal and that all incentives are directly related to the development of health tourism. “Prolom Banja” and “Lukovska Banja” also have wellness centers in their offer, but that is an addition to the tourist offer.

### ***Activities in the field of creating an environment for attracting direct investment***

In addition to the explained investment policy instruments, local units have an important role in creating an environment for attracting direct investment in the spa areas. The Municipality of Kuršumljija belongs to the group of undeveloped municipalities, with a small budget and a large surface area. Municipality spends lot of its money on building roads and on providing basic living conditions for its citizens, and because of all above mentioned, they are directed to the higher levels of authorities. The respondents

pointed out that the level of development of the Municipality influences the possibility of creating business environment for attracting direct investments in the area of the spa, but in their case, “greater involvement of Government of the Republic of Serbia, concrete measures of social policy and other necessary preconditions would increase the level of development of the Municipality and thus create conditions for favorable business environment and attracting direct investments (establishment of industrial zone, proximity of a new highway will greatly influence that the Municipality of Kuršumljija becomes an attractive location for building fruit processing plant, opening mini factories for processing healthy food, milk, fruit, medicinal plants, in order to preserve national tradition, culture and history of the Toplica region)” (Respondent 3).

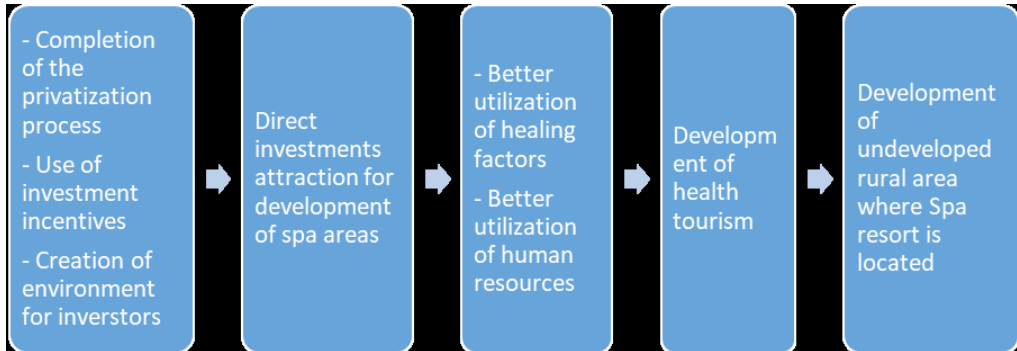
The Municipality of Kuršumljija has experience with both Greenfield and Brownfield investments (the opening of a solid wood furniture factory from Israel is in final phase, construction works on a purpose-built industrial plant have begun and the construction of a new hotel in “Lukovska Banja” is underway), but respondents are aware that local authorities must take the lead in providing the resources necessary to build the infrastructure in order for investments to be conducted. They find funds for its realization in coordination with the state and higher levels of authorities. “Only by concrete measures and significant financial support of the state in Kuršumljija region, young people can be prevented from leaving, credit incentives should help them to find job after graduation, in order to live from their work, form families, because as they say at home it is the most beautiful!” (Respondent 3).

### **Conclusions**

The Municipality of Kuršumljija belongs to the group of undeveloped municipalities, but in recent years intensive efforts have been made to improve all economic conditions in order to provide better living standard for citizens. Wealth of natural healing factors and tradition of spa tourism provide perspective of its development. Thanks to the completion of the privatization process, investment incentives for hotel capacity building and the efforts of the local authorities to provide good business environment, conditions for stopping depopulation process and alleviation of the unemployment problem are created. Research on the role of investment in the development of spa tourism in the Municipality of Kuršumljija showed that, by synergetic effect of all the above factors, long-term and sustainable development of undeveloped rural regions can be achieved on territories where spa resorts are located.

Based on the results of the conducted research, the development model of the undeveloped rural area where Spa resort is located has been constructed (Figure 1)

**Figure 1.** Development model of undeveloped rural area where the Spa Resort is located



Namely, development requires better utilization of all economic potentials of the municipality on the territory where spa area is located, primarily healing factors and the unemployed workforce. Then, local economic development programs that the municipalities enact should be implemented. By completing the privatization process of the spa complex, in addition to investors who will invest through the privatization process, it is expected that other investors will be interested in investing. Attracting direct investment for the development of the spa area through incentives can contribute to the revitalization of existing and construction of new accommodation facilities and also partially solve the unemployment problem in these municipalities. Last but not least, the role of local government units is to create an environment for attracting direct investment in spa areas located on their territory.

Further research on the role of direct investment in spa tourism of undeveloped rural regions of the Republic of Serbia should include all Spa resorts located in these regions. Including them in the research would contribute to deeper understanding of the adequacy of policy instruments for attracting direct investments.

The presented development model of undeveloped rural area where the Spa resort is located could serve as methodological guideline for researches relating to other geographical areas respecting the following condition. Namely, the qualitative research presented in this paper has been conducted based on the perceptions of the respondents from the Spa resorts located on the territory of an undeveloped rural region in the Republic of Serbia. For that reason, the presented development model might serve as the basis for the research related to the Spa resorts located in other geographical areas only if adapted to its specific socio-economic conditions.

When the spa tourism of the Republic of Serbia is considered, major limitation for further research relates to possible changes in economic policy regarding the process of property transformation of the facilities located in the Spa resorts. New Regulation announced concerning privatization models of individual Spa resorts could significantly affect the opinions and perceptions of the respondents from relevant institutions and organizations.

## Conflict of interests

The authors declare there are no conflict of interest.

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