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CONNECTING TOURISM, ECONOMIC GROWTH AND QUALITY OF LIFE: THE CASE OF CROATIA

The paper attempts to theoretically define and empirically evaluate the relationship between quality of life, tourism and economic growth. The main objective is to determine what influences quality of life of the local population in inbound tourism markets in the context of sustainable tourism and economic development. The empirical investigation was conducted using descriptive statistics, cross-sectional analysis and multivariate regression analysis for a sample of the Republic of Croatia in the period between 2004 and 2019. Multiple regression analysis was conducted to answer the following research questions: Does higher competitiveness and economic growth, in addition to higher tourism consumption have a positive effect on the quality of life of the resident population? How do macroeconomic variables expressing economic growth, competitiveness and tourism affect the quality of life of the resident population? The basic hypothesis is that economies that are more competitive and achieve better results in terms of economic growth and achieve higher tourism consumption have a higher quality of life, which is one of the objectives of sustainable development.

The quality of life of the resident population in inbound markets increases under the influence of increasing tourism consumption and the

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generation of higher tourism revenues, which are multiplicatively transmitted to the overall economy. A higher level of investment and, consequently, a higher tourist offer, at this level of tourism development, also has a positive impact on the growth of the human development index, which is used as an indicator of the quality of life of residents. Reaching a higher GDP per capita has a positive effect on the quality of life of the local population.

The conclusions of the research and the results of the model can be used to implement a strategy for sustainable tourism development and the economy, as well as a targeted and more efficient tourism policy to increase revenues and reduce costs while increasing the overall satisfaction of all stakeholders in the tourism market. The paper represents a contribution to research on the relationship between quality of life, tourism and economic growth in inbound tourism economies.

Keywords: *tourism, economic growth, quality of life, human development index, Croatia*

1. INTRODUCTION

Tourism has always been, and will continue to be, an important force for the development of many countries around the world. It gives rise to the exploitation of natural and cultural resources, encourages the preservation of traditions and local customs, connects people and economies, and contributes directly to the GDP growth and increased employment. Well-designed and managed tourism can especially help to preserve the above-mentioned resources, and thus can significantly strengthen the community, improve trade opportunities, and promote world peace and intercultural understanding (WTO, 2017).

Current issues related to the slowdown in globalization and trade due to the impact of the pandemic and geopolitical tensions have further highlighted the importance of tourism for global connectivity, and the need for travel and tourism (T&T) development is greater than ever. It is important to note that tourism and the tourism industry are not only critical for overall economic outcomes, but also for the local populations' wellbeing and numerous businesses in other industries affected by the pandemic. The tourism sector is responsible for about 10% of global jobs in 2019 and employs nearly twice as many women, accounts for a large share of youth employment, and is the main source of jobs for minorities, migrants, and low-skilled workers (WEF, 2022). In addition, the 2030 Agenda recognizes tourism's positive role in areas such as poverty reduction, the promotion of gender equality, and environmental protection (WTO, 2017).

As tourism is a significant contributor to global economic and social development, its recovery and long-term growth are essential today – there is specifically the need to "rebuild for a sustainable and resilient future". In the coming years, it will therefore be critical for T&T stakeholders to develop strategies that make the sector more inclusive, sustainable, and resilient (WEF, 2022). Sustainable development should be a proper development approach with tourism advancement, which should be strategically aligned to achieve optimal economic, environmental, and social performance with a "beyond GDP" approach that focuses on tourism development and sustainable well-being (Dwyer, 2020, Kalimeris et al, 2020; Aitken, 2019). Tourism has the potential to help improve the quality of life through economic benefits, but also to support tourism through contributions to local communities (Liburd et al., 2012).

Achieving a balance between economic, social and environmental priorities is an important steps towards achieving sustainability in tourism. The tourism competitiveness is closely linked to the sustainable development of tourist destinations, as it offers services that do not have a negative impact on the environment and are based on innovation and the conservation of resources (Streimikiene et al, 2021). At a time when tourism is becoming increasingly important in achieving positive economic and social effects, the importance of tourism and tourism consumption has been the subject of numerous studies in recent decades (Crouch, 1995; Peng, Song and Crouch 2014). Tourism is an individual consumption generated in the national economy, i.e. "tourist consumption" and is a defined category of the economic cycle analysis. Tourism consumption depends on the tourism offer of a region, which means that a wide range of services and activities contributes significantly to the growth of tourism consumption, which brings great economic benefits to both the individual area and the overall country.

Europe is one of the most competitive tourism regions in the world and includes six of the top ten performing countries in 2019: Spain, France, Germany, the United Kingdom, Italy and Switzerland. It continues to lead the world in terms of revenue and number of tourists (it receives half of the world's international tourist arrivals), but also in terms of economically developed countries, quality of life, and achievement of the Sustainable Development Goals (Băndoi et al., 2020; WTO, 2017). The importance of tourism as a significant economic phenomenon is evident in the EU Mediterranean destinations, which are significantly economically impacted with this phenomenon. The importance and position of these destinations is also confirmed by the fact that Europe has recovered the fastest in the Mediterranean (-27%) from the Covid crisis (as of 2019), as international tourism recovered by more than 70% compared to pre-crisis levels (UNWTO, 2022).

The long-term sustainability of the travel and tourism industry faces significant challenges in reconciling growth models with the quality of life of local

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communities. There is also the additional suggestion of a paradigm shift away from the use of models focused on economic growth at any cost to a focus on the quality of said growth and its compatibility with the residents' quality of life (Dwyer, 2020; Guerreiro, 2019, Liburd et al, 2012).

The importance of tourism for economic development is widely recognized due to its contribution to balance of payments, output, and employment (Brida et al., 2020). There is also a considerable body of research that has examined the relationship between tourism and economic growth (Balaguer and Cantavella-Jordá, 2002; Durbarry, 2004; Kim et al 2006; Proença et al 2008; Brida et al, 2020). It is widely recognized that tourism contributes positively to economic growth through numerous and diverse direct and indirect channels, and an ever-growing scientific literature addresses the existing links between economic growth and tourism (Nunkoo et al, 2019;2020 Brida et al, 2020).

The quality of life as a social dimension is a complex and multifaceted factor whose study requires complex approaches. Băndoi et al. (2020) find that there is a positive relationship between the development of tourism and the increase in quality of life, and between the level of sustainable performance and tourism intensity. Conceicao and Bandura (2010) note that although it is often argued that economists are primarily concerned with the level and growth of gross domestic product (GDP), it is important to take a step back and remember that human well-being is the most important aspect because of the "objective function". Tourism research has also focused more on well-being in recent decades, particularly through a wide range of concepts inspired in part by philosophy and psychology, such as "quality of life" and "life satisfaction", both from a theoretical and a methodological perspective. However, research in this area is still in its infancy (Smith and Diekmann, 2017).

In line with the above, we define the following research questions relating to the specifics of the relationship between tourism and economic growth and human development for inbound tourism economies, especially small economies that are largely dependent on tourism:

1. Is there a relationship between tourism, competitiveness, economic growth, and quality of life in EU economies, and in particular in EU Mediterranean countries that are highly dependent on tourism? Do countries that achieve leading results in tourism and overall infrastructure in the region and in Europe also achieve rising quality of life indicators for local populations?

2. To what extent do tourism and economic development affect the quality of life of the local population in tourism-dependent economies, as in the example of Croatia?

3. How do macroeconomic variables that are expressions of tourism and economic growth affect the local population's quality of life, and how can they be used to manage tourism and economic policies more effectively?

The paper tries to theoretically elaborate and empirically assess the relationship between tourism, economic growth, and quality of life at a macroeconomic level. The initial hypotheses derived from the research questions and research objectives are:

H1: The growth of tourism demand and tourism consumption on the domestic and foreign tourism market and the increase in tourism supply have a positive effect on the quality of life of the local population, given that the prerequisites for the sustainable development of tourism have been met.

H2: A higher level of economic development continuously positively affects the quality of life of the local population.

H3: The level of the local population's quality of life in inbound tourism economies, apart from tourism and economic indicators, depends on the achieved level overall infrastructure development and general social development.

The paper consists of five parts. After the introduction, the second part reviews the literature. The third part describes the data used and the methodology. The fourth and fifth parts contain the empirical results and discussion, and finally the last part describes the conclusions and limitations of the research.

2. LITERATURE REVIEW

When discussing economic growth, tourism has a number of significant impacts on the economy. Several researchers have contributed to the research on Tourism-Led Economic Growth Hypothesis (TLGH), using different variables and methodologies and heterogeneity of the research is evident. Most of the economic research in the field of tourism-led economic growth hypothesis confirms the positive relationship between international tourism and economic growth, using different variables, models and econometric analysis (Jelušić, 2017).

The links between tourism and the sustainable development of tourist destinations have also been examined in various studies (Egresi and Kara, 2018; Jeon, Kang and Desmarais, 2016; Nunkoo and So, 2016; Woo, Kim and Uysal, 2015). Nunkoo, Seetanah and Khan Jaffur (2019) presented a meta-regression analysis with 113 studies testing TLGH and concluded that the results were influenced by the high sensitivity of the variables, country specificity and time spans. Tourism

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competitiveness occupies an important place in research. The basic elements of tourism competitiveness have been provided by numerous authors (Crouch and Ritchie, 1999; Dwyer and Kim, 2003; Gomezelj and Mihalić, 2008; Croes and Kubickova, 2013) who emphasized various elements of comparative and competitive advantages in the models and oriented the research towards sustainability. Ivanov and Webster (2013) emphasized the importance of import dependence of tourism and the possibility of increasing the consumption of foreign tourists, thereby reducing the positive impact on the economy. This is especially important in a globalized economy. In the 2014 tourism competitiveness study, the same authors concluded that the competitiveness of a destination does not affect the impact of tourism on economic growth. Ritchie and Crouch (1999, 2005) emphasized the importance of encouraging tourist spending to enhance the attractiveness of a destination and increase the number of satisfied visitors. Dwyer and Kim (2003) emphasized the importance of raising the standard of living of the local population due to the destinations' competitiveness resulting from increased tourist spending. Increased tourism consumption is reflected in higher GDP and improved economic indicators. Bucher (2018) conducted a study on the competitiveness of 41 European countries based on the Global Competitiveness Index (GCI) and used statistical methods to investigate correlations. The study confirmed the high correspondence between the GCI as the level of national competitiveness and the human development index, GDP per capita, the level of gender inequality and the competitiveness of the tourism industry. It was concluded that a significant difference in competitiveness is characteristic of various European countries.

Sharma, Mohapatra and Giri (2020) investigate the impact of tourism growth on human development in the Indian economy (1980 to 2018). The result of the ARDL-Granger test shows the existence of a cointegrating relationship between the indicators of human development, government expenditure, trade openness and tourism sector growth.

The limitation of GDP as a measure of a country's economic development and progress has been the subject of debate over the past two decades (UNDP, 1990, Hopwood, Mellor and O'Brien, 2005; Stiglitz et al., 2008; European Commission, 2009; Costanza et al., 2009; Dempsey et al., 2011; Coyle, 2014.). Many authors call for the creation of alternative development indicators, stating that a country's prosperity is primarily a multidimensional concept that cannot be measured by GDP per capita alone, but that more comprehensive alternative indicators are needed for its development (Stiglitz, Sen and Fitoussi, 2009; Costanza, Hart, Posner and Talberth, 2009; Dwyer, 2020). Today, it is generally accepted that the socio-economic development of a country cannot be measured using only GDP as a basic indicator. A fundamental question that has arisen from this recognition is whether the GDP measure properly assesses progress, while progress could include not only

material progress but also a standard of living supported by health, education and basic life services. Indeed, the development of the HDI was a confirmation that per capita income is not sufficient to describe overall development (Deb, 2015).

Many authors have previously addressed the relationship between economic growth and human development. The following section briefly provides some of the most important findings:

- As early research, Ranis, Stewart and Ramirez (2000) studied the links between economic growth and human development in developing countries (1972-1990) and concluded that there is a strong positive relationship in both directions.

- According to Anand and Sen (2004), income (wealth) is of great importance, but it cannot be a direct indicator of overall well-being. The HDI is considered a composite indicator of a broader concept. But at this point, it is important to emphasize the problem of composite indices, which is related to weighting and the fact that not all dimensions are valued in market prices (Santos and Santos, 2014).

- Some recent research claims that GDP has a significant advantage over other development indicators in terms of using only data generated by market processes (Weimann, Knabe and Schob, 2015). Moreover, some of the studies have already indicated that GDP can be used as a proxy measure of development, with research pointing to a high correlation between the economic indicator of GDP per capita and other aggregate social indicators of development (Hicks and Streeten, 1979). Since other dimensional indicators such as health and education often improve with income, the HDI measure would inevitably relate to GDP per capita, so no additional information can be gleaned from the HDI index. Because the HDI is so closely related to GDP or GDP per capita, some researchers believe it is a superfluous index.

- Characteristics of higher economic growth are often associated with performance on dimensional indicators of human development such as health and education. Numerous studies have examined the reciprocal relationship between economic growth and human development, arguing that human development is not only the end product of the development process, but also a means to generate future economic growth. It is argued that strong economic growth promotes human development through increased household consumption expenditure and public expenditure that directly benefits the poor (Ranis and Stewart, 2006; Ranis, Stewart and Samman, 2007). There has also been a recent resurgence of interest in studying the relationship between economic growth and individual ele-

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ments of human development such as education and health (Benos and Zotou, 2014; Lewis, 2013).

- There are also studies that have tried to investigate whether there is an empirically strong trend of convergence of human development in the world in recent decades (Konya and Guisan, 2008; Molina and Purser 2010; Mayer-Foulkes 2010). The results confirm the convergence hypothesis with the finding that poor and low-income countries have been able to increase their HDI better than high-income countries. It can also be concluded that the results suggest that it may not be appropriate to use GDP per capita as a representative indicator of human progress, although there is some correlation between them. This is because it is important to note that while GDP is a measure of a country's economic performance, HDI remains a measure of human and social progress.

- Deb (2015) examined the differences in the spread between HDI and GDP per capita on a sample of 140 countries over four periods, focusing on a subsample of countries with different income groups. Based on the study, he concludes that these two variables are related to the overall sample of all countries. However, the analysis for different income groups among countries suggests that the positive relationship is more pronounced for low-income countries and weak for middle- and high-income countries at all four time points.

- Castells-Quintana, Royuela and Thiel, (2018) examined the relationship between income inequality and the HDI and its components in a panel of 117 countries (1970 and 2010). There is an evidence of a negative long-term relationship between inequality and human development and several short-term relationships between inequality and different dimensions of human development: a positive correlation with economic development but a negative correlation with educational outcomes.

This research examines the relationship between economic growth and HDI from the perspective of tourism and on the example of Croatia, considering the specifics of the tourism demand and supply market.

3. RESEARCH METHODOLOGY

The research part of the paper is based on the study of the laws in the movement of macroeconomic variables selected for the study of the dependence of quality of life, tourism and economic growth.

Table 1.

DESCRIPTION OF SECONDARY DATA USED

Variable	Description	Source
TA_{for} / TA_{tot}	Tourist arrivals – international tourists and total, at tourist accommodation establishments	Eurostat: Arrivals at tourist accommodation establishments (online data code: TOUR_OCC_ARNAT)
TN_{for} / TN_{tot}	Tourist nights – international tourists and total, at tourist accommodation establishments	Eurostat: Nights spent at tourist accommodation establishments (online data code: TOUR_OCC_NINAT)
TR	Tourist receipts from international tourists	Eurostat: Balance of payments by country – annual data (BPM6) (online data code: BOP_C6_A__custom_1498515)
BEDPL	Number of bedplaces, at tourist accommodation establishments	Eurostat: Number of establishments, bedrooms and bedplaces (online data code: TOUR_CAP_NAT__custom_1511801)
GDPPC	Gross domestic product per capita	Eurostat: Real GDP per capita (2010=100) (online data code: SDG_08_10)
GCI	Global Competitiveness Index The World Economic Forum (WEF) has been monitoring the countries' economic competitiveness since 2004. WEF's methodology related to competitiveness is based on the Global Competitiveness Index (GCI) that has four sub-indexes and 12 pillars (GCI 4.0): I) enabling environment, II) human capital, III) markets, and IV) an innovative ecosystem.	World Economic Forum database and reports

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Variable	Description	Source
HDI	Human Development Index The United Nations (UN) has been monitoring the countries' stage of human development since 1993. The Human Development Index (HDI) is a summary measure of achievement in three dimensions of human development: a healthy life, being knowledgeable and have a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions (life expectancy index, education index and GNI index).	United Nations Development Program database

Source: authors

The first part covers all EU countries, focusing on the Mediterranean economies. Descriptive statistics were used to investigate the relationship between tourism, competitiveness, economic growth and quality of life: a comparative study and benchmarking of European Union (EU-28) economies. Selected data for EU countries was analyzed for the period 2010-2019 and a cross-sectional analysis of the variables for 2019 was carried out, where the best results were obtained for tourism. The second part includes a descriptive analysis of secondary data for Croatia for the period between 2004 and 2019; data from 2004 was used due to the availability of data on competitiveness; data after 2019 is not included due to the impact of the pandemic. Using the software Statistical Package for the Social Sciences (IBM SPSS), modeling was carried out on the example of Croatia and a model of the quality of life of the resident population in relation to the achieved tourism development, the competitiveness of the economy and the achieved level of economic development was created.

The logarithmic form of the shape function is used for modeling:

$$lny_I = lna + b_1lnx1_i + b_2lnx2_i + ... + b_klnxk_i + \varepsilon_i$$

An F-test is used to test the significance and the hypotheses. The test is performed by comparing the obtained F-values of the model and the tabulated values of the F-distribution with a given degree of freedom (k, n- (k + 1)). The significance of each variable is tested with a t-test.

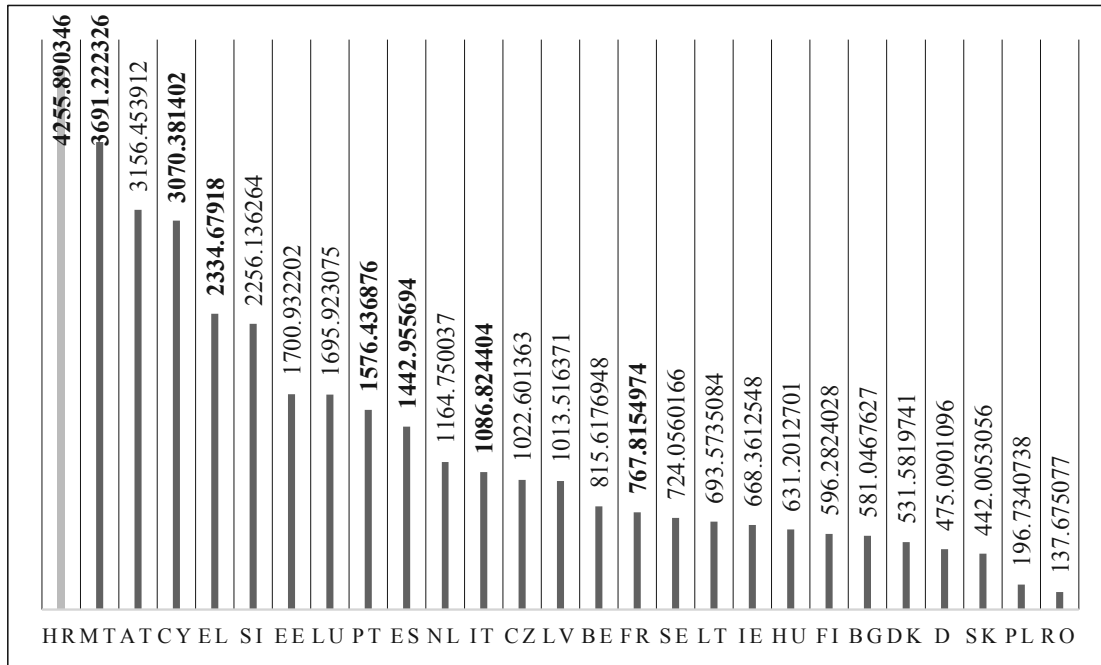|	
H0: $b_1 = b_2 = \ldots = b_k = 0$	The null hypothesis states that no predictor variable in the model is significant, which means that the model must be discarded.
H1: $b_1 \neq b_2 \neq \ldots \neq b_k = 0$	The hypothesis states that at least one predictor variable in the model is significant, which means that the model can be accepted.

The multiple linear regression model is based on several assumptions that must be tested. The first is the multicollinearity condition, which is one of the most common problems in time series analysis. The assumption is that the variables are not perfectly correlated with each other, which is evident from the Pearson correlation values, but it is important to estimate the extent of approximate linear dependence. Collinearity statistics with VIF and TOL indicator as well as Condition Number (CN) and Condition Index (CI) and autocorrelation tests were used for diagnosis.

4. EXAMINING THE RELATIONSHIP BETWEEN TOURISM, COMPETITIVENESS, ECONOMIC GROWTH AND QUALITY OF LIFE: A COMPARATIVE STUDY

The EU tourism market achieves the best results in world tourism, although in recent years the trend of increasing the number of tourist arrivals and tourist receipts has slowed down compared to other parts of the world, especially Asia. A large proportion of tourist trips in the EU are intra-EU trips, which proved significant in the conditions of the pandemic in 2020-2021, when most tourist trips were regional, and in the context of the availability of overland travel. The EU market consists of 28 countries (2019), which differ in terms of the achieved level of economic development and population size, which decisively determines the purchasing power of tourism in the market of tourist demand and supply. The number of tourist arrivals is one of the first indicators of tourism development, and all EU countries have shown increasing trends in the last decade. A cross-sectional analysis of the number of tourist arrivals per 1000 inhabitants for EU countries for 2019 shows that the highest results were achieved by smaller inbound markets in the Mediterranean region, which form the first group of countries in Figure 1, namely Croatia (HR), Malta (MT), Cyprus (CY), Greece (EL), followed by larger inbound markets in the Mediterranean region, which are also the leading European and world destinations: Portugal (PT), Spain (ES), Italy (IT) and France (FR). For example, Croatia has almost six times more tourist arrivals per 1000 residents in 2019 than the top tourist destination France.

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Figure 1

ARRIVALS PER 1000 RESIDENTS 2019, EU-28

Source: own processing based on EUROSTAT/WEFORUM data

The question is whether economic indicators follow such trends in main inbound tourism countries in the EU. A review of global competitiveness trends for the same group of countries in 2019 shows diametrically opposite conclusions. The countries that achieved the most dynamic results in tourism in 2019 according to the above indicator achieve the lowest global competitiveness scores. The order of competition between the selected EU Mediterranean economies ranges from the highest score for France to the lowest score within the EU for Croatia. This conclusion raises the question of the link and relationship between tourism and economic growth, as well as the need to modernize and adapt the tourism product to the global challenges of the tourism market. Countries that reach low levels of global competitiveness need to diversify their economic structure and adapt all activities, including tourism, to new consumers and expectations. What arises is that inbound tourism outcomes are not correlated with the global competitiveness index at the EU level. The most economically developed countries in the EU achieve the highest global competitiveness. This leads to the conclusion that there is a pronounced correlation between the positive economic growth and

competitiveness, which does not necessarily correlate to tourism indicators – this is confirmed by the EU economy's example.
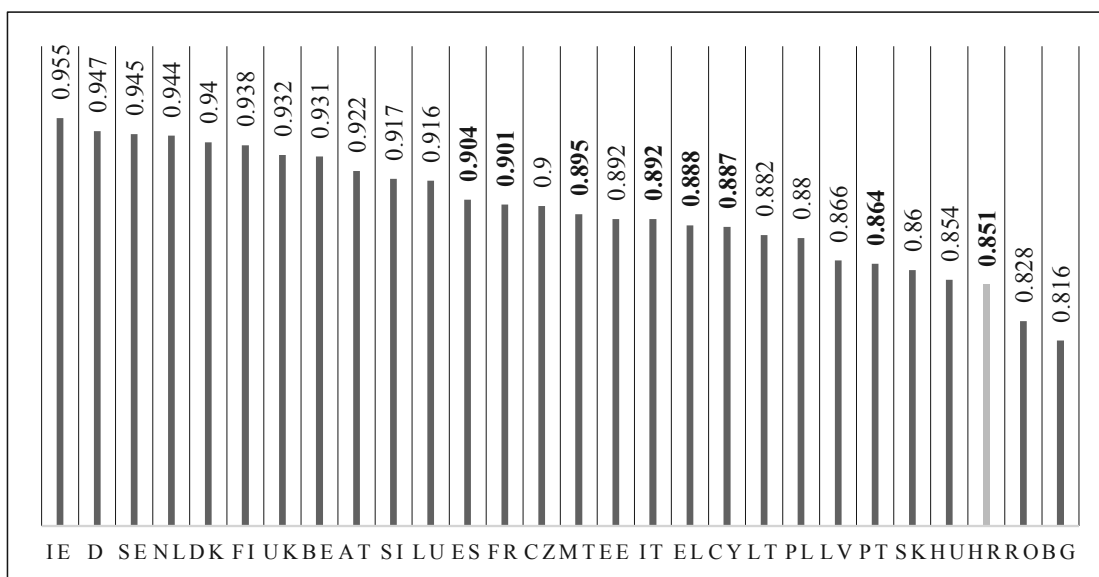
Figure 2.

GCI 2019, EU-28
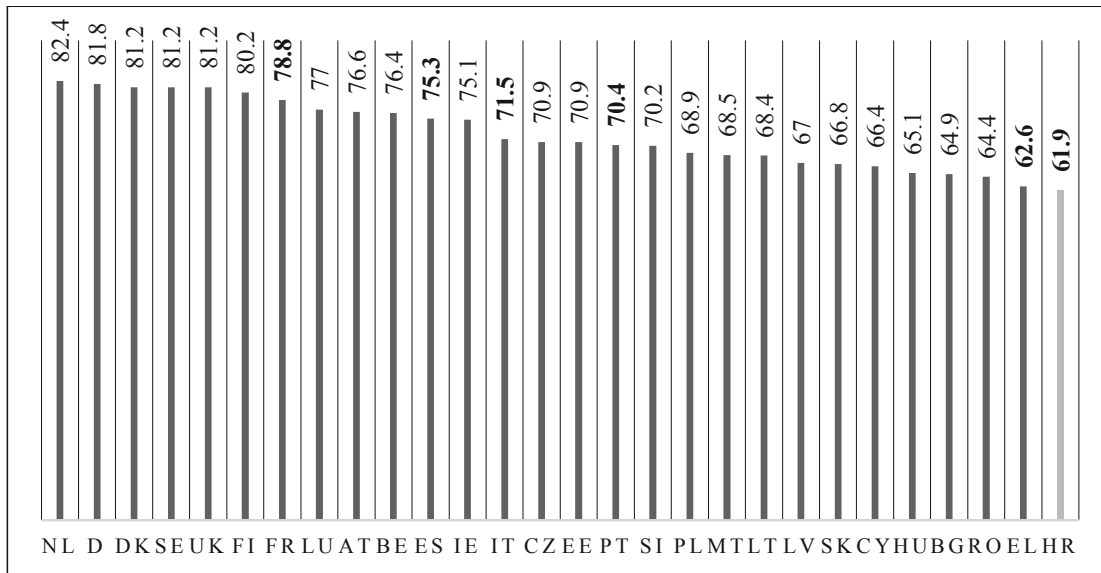
Source: own processing based on EUROSTAT/WEFORUM data

The analysis is extended to include trends in quality of life within EU countries. In 2019, the highest level of quality of life was achieved in the Netherlands, followed by Denmark and Sweden in third place, followed by the developed economies of Western Europe. In the middle part of the scale are inbound tourism markets that are more globally competitive, while at the bottom are inbound markets that are less globally competitive. In the group of observed countries, Croatia reaches the lowest level of quality of life (0.851), which can be interpreted as a consequence of a lower level of economic development and competitiveness. It can be concluded that, taking Croatia as an example, the opportunities and expectations for tourism and sustainable tourism development, as well as the economic and general impacts, are extremely high and necessary.

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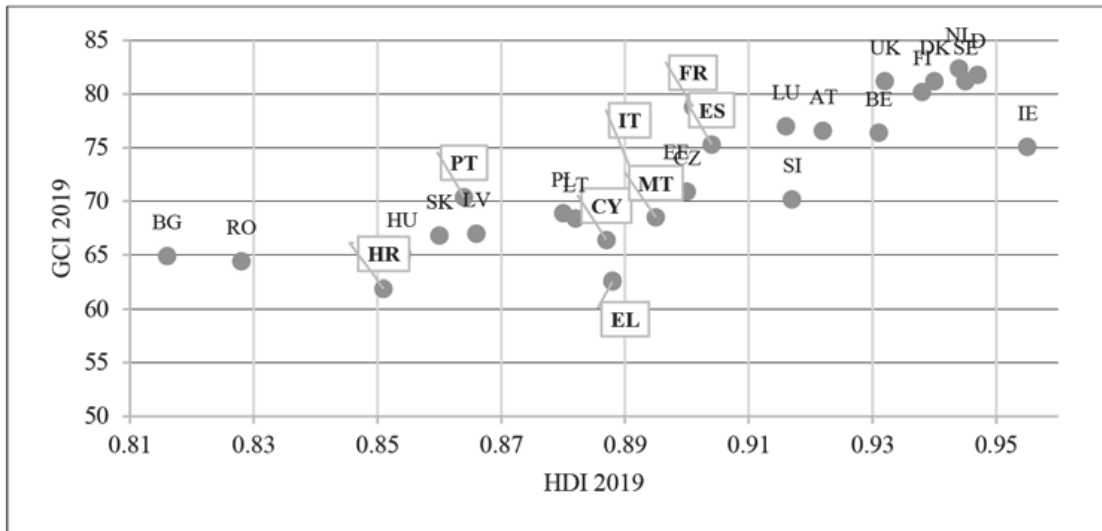
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Figure 3.

HDI 2019, EU-28

Source: own processing based on EUROSTAT/WEFORUM data

A comparative analysis of the Human Development Index (HDI) and Global Competitiveness Index (GCI) for EU economies shows the dispersion and development trend towards the most developed EU countries. The optimal scenario is the position in the upper right quadrant, which contains the most developed EU countries that are not among the leading inbound markets. Smaller entry markets, including Croatia, are less well positioned and belong to the group of underdeveloped countries according to this criterion.

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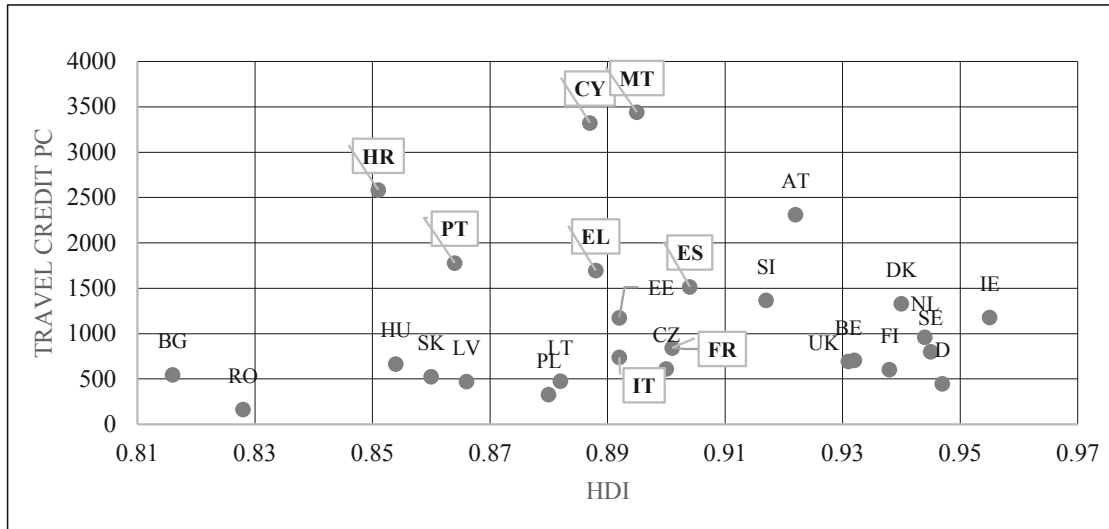
Figure 4.

HDI VS GCI 2019, EU-28

Source: own processing based on EUROSTAT/WEFORUM data

Looking at the evolution of HDI indicators in relation to foreign tourism receipts (travel credits per capita), we see that the smaller inbound markets, such as Malta and Cyprus are best positioned, as they have relatively high HDI levels with high foreign exchange inflows from tourism per capita. The large EU markets, which are primarily outbound economies, generate significantly lower foreign exchange inflows than tourism per capita expresses.

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Figure 5.

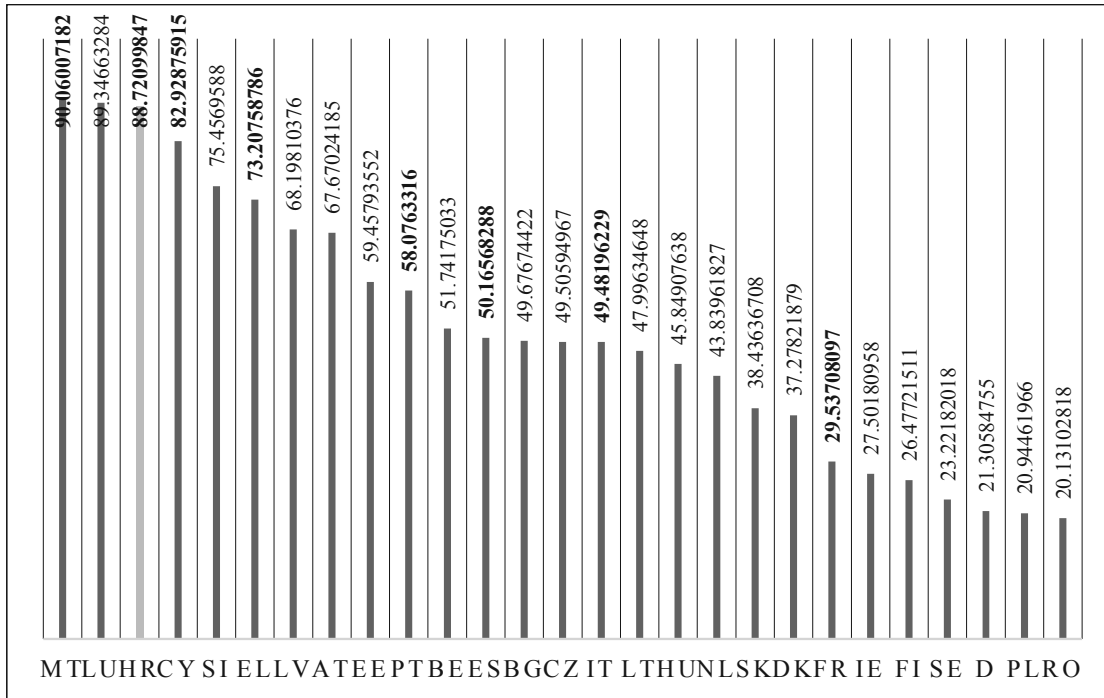### HDI VS TR (TOURIST RECEIPTS) PER CAPITA 2019, EU-28

Source: own processing based on EUROSTAT/WEFORUM data

One of the fundamental aspects of every tourist market, including the EU tourist market, is the structure of arrivals for foreign and domestic tourist. According to UNWTO data, the most important assets of the tourist market are domestic tourists, because their consumption constitutes the foundation and stability of this market. It is a consumer force that is directly influenced by national tourism policy and other economic policy measures. On the other hand, it is possible to influence foreign tourist consumption with various instruments, but the most effective measures are oriented towards price and exchange rate policy that model the tourist demand market, i.e., the level of private and public investment that determines the supply market and the possibility of higher quality, more innovative tourist product and competitive price. Figure 6 shows a significant deviation in the structure of arrivals in which a smaller inbound tourism market is characterized by a very high share of foreign tourists, while in France, for example, the share of foreign tourists is 29.3%.

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Figure 6.

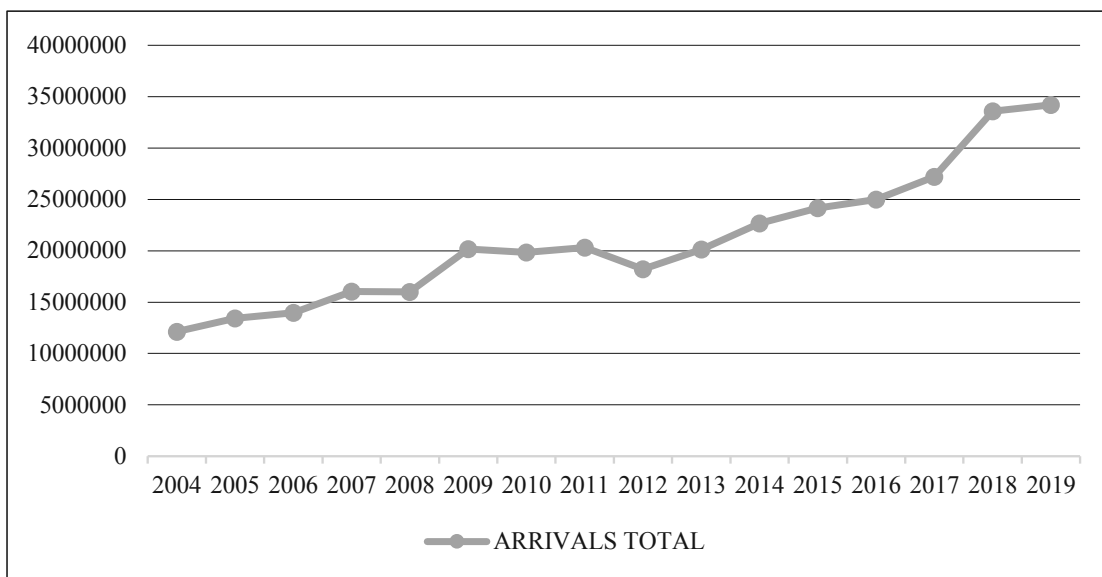**FOREIGN TOURIST ARRIVALS IN % 2019, EU-28**

Source: own processing based on EUROSTAT/WEFORUM data

A descriptive analysis of selected indicators of quality of life, competitiveness, tourism and economic growth for Croatia for the period between 2004 and 2019 shows a positive growth trend with different dynamics. From the sustainable development point of view, the most important parameter is the growth trend of the quality of life, which, given the above data, should have the highest growth dynamics in the case of Croatia.

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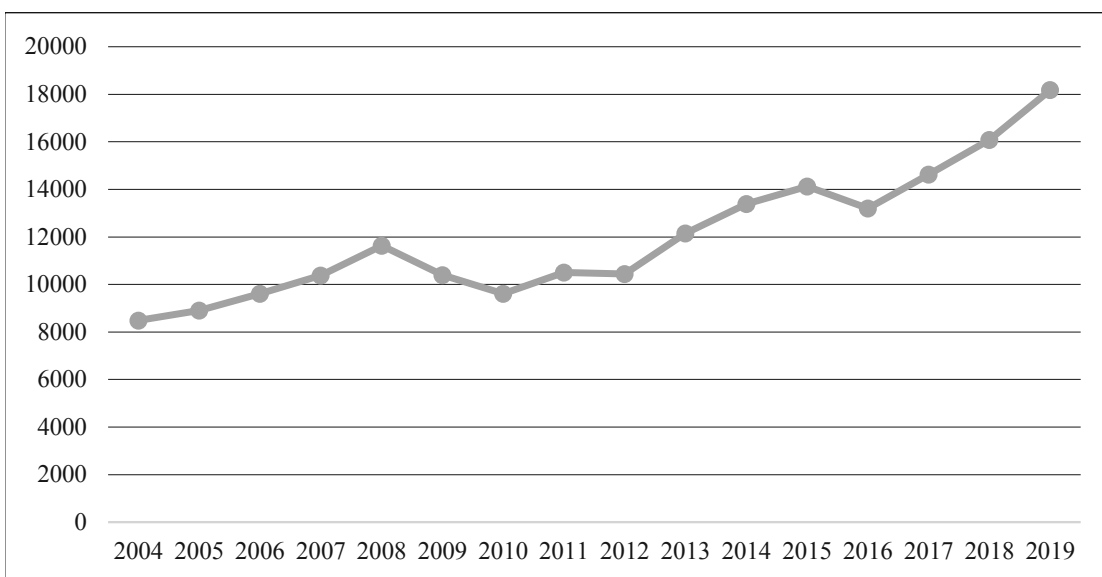
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Figure 7.

CROATIA: ARRIVALS TOTAL

Source: own processing based on EUROSTAT/WEFORUM data

Figure 8.

CROATIA: TOURISM RECEIPTS (MILLION EURO)

Source: own processing based on EUROSTAT/WEFORUM data

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Figure 9.

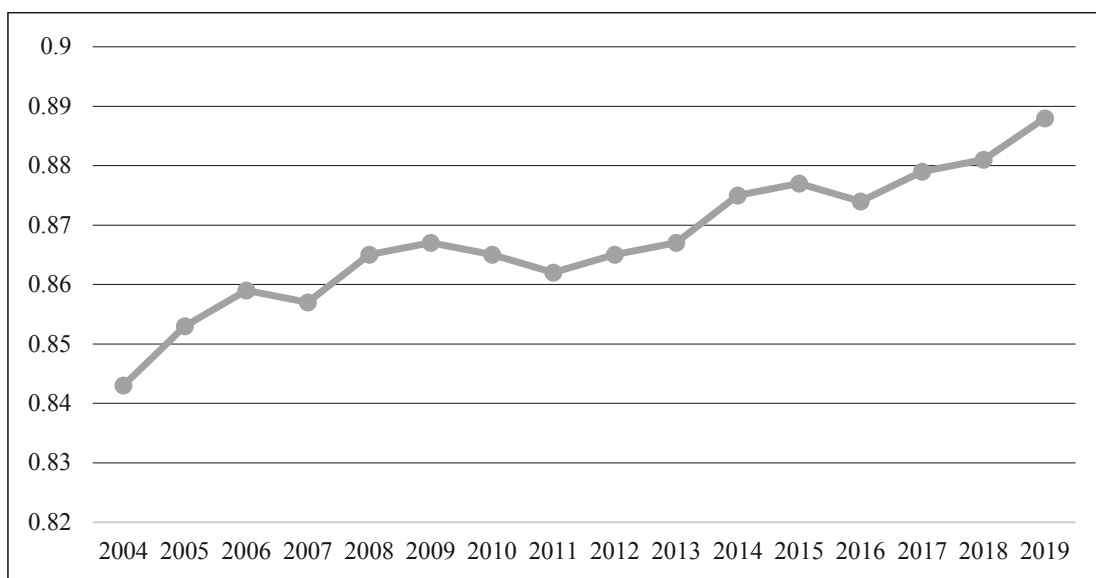### CROATIA: GCI
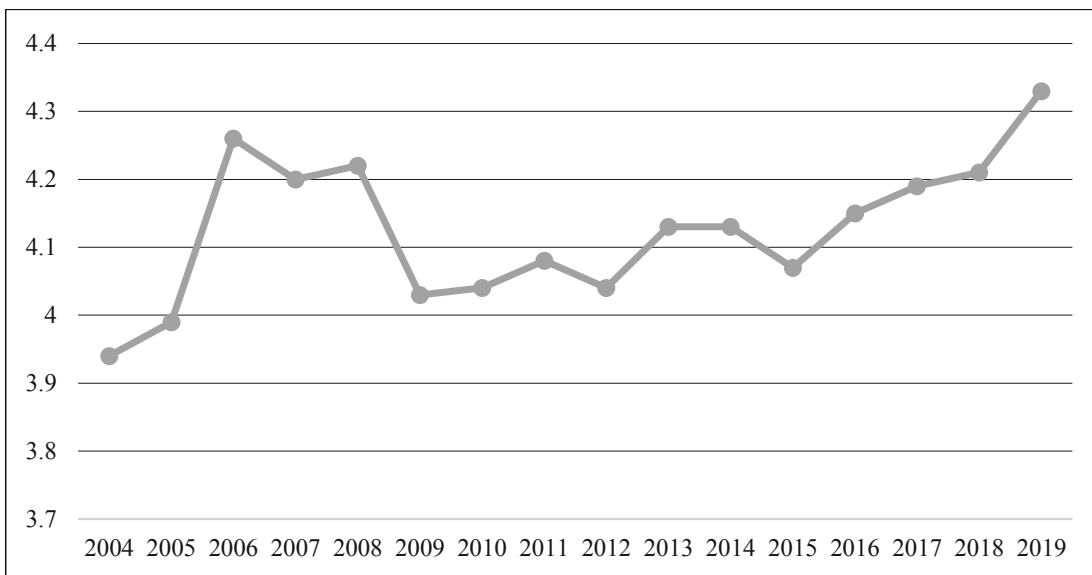
Source: own processing based on EUROSTAT/WEFORUM data

Figure 10.

CROATIA: HDI

Source: own processing based on EUROSTAT/WEFORUM data

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5. CONNECTING TOURISM, ECONOMIC GROWTH AND QUALITY OF LIFE: THE CASE OF CROATIA – RESULTS OF THE EMPIRICAL ANALYSIS

The study of the relationship between the quality of life and the level of economic and tourism growth achieved was carried out using a multiple linear regression model. The starting point of the modelling is a function linking the quality of life of the resident population to the elements of tourism demand and supply. Tourism demand is expressed by physical and financial indicators of tourism, while tourism supply is expressed by the number of bed places in accommodations, taking into account the tourism destination's competitiveness. The main relationship studied is the interdependence between quality of life as a dependent variable (HDI) and realized tourism receipts from foreign tourism (TR) and the level of GDP per capita (GDPPC) as an important independent variable with the inclusion of additional variables in the model. The analysis was carried out for the period between 2004 and 2019 using Croatia as an example; data for 2020 and 2021 was not included because of the COVID -19 pandemic period. The output function is:

$$HDI_I = a * TNtot_i^{b1} * TR_i^{b2} * GDPPC_i^{b3} * BEDPL_i^{b4} * GCI_i^{b4} * \varepsilon_i$$

According to Song and Witt (Song and Witt, 2000), the model can be transformed into a log-linear model, and it can be estimated using the ordinary least squares (OLS) model.

$$lnHDI_I = lna + b_1 lnTNtot_i + b_2 lnTR_i + b_3 lnGDPPC_i + b_4 lnBEDPL_i + b_5 lnGCI_i + \varepsilon_i$$

The following is a description of the variables and their significance to the model:

Variables	Description and meaning of a variable
HDI Dependent variable	The growth of this indicator is expected, indicating a higher level of destination population satisfaction, which is one of the conditions for sustainable development.
TN_{tot} Predictor variable	This variable can have both a positive and a negative sign. It is expected that the increase in the number of overnight stays (domestic and foreign) in the country will have an impact on the growth of the quality of life of the local population. If it is tourism development is not in line with the concepts of sustainability, this indicator may have a negative sign.

Variables	Description and meaning of a variable
TR Predictor variable	The increase in tourism revenue has an impact on the resident population's quality of life. An increase in tourism revenue can result from an increase in the price of a tourism product and/or an increase in the quantity. From the sustainability point of view, it is necessary to give priority to the increase in price, which should be based on the increase in the quality of the tourist product.
GDPPC Predictor variable	The level of economic growth is reflected in the level and dynamics of the GDP per capita (GDPPC). It is assumed that higher economic growth consequently means a higher level of development of the tourism product and the attractiveness of the tourism market, which has a positive impact on the possibility of transferring positive economic spillover effects of tourism consumption to the economy as a whole.
BEDPL Predictor variable	More bed places mean higher investment in tourism, which in turn leads to a higher quality of life. This assumption holds for smaller economies where tourism plays a large role in the overall economy.
GCI Predictor variable	The global level of competitiveness and destination recognizability in the world market contributes to a greater attractiveness of the destination and consequently to a higher quality of life for the resident population.

The initial model included all independent variables. From the correlation matrix, it is visible that the level of correlations between the variables is quite high, ranging from the highest value of 0.944 to the lowest value of 0.147. This data suggests a high probability of multicollinearity and statistical acceptance of this model.

Table 2.

THE CORRELATION MATRIX – PEARSON CORRELATION

	lnHDI	**lnGDPPC**	**lnBEDPL**	**lnGCI**	**lnTNtot**	**lnTR**
lnHDI	1.000	-0.641	0.811	0.598	0.944	0.944
lnGDPPC	-0.641	1.000	-0.818	-0.060	-0.742	-0.637
lnGCI	0.811	-0.811	1.000	0.147	0.901	0.691
lnBEDPL	0.598	-0.060	-0.147	1.000	0.448	0.656
lnTNtot	0.944	-0.742	0.901	0.448	1.000	0.915
lnTR	0.944	-0.637	0.691	0.656	0.915	1.000

Source: Research results

$$lnHDI_I = lna + b_1lnTNtot_i + b_2lnTR_i + b_3lnGDPPC_i + b_4lnBEDPL_i + b_5lnGCI_i + \varepsilon_i$$

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Table 3.

EMPIRICAL RESULTS OF MODELLING CROATIA'S QUALITY OF LIFE USING THE MLR MODEL – FIRST STEP

Model	Coefficients	Std.Error	t-value	Sig.	TOL	VIF
Constant	-1.282	0.200	-6.423	<0.001		
lnGDPPC	0.027	0.014	1.993	0.074	0.226	4.416
lnBEDPL	0.045	0.015	2.944	0.015	0.048	20.959
lnGCI	0.055	0.052	1.057	0.315	0.328	3.045
lnTNtot	-0.019	0.017	-1.123	0.288	0.020	49.933
lnTR	0.055	0.017	3.221	0.009	0.041	24.146
R^2=0.967	Adj. R^2=0.950	F=58.419	Sig.F Change <0.001 df (5,10)	Durbin-Watson d=2.435		

Source: Research results

The summary output, which includes all independent variables, is shown in the table below. As can be seen from the model, 97% of the total variation in quality of life (HDI) is explained by five predictor variables: GPDPC, GCI, BEDPL, TNtot and TR. A high value for R2 and the adjusted R2 value (0.967) seem to indicate that the model fits the data well. As for the strength of the model, the F-statistics reject the null hypothesis that all coefficients are jointly zero at 1% level of significance. This indicates that all explanatory variables are important and independent in explaining quality of life in inbound tourism economies. All the variables have the expected signs. The analysis of t-values shows that all individual variables are statistically different from 0. A more detailed analysis of the t-test shows that the variables GCI and TNtot must be additionally observed in the model, as these variables are not statistically important at a 5% significance level. The indicators TOL and VIF point to the problem of multicollinearity.

$$lnHDI_I = lna + b_1lnTNtot_i + b_2lnTR_i + b_3lnGDPPC_i + b_4lnBEDPL_i + \varepsilon_i$$

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Table 4.

EMPIRICAL RESULTS OF MODELLING CROATIA'S QUALITY OF LIFE USING THE MLR MODEL – SECOND STEP

Model	Coefficients	Std.Error	t-value	Sig.	TOL	VIF
Constant	-1.307	0.199	-6.554	<0.001		
lnGDPPC	0.033	0.013	2.615	0.024	0.269	3.720
lnBEDPL	0.045	0.015	2.930	0.014	0.048	20.959
lnTNtot	-0.021	0.017	-1.249	0.237	0.020	49.245
lnTR	0.064	0.015	4.284	0.001	0.055	18.247
R^2=0.963	Adj. R^2=0.950	F=71.980	Sig.F Change <0.001 df (4,11)	Durbin-Watson d=2.284		

Source: Research results

After the first step, we proceeded to exclude the variable of global competitiveness GCI, which is significantly correlated with GDPPC, since it is an indicator of economic development of the national economy. The exclusion of the GCI variable resulted in a model with a higher R2 test value (0.963) and an increasing F test value (71.980). The high value of the VIF test for the variable of the total number of tourist nights TNtot indicates that this variable must be excluded because it is correlated with other tourism indicators included in the model, which is why the third step of modeling was tackled.

$$lnHDI_I = lna + b_1 lnTR_i + b_2 lnGDPPC_i + b_3 lnBEDPL_i + \varepsilon_i$$

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Table 5.

EMPIRICAL RESULTS OF MODELLING CROATIA'S QUALITY OF LIFE USING THE MLR MODEL – THIRD STEP

Model	Coefficients	Std.Error	t-value	Sig.	TOL	VIF
Constant	-1.222	0.192	-6.371	<0.001		
lnGDPPC	0.027	0.012	2.255	0.044	0.321	3.114
lnBEDPL	0.028	0.006	4.263	0.001	0.283	3.535
lnTR	0.046	0.005	9.229	<0.001	0.507	1.972
R^2=0.958	Adj. R^2=0.947	F=91.192	Sig.F Change <0.001 df (3,12)	Durbin-Watson d=2.335		

Source: Research results

Tourist consumption expressed in foreign currency, which inflows from foreign tourism in the balance of payments is significantly correlated to the resident population's quality of life in Croatia, which confirms the high amount of correlation (0.944). In addition to this variable, the variable of the tourist offer, which is expressed by the number of available bed places, has a significant impact on the quality of life as well as the economic growth level variable. These three predictor variables explain 94.7% of all deviations in the model. A high value of the F-test confirms the validity of the model, while a t-test confirms the values of each individual predictor variable. Increasing accommodation capacity and tourism offer by 1% in Croatia, keeping all other conditions unchanged, will increase the quality of life for resident population by 2.8%. An increase in the GDPPC by 1% will increase quality of life by 2.7%. The most important influence, resulting from our model, relates to inbound tourism economy coming from tourism consumption and spending. An increase in tourist spending and foreign exchange inflows by 1% will have a positive impact on increasing the quality of life by 4.6%. Regarding the test of validity of the VIP indicator model is less than 5, and it can be concluded that there is no problem of multicollinearity. The Condition Index (CI) is greater than 15 for the independent variable TR, which may indicate a problem of multicollinearity. The Durbin-Watson test for autocorrelation has a possible range of 0 to 4. In our model it is 2.335. We can confirm that there is no autocorrelation present in error terms.

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6. CONCLUSION

Inbound economies must develop appropriate tourism and economic policies to achieve optimal levels of prosperity and improve the local population's quality of life. Inbound tourism countries with a developed economy, a diversified economic structure and an established system of open economy achieve greater competitiveness, consequently a higher quality of life and GDP per capita. These economies are characterized by a lower development gap in the quality of the domestic population compared to the developed economies in outbound travel, according to a comparative study of EU economies.

A continuous tourism policy aimed at the growing trend of tourism consumption based on quality and sustainability will lead to a further positive tourism development. Far greater are the expectations and the need for appropriate tourism policies in small economies such as Croatia, which have the highest levels of tourism consumption in Europe with low economic development, low competitiveness and low quality of life for the local population. In the context of these economies, the expectations from tourism are high and significant. The realized comparative advantages of tourism should be transformed into competitive advantages of the overall economy, in such a way that, by reducing the import dependence of tourism and emphasizing production for tourism needs: a) to maximize multiplicative spillover effects on the overall economy and employment; b) to maximize the recognition of the destination and the economy in the global environment; and c) to diversify the tourism product and the overall economy as quickly as possible, aligned with the concept of sustainable economic development. These conclusions are derived from a comparative analysis of the EU-28 countries and are based on the results of the MLR model on the example of Croatia.

Tourism, with its results, contributes significantly to increasing the satisfaction of the local population. The greatest impact is an increase in tourist consumption, which should be the primary goal of economic and tourism policy that is, an increase in both the consumption of domestic tourists and the consumption of foreign tourists. This means that tourism programs must be innovative and new products must be offered, the season must be expanded, regional disparities between the tourist and less developed regions of the country must be reduced; all with the aim of reducing tourist saturation and expanding the tourist season. Quality of life requires investment and an increase in accommodation capacity – these are indicators of tourism supply. The focus should primarily be on increasing the accommodation capacity of a higher price category by increasing quality. Our model, which combines the elements of tourist consumption and tourist supply is therefore unique in the research.

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From the conducted research and econometric modeling using Croatia as an example, the following points emerge:

- The resident population's quality of life in tourist inbound countries is positively correlated with the level of tourist spending by foreign and domestic tourists. In the context of general tourism and economic development, tourism economies should develop tourism products and direct investments according to sustainability criteria in order to increase tourism revenues.

- The quality of life of the resident population improves with an increase in the quantity of tourism supply, i.e., with an increase in the capacity of tourist accommodation.

- The quality of life of the resident population is improved with a positive development of economic growth. In economies with inbound tourism, which achieve a high share of the total contribution of tourism to GDP, tourism plays an important role as a lever for overall economic development.

We can conclude that the growth of tourism demand in the domestic and foreign tourism market and the increase of tourism supply have a positive effect on the overall economic growth and the domestic population's quality of life. The positive impact of tourism spending is more pronounced for low-income inbound tourism economies than for high-income outbound tourism economies. Moreover, we can also add that a higher level of competitiveness has a positive impact on the globalization of the economy and economic growth, as well as a higher quality of life for the resident population, which is particularly true for high-income tourism economies. Lower-income tourism economies need to optimize their economic structure to take full advantage of all the positive impacts of tourism and general economic development on the resident population's quality of life.

Recommendations for further research relate to the use of additional econometric methods to examine the relationship between quality of life, tourism and economic growth. In further analysis, more countries from different income groups in the tourism economy should be included, as well as the time frame of the research should be expanded.

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POVEZIVANJE TURIZMA, GOSPODARSKOG RASTA I KVALITETE ŽIVOTA: PRIMJER HRVATSKE

Sažetak

U radu se pokušava teorijski definirati i empirijski vrednovati odnos između kvalitete života, turizma i gospodarskog rasta. Glavni cilj je utvrditi što utječe na kvalitetu života lokalnog stanovništva na tržištima dolaznog turizma u kontekstu održivog turizma i gospodarskog razvoja. Empirijsko istraživanje provedeno je pomoću deskriptivne statistike, analize presjeka i multivarijantne regresijske analize na uzorku Republike Hrvatske u razdoblju od 2004. do 2019. godine. Provedena je višestruka regresijska analiza kako bi se odgovorilo na sljedeća istraživačka pitanja: Utječu li veća konkurentnost i gospodarski rast, uz veću turističku potrošnju, pozitivno na kvalitetu života domaćeg stanovništva? Kako makroekonomske varijable koje izražavaju gospodarski rast, konkurentnost i turizam utječu na kvalitetu života domaćeg stanovništva? Osnovna hipoteza je da gospodarstva koja su konkurentnija i postižu bolje rezultate u pogledu gospodarskog rasta, te ostvaruju veću turističku potrošnju imaju višu kvalitetu života, što je jedan od ciljeva održivog razvoja.

Kvaliteta života domaćeg stanovništva na dolaznim tržištima raste pod utjecajem povećanja turističke potrošnje i stvaranja većih prihoda od turizma, koji se višestruko prenose na ukupno gospodarstvo. Viša razina ulaganja, a samim time i veća turistička ponuda, na ovoj razini razvoja turizma pozitivno utječe i na rast indeksa društvenog razvoja koji se koristi kao pokazatelj kvalitete života stanovnika. Postizanje većeg BDP-a po glavi stanovnika pozitivno utječe na kvalitetu života lokalnog stanovništva.

Zaključci istraživanja i rezultati modela mogu se koristiti za provedbu strategije održivog razvoja turizma i gospodarstva, kao i ciljane i učinkovitije turističke politike za povećanje prihoda i smanjenje troškova uz povećanje ukupnog zadovoljstva svih dionika. na turističkom tržištu. Rad predstavlja doprinos istraživanju odnosa između kvalitete života, turizma i gospodarskog rasta u dolaznim turističkim gospodarstvima.

Ključne riječi: turizam, gospodarski rast, kvaliteta života, indeks društvenog razvoja, Hrvatska