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LIMITING FACTORS FOR THE DEVELOPMENT OF THE SERBIAN HOSPITALITY INDUSTRY

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Abstract
Heterogeneity and complexity determine multidisciplinary approach to the hospitality research. Identification and analysis of limited hospitality development factors imply very complex scientific approach. Case study methodology is applied on Republic of Serbia, which is transition country and candidate for EU accession. Research results identified key factors which had impact on lag, stagnation and contemporary level of hospitality development. Firstly, way of executed privatization process of hospitality companies in Serbia i.e. only ownership transformation, as part of business transformation, was done (organizational, management, technological, financial and human resources parts of business transformation didn't implement). Secondly, non-acceptable terms and conditions of credit lines for financing privatization and future business of privatized hospitality companies. Furthermore, buyers of privatized hospitality companies didn't prepared adequate projections of cash flow and sources of financing (owned and borrowed). Finally, technological development and human resources were result of the first mentioned limited factor.
In order to improve business in hospitality industry in transition economies, all stakeholders should be involved. State should improve business environment. Educational institutions should create applicable programs on market. Investors should be ready to invest in technological and human resource development. Banks should implement the best financing practice from headquarters in EU.

Keywords: privatization, investment, finance, human resources.

Jel Classification: L83; P31; Z32; G32

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INTRODUCTION

The International Monetary Fund (IMF) has been involved in the transition process, primarily of the countries of eastern and southeastern Europe, from the beginning. IMF activities in the field of transition of the mentioned countries were based on data for monitoring the financial arrangements that the organization provided to certain countries. The degree of success of the transition in southeastern European countries varied, depending on different socio-economic and political circumstances. The first criterion for maturity of transition economies is reflected in the achieved level of market culture and the reliability of market institutions.

Serbia needs a flexible and strong macroeconomic foundation for supporting the development at the micro-economic level, and it is a fundamental prerequisite for sustainable employment growth, exports, investment and domestic savings. Economic reforms have been separate and unsynchronized activities for a long time. The key problem lies in neglecting the need for institutionalization of reforms (Djordjevic and Veselinovic 2010).

Due to the complex socio-political and economic circumstances that led to the adverse business climate in Serbia has brought upon a total economic standstill, starting from the nineties of the 20th century. This trend continued in some sense through the end of the first decade of the 21st century, fueled by the global economic crisis. Under such conditions, tourism as an economic activity that logistically relies on hospitality, could not develop at the desired pace. Hospitality in Serbia has undergone all development restrictions of the transition. The aim of this paper is to identify basic restrictive factors of the development of the hospitality industry in Serbia. The paper will examine these restrictions via privatization of hotel enterprises, financing of the hospitality industry in the light of credit mechanisms and cooperation with banks, through a brief review of the technological and human resources aspects of hospitality in Serbia.

In this regard, the following hypotheses were set:

H1: Privatization method implemented in Serbia is the key limiting factor in the development of privatized hotel enterprises.

Today, these enterprises represent a significant part of the hotel industry capacity in Serbia.

H2: Adverse credit conditions caused the unsatisfactory efficiency of hotel enterprise privatization.

H3: Slower development pace of technological and human resources in the hospitality industry is the result of unsatisfactory effects of hotel enterprise privatization.

1. LITERATURE REVIEW

The activities of IMF in the field of transition are documented in a special report on regional economical issues titled "25 Years of Transition of Post Communist Europe and IMF" (Roaf et al. 2014). This document deals with overall analysis of the distinctive problems (monetary politics, reforms and stabilization, labor market, finances, fiscal policy) in all the spheres of transition. Mercer-Blackman and Unigovskaya (2004) also analyze the effects of transition based on the criteria proposed by IMF. Furthermore, Homburg and Pflesser (2000) deal with the criteria for measuring the market maturity of the transitional economies. Broadman and Recanatini (2001) as well as Djordjevic and Veselinovic (2010) elaborate on institutionalization of the market.

Many scientific books, papers and studies have been published on the topic of mergers and acquisitions, i.e. restructuring and transformation of economic entities in market economies. In this regard, Palepu and Healy (2008) points out that the use of financial statements of the bought enterprise can indicate whether a particular acquisition created value for stakeholders (primarily the owners) of the enterprise. Furthermore, based on the financial statements, one can estimate the motivation for the acquisition, the price of a bought enterprise, the optimal way of funding for the acquisition, as well as the probability of sucessful aquisition. In the end, the author concludes that the motives for acquisition can be either to create a new value for the acquired enterprise and the owners, or the desire of the managers and new owners to increase their power and prestige. Sherman (2011) points out that the key issue for the success of the mergers and acquisitions (M&A) is that potential investor should answer the question why he takes part in this process and what his gain is. His answer should be based on economic motives, which are aimed at further successful development of the aquired enterprise. Therefore, the key elements for the successful acquisition are power, people and processes. In addition, Gouillart and Kelly (1995) point out that the process of transforming the acquired enterprise involves radical, comprehensive and intensive changes that include all the components of the organization. According to Brealey, Myers and Marcus (2007) there may be ulterior motives for the acquisition of new companies based on well thought out strategy of financing the transaction through borrowing.

Many articles were published on the topic of privatization especially by authors from countries in transtition. For the purpose of this paper, the following resources were consulted: Megginson and Netter (2001) as well as Guriev and Megginson (2007) who defined the process of privatization as the „deliberate sale by government of state-owned enterprises (SOEs) or assets to private economic agents." Mass privatization in the former socialist countries is defined as transformation of „command economies in post-communist countries into decentralized ones." Assaf and Knezevic Cvelbar (2011) analyse the distinctive features of privatization in Slovenia, especially after joining the EU, specifying the total investment value partially financed from the EU development funds, which in the case of Slovenian hotel enterprises was about 375.5 million Euros. We also consulted the papers which deal with privatization in Croatia: Ballinger (2003) who focuses on different periods of privatization, Loncar (2004) who points out that at the end of 1997 Croatian hotel enterprises had the following ownership structure: Croatian privatization fund – 36%, banks – 25%, investment funds – 14%, private owners – 25% and Poljanec Boric (2004) who states that the method of hotel privatization in Croatia resulted in the allocation of ownership in small stockholders, banks, and state funds.

There are a few published papers on hotel privatization in Serbia. Barjaktarovic and Barjaktarovic (2011) point to the key problems of the privatization process in the Serbian hospitality industry. Another significant source of information is Tourism Development Strategy of the Republic of Serbia (2006).

Among the many sources dealing with investing and financing in the hospitality industry, for the purposes of this study, we relied on Knezevic, Stanisic and Mizdrakovic (2013) who presented detailed and comprehensive views on these issues with particular focus on professional accounting regulations. Haight and Singer (2005) deal with the specifics of investing in real estate. A significant source of literature that insists on the particularities of investing in hospitality is Rushmore (2002).

As to the papers on the investment in the Serbian hospitality industry, we can mention: Barjaktarovic (2008), Cerovic and Comic (2011), Barjaktarovic and Barjaktarovic (2010), Radojevic (2012), Spasic and Cerovic (2014); Barjaktarovic and Masic (2013). The latter is of particular importance for this paper, given that the present research is the continuation of their results.

Davern and Kauffman (2000) deal with new perspectives and the importance of establishing the potential value of products and services to companies that introduce information technology. The literature sources on the topic of technological aspects of the hospitality industry mainly focus on the measurability of the implementation of modern technologies in the hospitality industry and their effects on service quality and customer satisfaction. In this sense, we consulted Cohen and Olsen (2013).

Many literature sources deal with human resources, intellectual capital and education of the hospitality industry staff. Due to the complexity of the subject matter of this paper, the authors focused on the sources that analyze specific cases such as: the measurement of the financial effects of the intellectual capital model in the Slovenian hospitality industry (Nemec Rudez and Mihalic 2007); Cho and Schmelzer (2000) consider the benefits of the modern approach to education in hospitality; Jogaratnam and Buchanan (2004) deal with the specifics of working in the hospitality industry and the need to point out the causes and sources of stress in this industry in the educational process; Kosar (2016) analyzes the network of hospitality secondary schools in Serbia and highlights the specific performance conditions of the educational process concerning the appreciation and understanding of the heterogeneity and complexity of the hospitality business.

The aforementioned literature sources represent the theoretical and methodological basis for the research aimed at proving the previously mentioned hypothesis.

2. THE RESEARCH METHODOLOGY

The research conducted for this paper is based on heterogeneous primary and secondary sources, which can be explained by the heterogeneity of hospitality industry, as well as by different aspects of limitations in its current development. The research covers the period between 2002 and 2013. Primary research on privatization was conducted by examining the sales contracts available on the website of the Privatization Agency, for each individual transaction, which provided the information on the estimated capital value of the privatized hotel enterprises. The research was conducted on a sample of 47 hotel enterprises in Serbia. However, the authors considered that the analysis of the primary sources of data on the achievement of the agreed sale price and the minimum investment does not provide sufficient arguments for the reference analysis of privatization, hence another research was conducted on the basis of data from the Serbian Business Registers Agency, which is in accordance with Palepu and Healy's (2008) previously mentioned view. The Business Registers portal revealed data on the balance sheets of 43 hotel enterprises in the period between 2007 and 2010.

Further studies were carried out in order to prove the second hypothesis. As in the previous case, the methodology of the research was based on the analysis of data obtained from primary sources: the Business Registers Agency potrtal; Foreign commercial banks that have placed cross-border loans during the process of privatization of hotel companies in the Republic of Serbia (Czech Sporitelna Prague, UniCredit Bank Milan, Erste Bank Austria, Greece EFG Bank, Raiffeisen Bank Austria, Hypo Bank Austria, Bank Sber Austria); domestic banks that gave loans for project financing (Erste Bank Novi Sad, Uni Credit Bank Belgrade, Banca Intesa Belgrade, Sber Bank Belgrade, Hypo-Alpe-Adria Bank Belgrade, KBC Belgrade and OTP Bank Novi Sad); domestic banks which secured investment loans (Komercijalna banka Belgrade, AIK Bank Nis, Belgrade Agrobanka, Privredna banka Belgrade, Cacanska banka, Vojvodjanska banka Novi Sad, Banca Intesa Belgrade, Raiffeisen Bank Belgrade and Hypo Bank Belgrade), which is in accordance with Palepu and Healy's (2008) previously mentioned opinion and the general views on how to finance business growth and development of the enterprise by: Brealey, Myers and Marcus (2007), Radojevic (2012), Spasic and Cerovic (2014). The study of the primary sources of information on financing of hotel enterprises in the Republic of Serbia created a basis for the analysis with the aim to reach the appropriate conclusions. The analysis encompased both privatized and non-privatized hotels in the post privatization period. The paper includes the primary research of financial statements for 41 hotel enterprises in Serbia. This research was conducted in 2011. and published in the aforementioned paper by Barjaktarovic and Masic in 2013. These enterprises consisted of 48 hotels with the capacity of 4,796 rooms, which accounted for 23.6% of the total hotel capacity of categorized hotels in Serbia stated in number of rooms. We should point out a few methodological limitations that refer to an unequal number of the analyzed hotel enterprises. This is a consequence of different methodologies of data collection by different sources at different times. A special contribution to the credibility of financial analysis based on primary data sources of Business Registers Agency was made by the results of structured interviews with managers of the mentioned hotel enterprises, which foregrounds the importance of people for the success of the process of acquisition and future prosperity and development (Sherman 2011). Further research was conducted by analysing the secondary data sources, i.e. statistical publications and other published sources with the aim to prove the third hypotheses relating to the hotel capacity and its structure by categories, the presence of international hotel chains as the technological leaders in the lodging industry, as well as the scope and the educational structure of employees in the Serbian hospitality industry.

3. THE RESULTS OF THE RESEARCH AND ANALYSIS

Given that the first hypothesis relates to the method of privatization, the logical sequence and systematization of the research results will start from of privatization.

3.1. Hotel enterprise privatization methods in Serbia

The most commonly used method of privatization of hotel enterprises in Serbia was the auction sale. All the relevant information needed to analyze the privatization process was available for 47 hotel enterprises with capacity of 3,861 rooms. At the time of their privatization, the analyzed hotels were on average 40.8 years old. From a total of 47 enterprises analyzed, 19 of them had only hotel facilities, while the rest also had restaurants and other hospitality related units as well.

The Privatization Agency estimated the value of these 47 hotel enterprises at a total of 193,3 million Euros, but their sale raised a total of 104 million Euros. From the presented data, it can be concluded that the hotel enterprises, viewed on average, sold at a price that represented only about 53.8% of the estimated value. In accordance with the law, the Privatization Agency enabled the payment of the purchase price in 6 annual installments.

The analysis has shown that, in most cases, the privatization of hotel enterprises included payment in six annual installments (Table 1).

Table 1. The share of sales in 6 annual installments in the total capital obtained and the total number of transactions

	Total capital obtained	Total number of transactions
Paid in full	14.8%	33.3%
Paid in 6 installments	85.2%	66.7%

The Privatization Agency subsequently terminated certain contracts due to failure to fulfill contractual obligations by the buyers. From a total of 47 transactions, the contract was terminated in 9 cases due to non-fulfillment of contractual obligations. A clearer insight is given by the context of participation of these 9 terminated sales contracts compared to the total sales price of all 47 enterprises. The total value of the terminated purchase contracts amounted around 46 million Euros, which represents about 44% of the total value of auction sales of all hotel enterprises included in the sample. It can be concluded that there was a termination of a number of contracts of high individual value and therefore share measured by value of transactions significantly exceeds the share obtained on the basis of the number of transactions.

The analysis has shown that the auction buyers of hotel enterprises in Serbia were mostly from Serbia (individuals as well as legal entities), viewed as a percentage of the total of sales contracts (95.2%), or as the total achieved market value of the sold hotel enterprise (88.8%).

By concluding sales contracts the hotel enterprise buyers took upon themselves the contractual obligation to invest capital. The investment capital is defined as the minimum amount of capital that must be invested in the purchased enterprise; this did not in any way constrain buyers to invest more money.

The fact that there has been no termination of the sales agreement, should mean that the buyer has fulfilled all contractual obligations, including the obligation of mandatory investment of a certain minimum capital as agreed in the sales contract. With this in mind, one can indirectly infer the minimum extent of the investments in the privatized hotel enterprises sold on auction.

After the analysis of each sales contract, it can be concluded that the total minimum amount of the contracted investment in a specific enterprise sample was around 15,4 million Euros. Since the analyzed hotel enterprises were sold for a total of 104 million Euros, it can be deduced that there was an agreed minimum average investment of 0.15 Euros for each euro of the total price at which the enterprise sold at the auction. In other words, on average, for every Euro that the buyer paid for the hotel enterprise, he also took upon himself the obligation of investing a minimum of 0.15 Euros in the enterprise.

The general assessment is that the agreed total investment minimum of about 15.4 million Euros (on a sample of 47 hotel enterprises) does not provide a sufficient amount of funds to finance the investments in qualitative improvement of the hotel offers. On average, it was only about 330 thousand Euros per enterprise.

If we tried to illustrate the auction sale of hotel enterprises in Serbia in just one sentence, we might say that the privatized enterprise was purchased in 6 annual installments by domestic individual buyer, who paid about 54% of the estimated value, with the minimum investments amounting up to 15% of the agreed sale price. The analysis of the financial reports of 43 hotel enterprises has shown that only 6 enterprises (14%) constantly achieved positive EBITDA (Earnings before interest, taxes, depreciation and amortization) in the period 2007–2010. Only 6 of the privatized enterprises managed to ensure that their room, food and beverage revenues remain constantly higher than operating expenses (in the period 2007–2010). In the same period, as many as 34 (79%) privatized enterprises from the analyzed sample had a constant negative business outcome. The remaining three enterprises (7%) registered positive and negative business results during observed period.

All this indicates that, in many cases, the privatization of hotel enterprises did not initiate the process of business transformation such as organizational, managerial, technological, financial and human resources (Barjaktarovic and Barjaktarovic 2011) that would result in their profitable business outcome. At the same time, the opportunity to attract direct foreign investments was missed. Apart from their financial impact, they could have ensured the transfer of technology and modern management methods.

The results of this analysis confirmed the first hypothesis (H1). The method of hotel enterprise privatization in Serbia did not bring the expected results. Instead of initiating development in terms of eliminating the technological obsolescence of the hotel facilities, the new owners, in most cases, failed to set a new, profitable business model. Additionally, some of the privatization contracts were terminated mainly due to the inability of the new owners to timely meet their financial obligations. On this basis, it can be argued that the method of privatization in Serbia was the key limiting factor in the development of these hotel enterprises.

Low investment capacity of privatized hotel enterprises is related to the financing conditions in the period of privatization.

3.2. Financial sources of hotel enterprise privatization

Sources of funding in the privatization process at the time of purchase were loans from domestic and foreign banks, as well as assets from private investment funds. The offer of funding sources for the purchase of hotel enterprises is systematized in Table 2 indicating a low level of development of financial markets.

In practice, legal entities were, most commonly, approved long-term investment loans by domestic banks for financing of working capital. Domestic banks also granted non-standard loans to (domestic) individuals who purchased hotel enterprises. Even though both domestic and foreign banks offered loans for project financing, this type of loan was not used in the process of hotel enterprise privatization in Serbia.

Table 2. Funding sources offer for the purchase of hotel enterprises in Serbia – at the time of purchase

Funding sources	Loans and funds	Subtypes
Loans from domestic banks	Long-term loans	Investment loans for legal entities Loans for permanent working capital
	Project financing	Loans intended for financing the hotels Loans intended for the purchase of land
	Non-standard cash loans to (domestic) individuals	
	Non-standard loans to employees for the purchase of shares	
Loans from foreign banks	Cross border loans to legal entities - project finance deals	Development Investment Activities
Assets from investment funds	Foreign closed-ended investment funds	

Source: Knezevic, Stanisic and Mizdrakovic (2013); web sites of Business Registers Agency and the commercial banks that gave loans during the process of privatization of hotel enterprises

Given the fact that the internal sources of financing of the privatization process, i.e. purchasing of hotel enterprises were extremely rare; they are not the subject of this analysis.

Privatization Law (2001) foresees that the new buyer pays the purchase price immediately or under certain conditions in 6 annual installments, as well as his obligation to invest in the enterprise development (modernization of capacities, and improvement of the hotel product quality) as well as a social program for the future.

Table 3. The structure of the realized and expected investments in the hospitality industry in Serbia from the standpoint of funding sources

Types of funding sources	Subtypes	Investments	
		Realized	Expected
Funds from ongoing business operations		19.5%	25.9%
Loans from commercial banks	Domestic banks Foreign banks	26.6%	18.8%
Other sources of funding	Parent company (Recapitalization, loans, credits)	53.9%	55.3%

Source: Barjaktarovic and Masic (2013).

The data in Table 3 relates to all hotel enterprises, not just privatized ones. Based on the data provided in Table 3, the following conclusions can be made:

- The most significant sources of hotel investment funding in the period before 2011. are: the recapitalization and loans of the owners (53.9%), commercial bank loans (26.6%) and other sources of funding (19%).
- Managers think that the most important source of investment financing will be from other sources of funding (55.3%). Managers also believe that the importance of internal source of funding will increase (25.9%), and that the share of bank loans in investment financing structure will decrease (18.8%).

In order to detect the limiting factors for the development of the hospitality industry in Serbia during the transition period, the systematization of the essential elements for making decisions on investments and funding of legal entities will be elaborated.

The potential user was supposed to meet the following basic conditions necessary for the approval of project development loan for financing in the hospitality industry:

evidence of SPV foundation (Single Purpose Vehicle / Company) — to perform specific activities in the hospitality industry; evidence of a conducted objective feasibility study, the contract concluded with an operator who will manage the hotel — which is in accordance with the recommendations of successful investing in the hospitality business by Rushmore (2002), Haight and Singer (2005), Canteras and Perfeito (2015), and Cerovic and Comic (2011); the minimum stipulated amount of own participation (20%); evidence of settled tax obligations to the state authorities; building permits. Loan amounts were determined by the creditworthiness of the borrower (in terms of expected future income from providing hospitality services) and the capital of commercial banks. The interest rate was variable and consisted of a base part and margin. Maximum repayment period was 25 years. The loan repayment started when the enterprise begun earning income from providing services — which is in accordance with recommendations of successful investing in the hospitality business by Rushmore (2002), Haight and Singer (2005), Cerovic and Comic (2011), Spasic and Cerovic (2014), and Canteras and Perfeito (2015). Thus, the installments were fixed; they followed the cash-flow projects. Repayment of the loan was in monthly, quarterly or semi-annual installments.

Domestic banks did not offer favorable conditions for borrowers — in terms of the type, purpose, deadlines and price. The borrower often had no previous experience in running a hotel, and no money for professional consulting services (asset management in the function of modernization of the offer and hotel occupancy), which resulted in a limited capacity of the execution of credit commitments (Barjaktarovic and Barjaktarovic 2011). The requested loan amounts were aimed at covering the purchase price, without covering the investments and social program for employees. In the process of granting loans, foreign banks were guided by the regulations of the Basel Agreement in terms of risk management and safety insurance of the banking sector (risk-taking is viewed through the prism of the expected revenue and the bank capital), including clients. With domestic banks this was not the case. They neither clearly defined the criteria for getting a loan, nor consistently complied with these criteria. For example, the share of the loan borrower did not imply endorsement by an independent appraiser regarding the amount and form of capital (money, knowledge, assets, rights). The source of loan repayment was not clearly defined at the time of loan approval, which means that it remained open to question whether the loan is to be repaid from the expected borrower's income or from the profits obtained from the acquisitions (borrower's financial plan is missing).

As it was previously mentioned, during the most intense process of privatization of the hospitality industry in the Republic of Serbia, different procedures were implemented when loans were approved by banks with foreign capital and banks in domestic ownership. Banks in domestic ownership were more flexible. It further entails consideration of the validity of security (in terms of ownership, load, permits, etc.). The buyer did not have a firm legal obligation to continue with the hotel business. Often, the intention of the new owner regarding the future of the hotel remained hidden -which is in accordance with the views on the topic of M & A authors Sherman (2011), Brealey, Myers and Marcus (2007). In practice, banks are faced with the problem of identifying the real borrower, since sometimes the actual owner of the enterprise is not known, or whether the owners are a group of legal entities, what is the credit rating of the whole group.

A number of state-owned banks had to stop working in the previous period because of credits granted in the privatization process, i.e. due to: poor credit risk assessment, i.e.

the credibility of the borrower; poor assessment of the market value of collateral (property); insufficient bank capital in relation to the loan disbursed.

Based on the foregoing, it can be concluded that H2 has also been proven, i.e. that unfavorable lending conditions caused unsatisfactory efficiency of privatization.

3.3. Capacity, category and scope of employment in Serbian hotels

The transition brought the development of hospitality industry in Serbia to a standstill. Unfavorable conditions under which the ownership transformation took place led to a reduction of hotel capacity, as can be seen in Table 4.

Turbulent social and political circumstances, the previously analyzed flows of privatization in the hospitality industry, with particular emphasis on the financial aspect, have led to unstable fluctuations in the scope of hotel accommodation in Serbia.

After a slight growth in the first years of the period, there was a noticeable drop in the number of rooms in Serbian hotels. There is no doubt that all the problems associated with the privatization related to the low selling price, small funds intended for the reconstruction and modernization, unfavorable financing conditions, inconsistency in the application of lending criteria, reflected the dynamics of hotel offer in Serbia.

Table 4. The scope of hotel offers in Serbia

Year	Rooms in hotels	
	Number	Chain index
2009	18.987	-
2010	19.965	106,83
2011	20.297	101,66
2012	16.618	81,97
2013	16.480	99,17

Source: Statistical Yearbooks of the Republic of Serbia 2010–2014.

Hotels are representative accommodation facilities. The quality of the accommodation offer is measured, inter alia, with respect of the hotel capacity (Kosar 2013). In 2001, Serbia had about 35,340 beds in hotels (Statistical Yearbook of the Republic of Serbia 2003) and in 2014 Serbia had 31,020 (Statistical Yearbook of the Republic of Serbia 2015), which is 4,320 less than at the beginning of the 21st century. Quality assessment of the hotel offer, which implies a certain level of comfort, i.e. technical equipment, is presented by the allocation of beds in hotels by categories presented in Table 5.

Table 5. The number of beds in Serbian hotels by categories (in %)

The number of beds in hotels	2001.	2006.	2014.
Total	100	100	100
1*	2,7	12,7	8,8
2*	20,5	42,7	19,9
3*	45,1	32,8	30,1
4*	7,9	9,0	34,8
5*	3,2	2,8	6,4
Uncategorized	20,6	-	-

Source: Statistical Yearbooks of the Republic of Serbia.

When we compare the structure of the accommodation offer in 2006 and 2001, no significant changes can be observed, which means that it had not been invested in the technical and technological aspects in order to increase quality. Even the structure by categories can be evaluated less favorably in 2006 due to greater accommodation offer for the 2* level. It is realistic to assume that this is the result of categorization of hotels, according to data from 2001, which remained uncategorized.

An important step forward in changing the quality structure of the hotel offer was evident in 2014 due to the entry of international hotel chains on the Serbian market, primarily in Belgrade, in the period after 2010. It is the brands "Falkensteiner", "Radisson Blu", "Holiday Inn", "Crowne Plaza", "Courtyard by Marriott", which contributed, at least partially, to overcoming the technological limitations in the development of hospitality industry in Serbia. The abovementioned hotel chains started their business activities in Serbia mainly by implementing the non-equity investment forms.

Technological limitations of Serbian hospitality development in the transition period are necessarily followed by human resources constraints. Starting with the year 2001, the number of employees in hotels and restaurants in Serbia was continuously declining according to official statistics. In 2001, there were 37,939 employees, and in 2014. there were only 19,797 people employed in hospitality industry, which is 18,142 employees less, or 52.2% less. The number of employees in hotels and restaurants in Serbia halved, primarily as a result of changes in ownership status and hotel and restaurant capacities, which led to the dismissal of some employees, but also to their voluntary leaving due to the unfavorable business climate in some of these enterprises. Based on the above mentioned, it can be concluded that H3 has been proven as well, that is, technological and human resources underdevelopment is a consequence of unsatisfactory effects of privatization.

CONCLUSION

The results of this analysis confirmed the first hypothesis. The process of privatization of hospitality in Serbia has not brought the expected results. Rather than initiate the development in terms of eliminating the technological backwardness of hotel facilities, the new owners, in most cases, failed to overcome the loss. Furthermore, a number of privatization contracts were terminated mainly due to the inability of the new owners to timely meet their financial obligations. This confirms Sherman's (2011) view that, for a successful process of acquisitions, including privatization, it is essential to have a clear goal when taking over an enterprise (the power of an individual or the prosperity of the enterprise) and as well as willingness and obligation (of the new owners and management) to carry out a radical and comprehensive transformation of the acquired enterprise (Gouillart and Kelly 1995). This is still in accordance with Brealey, Myers and Marcus (2007) who claim that there were ulterior motives for privatization of a part of the hospitality industry in the Republic of Serbia.

In many cases, the privatization of hotel enterprises did not initiate the process of business transformation (Barjaktarovic and Barjaktarovic 2011) that would result in their profitable business outcome. At the same time, they missed the opportunity to attract direct foreign investments, which in addition to the financial impact could ensure transfer of technology and modern management methods. A number of prominent hospitality enterprises disappeared from the market, while some privatized companies changed their purpose or some parts of the company were sold, which is contrary to the Privatization Law passed in 2001. Due to the absence of effective control by the Privatization Agency, in a number of enterprises, there was a failure to comply with the agreements in the part related to commitments to investment and social programs. The process of privatization of hotel enterprises is still not complete and, even now, there are state owned hotels on the market. Only a small number of hotel enterprises in Serbia can be highly graded, in terms of successful privatization, both in terms of realized sales prices and the assessment of business results (see the analysis of financial statements by: Palepu and Healy (2008), Knezevic, Stanisic and Mizdrakovic (2013), Spasic and Cerovic (2014) and its current market position (Barjaktarovic and Barjaktarovic 2011). Prerequisites for the use of loans were usually not respected. The main problem of the development prospects of privatized hotels stems from the fact that the buyer did not carry out an adequate feasibility study or business plan, and did not consult experts on hotel management and property management in order to provide a modern offer and permanent occupancy of the hotel, i.e. a long term profitable business. In this way, there was no market analysis that would identify expected future income which would cover the costs of continued modernization of the hotel business (which is in accordance with the recommendations of successful investing in the hotel business by Rushmore (2002), Haight and Singer (2005), Cerovic and Comic (2011), Spasic and Cerovic (2014), Canteras and Perfeito (2015). Thus, it can be concluded that there was no sufficient level of required funding sources at the time of acquisition of the hotel enterprise. Furthermore, there is no adequate planning for expected own and borrowed future funds.

Based on the presented results of the financial analysis and the conditions for giving loans to privatized hotel enterprises, it can be concluded that the second hypothesis has been confirmed, i.e. that the unsatisfactory effects of privatization of hotel enterprises in Serbia were conditioned by discouraging credit terms, including inconsistent application of criteria for the selection of borrowers.

Based on the short review of the technical and technological and personnel aspects of hospitality in Serbia, it is clear that the third hypothesis has been proven as well, since the period of decline in the accommodation capacity, accompanied by the absence of positive changes in the structure of hotel offers by category, as well as the drastic decline in employment coincides with the period of privatization under adverse conditions for loans.

In the period after 2011 there are visible positive changes in the development of the hospitality industry in Serbia. In order to maintain this trend and overcome the difficulties of the analyzed transition period the support of the state is required in terms of the relevant legislation, namely: 1) the construction of credit incentive mechanisms for investment in the hospitality industry; 2) the development of the financial market with modern financing instruments, as well as new institutional investors (in this regard, a strong regional cooperation is essential as well as functioning of financial market as a single market, so that the most representative enterprises in the Republic of Serbia became more interesting for institutional investors); 3) development of entrepreneurship in the hospitality industry; 4) improving the audit process, control and supervision of operations and financing of hotel enterprises. Furthermore, educational institutions should encourage their students to actively participate during their professional practice and by volunteering in the hotel enterprises, i.e. and after graduation start their own business in the hospitality industry, but also enable them to learn how to apply for EU funds. Of course, banks should: 1) adopt international good practice in project financing in the hospitality sector; 2) identify apposite projects; 3) provide instructions to their existing and potential customers on how to initiate and / or develop a hotel business, and how to recognize the best group practice (because the majority of domestic banks were established with the capital from EU) for the successful financing and operation of hotels (optimum productive offer and occupancy rate). New investments will encourage technical and technological modernization, faster quantitative growth, and an increase in employment, in accordance with the new needs. With the Revised Strategy of Tourism Development in Serbia, these issues should be more clearly defined; above all, mistakes and omissions that have been made in the previous period should be avoided.

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