

# Perception of Selected Investment Activities and Their Impact on the Cultural Life in the Region

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## Abstract

*Investments in the field of culture can stimulate the development of cultural life, but in addition to this the long term effect of these investment activities can also be reflected in the field of innovation, industry development and so they can support the growth of the whole region globally. This paper deals with the investment activities within the Košice Self-Governing Region, which had an impact on the cultural life in the region. The author investigates the perception of changes in cultural life after the realization of investment activities within the project Košice – European Capital of Culture 2013, and the formation of attitudes towards the investment projects.*

*The aim of this paper is to analyse and describe the selected investment projects in the Košice region and to evaluate their impact on the cultural life of the population.*

*The first part of the paper summarizes the theoretical background of the investments and the specifics of investment projects in the field of culture. After the methodology description, follows the presentation and evaluation of the results of empirical research. It analyses and evaluates the selected investment activities based on the determined secondary data and based on the questionnaire survey. Moreover, with the application of statistical methods it is examined the impact of these investment activities on the perception of culture and on the cultural life of the inhabitants.*

**Key words:** Culture. Investment Projects. Regional Development. Perception of Investments.

**JEL Classification:** R53, O22, Z10

## 1 Introduction

The culture and cultural life is a term that can be explained on different ways by each individual or group of people. It can be understood as “cultural activities and cultural events”; as a “value”, which is important for transmission of traditions and customs from generation to generation; or as a “standard of behaviour”, as an “approach to morality”, as a “relationship to the surroundings, respectively to the environment”; and so on. However, the culture (along with the art) bears a great potential for the future, which is probably not appreciated enough by the citizens of the Slovak Republic. Currently, the society seeks to achieve a mass production and profit maximization and often forgets to develop intangible intellectual potential, which often can have much larger contribution to the economy, as well as to the quality of human life as such. From this perspective, the investments in culture are very important and the state should try to find ways to encourage private investments in culture as well as to stimulate economic activity in this direction.

## 2 Culture and the Investments

Investments are a problem that is addressing also individuals and household, but most often firms or regional policy, where the invested capital is substantially higher. Wrong investment decision leads to an inefficient use of investment, which can bring the opposite effect of what the investor originally wanted to achieve, and it may lead to a financial bankruptcy of the entity or it may lead to miss the stated target.

Smejkal and Rais (2010) understand the investment in two ways:

1. Investment activity, which is in the public and private sectors focused mainly on the expansion and renewal of tangible and intangible investment assets (fixed assets).
2. Investment in the meaning of buying that kind of assets that will ensure a future economic benefit.

Investing in culture and its development are an integral part of the economic growth of the region, as well as of the global economy of the country. Culture is not just a subject of an individual, but first of all it's a subject of larger groups of people, of different local communities and generally it's a matter of the nation, therefore it's mostly under the administration of the State. Private investments cannot cover this need of the nation, and the incomes from cultural events and businesses are often inadequate. Therefore, the major part of the funding and of the investment activities in the field of culture is connected to the economic policy of the state. A specificity of the investments in culture (in comparison to other industries) is the fact that the objectives (expected outcomes, results or impacts) are in most cases non-measurable parameters. With respect to this issue, it's better focus on the importance and irreplaceable contribution of the culture in the lives of the region's population, rather than on economic outcomes.

Čopič et al. (2011) speaks of three fundamental sources of funding for culture in European countries. These are the public sources, the private support and the income earned from gainful activities.

We can say that public sources are the funds received from public budgets of public administration (government, local government, higher territorial units). Public support consists of grants, procurement contracts, service contracts, as well as grants set by law (contributory organizations, budgetary organizations) (Urbíková et al., 2012).

According to Čopič et al. (2011) the private support is a financial support provided through donations, expenditure or investments on an individual or let us say non-public level. To be included here business support, support from foundations and funds, as well as individual donations.

Income earned from gainful activities includes all individual expenditures for cultural purposes (e.g. admission fee to cultural institutions, purchase of cultural articles). Therefore, the income earned from gainful activities means any direct income of the cultural institutions in the market (Čopič et al., 2011). According to Tajtáková et al. (2010) that income can usually cover only a small part of the total cost of running the organization and rarely exceed the level of 50% of

income. Usually, the organizations are able to generate on this way only 10% of resources needed for their operation.

As Maier et al. (2012) says, in the transition economies of Central and Eastern Europe, including Slovakia (not only in the cultural sector), it's reflected the lack of domestic investment capital.

Investments in culture provide a development of the cultural potential. For example, building of new facilities or cultural industries is an important tool to diversify the local economic structure, and among other things it creates new jobs positions. It can be said that the major role of culture in the process of urban regeneration is to create a new "image" of a given city or region. For the territory it is important to be visible – cities must demonstrate their specificity, and to succeed in an increasingly competitive environment they must sell their uniqueness. The profile of a cosmopolitan "cultural" centre with quality cultural attractions is being assigned to the marketing strategies of the cities increasingly. Cities are thus trying to succeed in a competitive global environment and in an international competition for mobile capital, for skilled labour force, and in the contest for tourists (Kesner 2005).

The aim of this paper is to analyse and describe the selected investment projects in the Košice region and to evaluate their impact on the cultural life of the population.

### **3 Research Methods**

The basis for the analysis was the collection of primary data through questionnaires. The questionnaire survey was aimed at assessing the impact that had investment activities in connection with the project Košice ECOC 2013. Within this questionnaire were examined 3 topics. Those were: interest in culture; feeling of changes in the cultural life after the realization of investment activities; and perception or formation of attitudes to investment projects by the residents of Košice. Based on the analysis of secondary data were identified the selected investment activities in the city of Košice, and therefore the research sample was selected from the residents (with permanent or temporary residence) of the territory of the 22 municipal districts of Kosice.

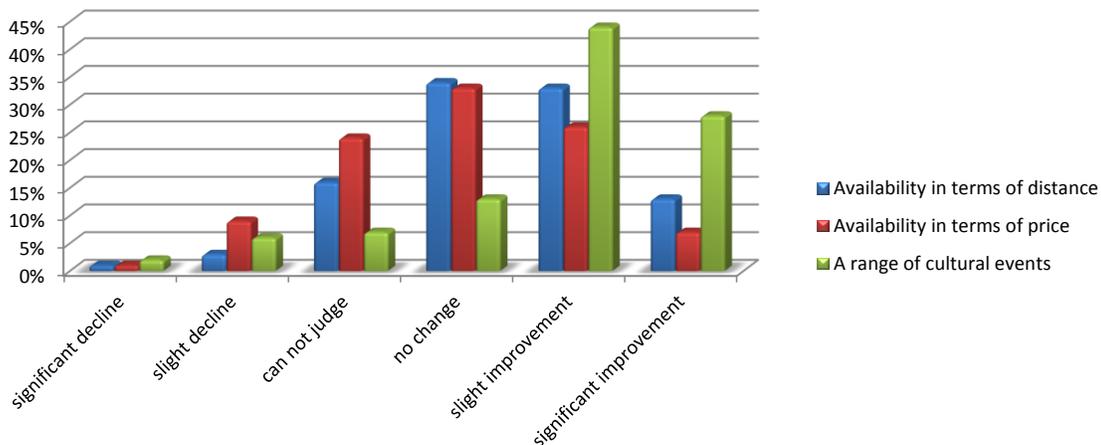
Generally speaking, the discussed cultural institutions are increasingly popular within the groups of younger people. Therefore, we chose an electronic questionnaire to collect the necessary data. The questionnaire was created using docs.google.com and it was subsequently distributed via email and via electronic mailing on social networks. The data collection based on quota sampling was realized in the period from February to March 2014.

The research sample consisted of 136 respondents, of which 87 were women (64% as a total) and 49 were men (36%). Undoubtedly, those cultural events are attended more often by young aged people. We assumed that in most cases these respondents have more information about the analysed cultural events as well as time and opportunities for cultural activities. The most numerous group of respondents was the group with the age of 20-30, followed by a group of 31-50 years old and 14% of respondents were classed as 15-19 year olds.

From the perspective of municipal districts of the city Košice, the most significant representation in our survey had the West District (21%), the Old Town (21%), the KVP (14%) and the rest of the respondents came mainly from Košice-Notrh, Ťahanovce District, Jazero District, Dargov Heroes District, Košice-South.

#### 4 The Perception of Changes in Cultural Life

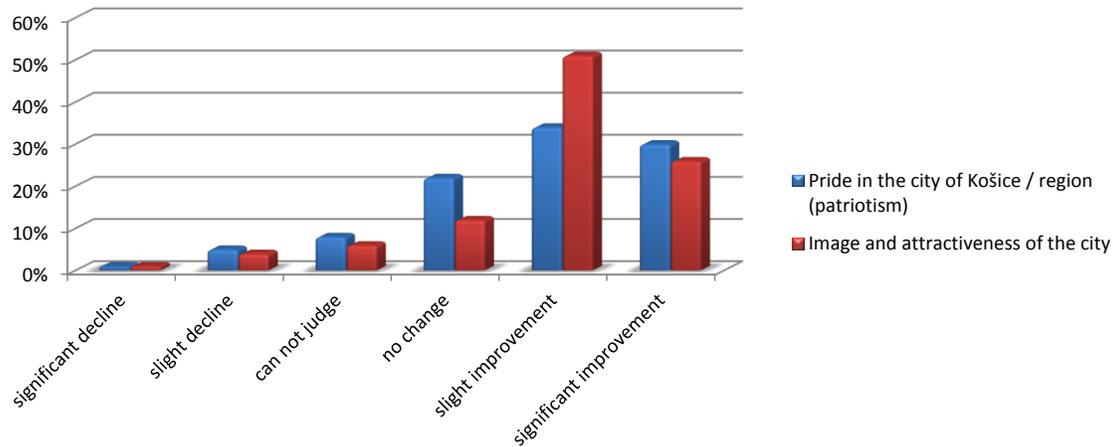
An important area of our research was the issue of assessment of changes after implementing the individual investment activities, in various aspects related to cultural life. Improvement is perceived by the inhabitants of the region particularly: in a range of cultural events; in their interest in learning about culture and art; in the number of visits of cultural events and institutions; in the possibility of spending free time; in the possibility for the development of artists (and talented youth people) and their practical experience; in a sense of pride in the city of Košice / region (patriotism); in the increased and active participation in public life in the cultural field (participation); and also in the raised image and attractiveness of the city.



**Fig. 1 Supply and availability of cultural events**

Source: self-elaboration

The most significant consensus, in the Figure 1, can be seen in the perception of a range of cultural events, where among 44% of respondents agreed on a slight improvement of the situation and 28% evaluated it as a significant improvement in this parameter. But, in the field of availability of cultural events (or services) in most cases they did not experienced any change (33-34%) or they feel a slight improvement, particularly in terms of availability regarding the distance (33%). Improving availability in terms of distance is the result of that in the recent years had been created many institutions in the vicinity of municipal districts (e.g. project SPOTs), but may have contributed many other cultural objects reconstructed within the other 19 investment projects, which are again available for the needs of cultural life and thus they are available to the to the people, after years.



**Fig. 2 Pride in the city and the image of the city**  
Source: self-elaboration

The first of the basic premises of the project Košice ECOC 2013 (based on the concept of the project Interface 2013) is the identity or let us say strengthening the feeling of fellowship; an imaginary shadow crossing and creation of new symbols. At the time of the nomination, the city planned to build such a self-identity, which would be in conformity with a European context and would be formed by direct critical confrontation of the city with Europe. Based on our survey, we can say that this challenge has been achieved, seeing that 51% of respondents see a slight improvement in the perception of the image and attractiveness of the city (Figure 2). Furthermore, 34% believe in the slight improvement in the sense of pride in the city of Košice. Relatively large percentage of respondents evaluated to a significant change in the monitored parameters, namely 30% in the sense of pride and 26% in the image and attractiveness of the city.

## 5 Perception of Selected Investment Activities in Terms of Population of Košice

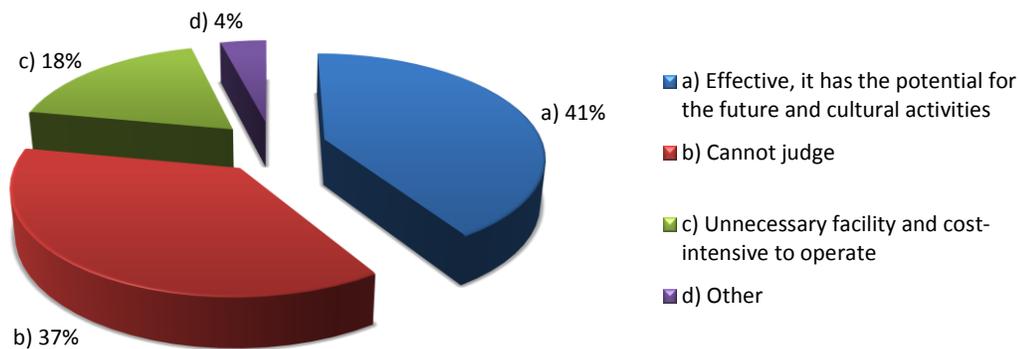
When compiling the following questions, we were inspired by the findings based on secondary data. It means data from various internet articles and discussions (media monitoring), in which the issue of effectiveness of the investments was solved and in which were published opinions, or let us say positive or negative criticism from the public (e.g. Viktorínová 2013, Vrábel 2013, Šebová et al. 2014, Suhányiová 2013, Horváthová et al. 2013). In our survey, we were interested in examining of how the individual perceives the investment activities and which is the opinion in his favour.

Kulturpark (Culture Park):

In this field, the first question was concerned on “Kulturpark” and we asked the respondents to evaluate the investments made to this object (26.3 million € invested). Respondents had to choose between the options that are listed and described in the Figure 3. Respondents were also provided by a space for their own evaluation. In this case, we can quote some comments:

*"The investments were first class used, I have experience in this. It has been done an excellent work here. Nevertheless, I'm not sure of the potential for the future, because I think that the city of Košice will be not prepared for something like this even in a hundred years."*

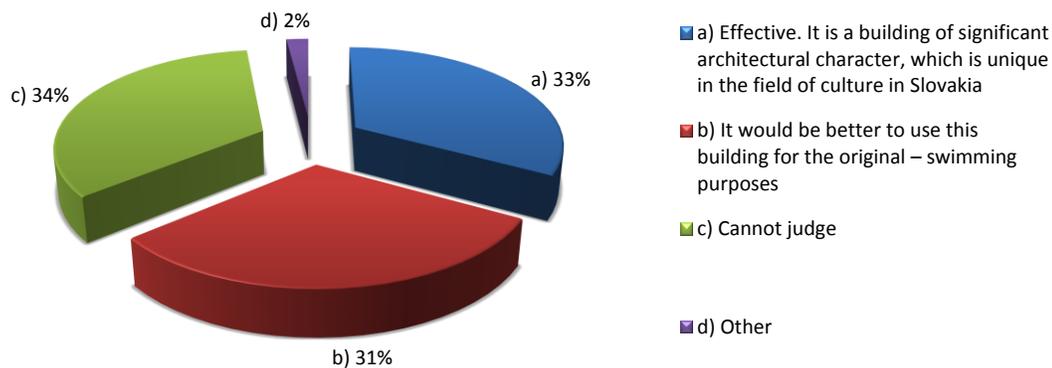
*"If they will act like smart managers, it was a good investment."*



**Fig. 3 Perception of the project Kulturpark (Culture Park)**

Source: self-elaboration

An amount of 41% of respondents agreed on the opinion that these investments were used efficiently and the cultural object has the potential for the future and cultural uses. Relatively high percentage of the respondents was not able to evaluate the investment, what can be due to the fact that many of them have not visited the renovated building yet. 18% of respondents does not agree with the cost effectiveness of the investment and evaluate these areas as unnecessary and cost-intensive.



**Fig. 4 Kunsthalle (Hall of Arts)**

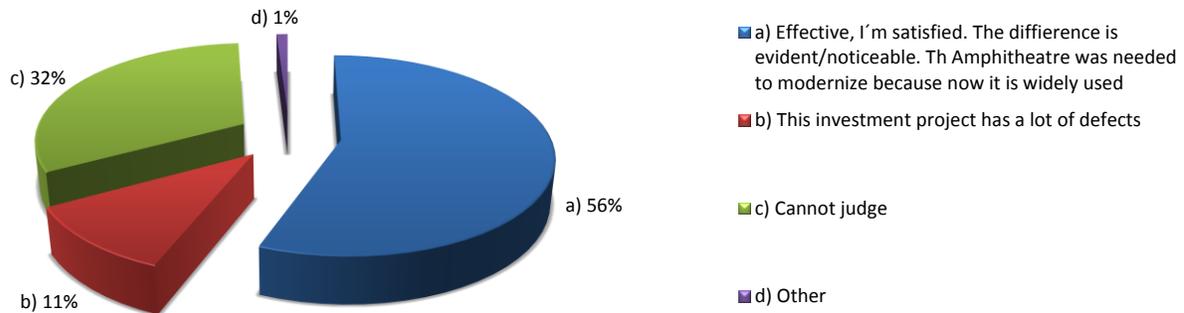
Source: self-elaboration

In connection with this facility, which was an old malfunctioning swimming pool transformed to the first Hall of Arts in Slovakia, we asked the respondents to evaluate the investment of 8.5 million euros. As shown in the Figure 4, apart from other opinions, the attitudes towards the question can be divided into three proportional groups. An amount of 34% of respondents was unable to comment on the issue, and we assume that it was because of that they have not visited the object. The other group of 33% of respondents sees this investment as effectively spent, because it is a building of significant architectural character; and only a little bit less respondents (31%) are more inclined to believe that the building would be better to use for sports – swimming purposes. Valuable for us were also the other opinions, such as:

*"I do not think that the location of the building and the type of construction has the potential to be a Hall of Arts. Since the ECOC finished, the building is standing there empty. According to the information I received, the people do not go there."*

*"The truth is that it should be used for swimming purposes. However, if the decision was that it will be a Kunsthalle (which at that time was unique in Slovakia, and that's a big advantage), than the decision was simply done and it cannot be changed. In this sense, they were working within the given possibilities, and it was also performed on excellent way. Architects had done a real treasure, although probably many people will never understand it. But, if we cannot have a swimming pool, than better to have a great Kunsthalle than an empty ruin."*

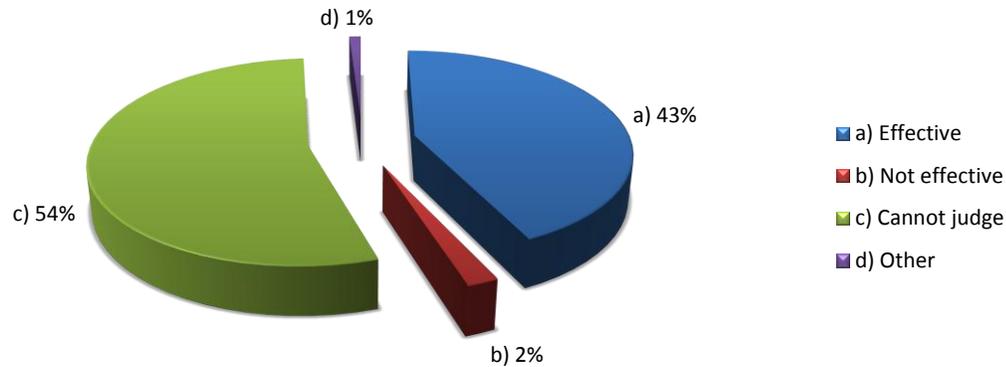
*"Swimming pool should be maintained. They should be looking for an investor or leaseholder, someone with support. When it was possible with the Steel Arena, it could be done also with the swimming pool, if merged several sponsors together. "*



**Fig. 5 Perceptions of renewed Amphitheatre**

Source: self-elaboration

The reconstruction and modernization of Amphitheatre in Košice, with an investment of around 1 million €, was made effectively according to the responses of 56% of respondents (Figure 5). They are satisfied, and the difference before and after the reconstruction is evident, or let us say noticeable, and they agree to the opinion that this object was needed to modernize and reconstruct after years. The investment was needed also from the view of capacity and visits. Based on the responses it can be concluded that this investment activity is the best evaluated investment between the investigated. However, there have been articles in newspapers and a lot of information talking about the fact that the project was late due to the poor quality of the reconstruction work and therefore because of the complaints the length of the project considerably extended. For example, according to Viktorínová (2013, in Vrábek 2013), who is a press agent of the city, this problem is expressed as follows: *"Much of the deficiencies of the Amphitheatre were not a part of the approved project documentation due to the lack of finances for complex reconstruction"*. Thus, the roof of the entrance was not reconstructed; the old pillars were not removed; a part of the fence was not painted; drainage and plastering of the emergency exit and projector cottage and the space before it; the facade of a building wasn't done and even the upper corners were not repaired (<http://kosice.korzar.sme.sk>). Thus, the investment could not cover all the needs of the reconstruction of the Amphitheatre in Košice. This view is shared by 11% of respondents in our survey. Again, a relatively high percentage of respondents (32%) were not able to evaluate this investment. Some of the respondents also expressed the opinion that they do not notice a big change between the original and new status.



**Fig. 6 SPOTs Project (transformation of exchanger stations)**

Source: self-elaboration

In this case, we asked the respondents to an investment of 1.3 million €, that was spent on the transformation of former heat exchangers to a local cultural and social centres. This issue was critical for us, since the overwhelming majority of respondents was not able to express their opinion on the question. It was perhaps again caused by the fact that only a few of them visited these facilities. Only 2% of respondents perceived investment as a negative (Figure 6). However, 43% evaluated this investment as effective, while they see the greatest benefit of this investment in bringing the culture to the peripheral parts of the city (19%), and also in creating better conditions for leisure (13%), or in beautification, treatment and overall revitalization of municipal districts (7%). The same number of respondents (7%) sees the benefits in the acquisition of artistic skills and creative abilities. About 6% evaluates the investment as a positive from the perspective of creating connections between residents; and finally 2% of respondents appreciate the formal education in the field of culture. Some ideas of the respondents were the following:

*"Not only efficient. It's an understatement. It's the best remnant of the ECOC. It had made a splash also abroad, and addressed a number of already established world architects. In addition to this, the communities are really well-functioning in these centres and they bring more benefits than Kunsthalle and Kulturpark (Culture Park) together."*

## 6 Evaluation of Changes in Cultural Life After Realizing Investment Activities

Empirical data collected in the survey have been processed and we searched interdependencies between the measured properties. In this part the hypothesis was tested by  $\chi^2$  (chi-square) test of goodness of fit, because we wanted to find out the conjunction between the empirical and theoretical distribution of the analysed data set.

In examining this issue, we first determined the hypothesis  $H_1$ : *We assume that a statistically significant majority of respondents evaluated the monitored parameters (i.e. perceived "slight improvement" or "substantial improvement") positively.*

Against the examined hypothesis we set the hypothesis  $H_0$ : *A statistically significant majority of respondents does not evaluate the monitored parameters positively.*

An important source of data for this hypothesis was a question in questionnaire in which the respondent could answer on a six level nominal scale, which enabled the evaluation of the perception of changes in culture after realizing investment activities. In our case, it was the investment activities related to the ECOC 2013. The respondents were asked to evaluate on this six level scale a total of 12 parameters related to the cultural life (e.g. a range of cultural events, city image, patriotism, participation in cultural processes and others), while they were able to indicate on this scale whether they perceived a significant decline; a slight decline; cannot judge; do not perceive any change; feeling a slight improvement or significant improvement. When setting and evaluating the hypothesis we logically considered as a positive assessment of the respondent, that one, which evaluated at least seven of the twelve parameters as a positive, it means the majority of answers were "slight improvement" or "substantial improvement".

Subsequently, we divided the respondents into two groups. Respondents of the group "A" identified 7 or more positive responses, respondents of the group "B" identified 6 and less positive responses. Here we had to exclude 9 respondents of a total of 136 respondents, because they did not belong to either of these groups (they were unable to evaluate the majority of parameters). Subsequently, we used the  $\chi^2$ -test as a test of goodness of fit. We built on the basic mathematical definitions according Markechová, Tírpáková and Stehlíková (2011): "If the  $(X_1, X_2, \dots, X_n)$  is a random selection of a large-scale ( $n > 100$ ) from a continuous distribution with unknown distribution function  $F$  and let  $(x_1, x_2, \dots, x_n)$  to be its realization. We will test the null hypothesis  $H_0: F = F_0$  versus the alternative hypothesis  $H_1: F \neq F_0$ , where  $F_0$  is the distribution function of the normal distribution."

Thus, we did not test the compliance of variances or mean values, but whether there is a match between the empirical (measured) and theoretical distributions. Against the hypothesis  $H_1$  we set the hypothesis  $H_0$  of conformity between the empirical and theoretical distributions.

**Tab. 1 Table for the hypothesis  $H_1$**

	number – empirical frequency	average - expected frequency
group A	75	63.5
group B	52	63.5
Total	127	127
$\chi^2$	0.041258787	4.165354331
	$\chi^2_{crit.}$	3.841459149

Source: self-elaboration based on calculations

So that we could use the test had to be met the condition:  $f_{o,j} \geq 5$  for  $j = 1, 2, \dots, k$  (Markechová, Tírpáková and Stehlíková 2011). This condition has been met and therefore we can proceed to calculate the  $\chi^2$  test according to the mathematical relationship:

$$\chi^2 = \sum_{j=1}^k \frac{(f_{e,j} - f_{o,j})^2}{f_{o,j}} \dots$$

$f_{e,j}$  – empirical (real) frequency

$f_{o,j}$  – expected frequency

As it is apparent from the Table 1, the empirical frequency  $f_{e,j}$  was in the group "A" of respondents equal to 75 and in the group "B" it was 52. The expected frequency  $f_{o,j}$  was 63.5. The

null hypothesis was tested by comparing the calculated values of  $\chi^2$  with the critical value " $\chi^2_{\text{crit}}$ " with "f" degrees of freedom. We built on the statement (Benčo 2001) that if:

- $\chi^2 > \chi^2_{\text{crit}}$  (f), hypothesis  $H_0$  is rejected and the alternative hypothesis is accepted;
- $\chi^2 < \chi^2_{\text{crit}}$  (f), hypothesis  $H_0$  is not rejected, so hypothesis  $H_0$  is true.

The tabulated critical value of the  $\chi^2$  test for  $p=0.05$  and "f" degrees of freedom is equal to 3.8415. As the calculated value of the test criterion  $\chi^2 = 4.1654$  is higher than the critical value ( $\chi^2_{\text{crit}} = 3.8415$ ), the tested hypothesis  $H_0$  is rejected at significance level of  $\alpha = 0.05$  and we say that there is a difference between the distribution of respondents positive and negative evaluation of changes, so that most of the respondents evaluates the examined changes positively. P-value is equal to 0.04126, and hence it is  $p < 0.05$ . Based on these calculations, we reject  $H_0$  and we came to the conclusion that **a significant majority of respondents evaluated the changes in the examined parameters (after the implementation of investment activities) positively.**

## 7 Conclusions

Our most important finding is that the investment activities (which have been implemented by the end of the year 2013, when the city of Košice was the European Capital of Culture) brought to the city as well as to the residents more positive changes than those negative. The perception of mild and significant improvement was reflected mainly in the supply and availability of cultural events and services; in the increased interest and increased attendance of cultural events and institutions; in the opportunities for leisure and development of artists. Very important is also the finding, that the residents of the city perceive also an enhancement in the image and attractiveness of the city and feel a greater pride in the city of Košice in comparison to the previous period.

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