



ROLE OF TOURISM IN GROWTH OF ECONOMY

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ABSTRACT

Many economies throughout the world rely heavily on tourism, and it's been studied extensively for many years now. In India, there has been a dearth of research on this topic, to say the least. Therefore, this study examines the role of tourism in the Kingdom of India's economic development. using annual time series data from 2003 to the present. For this study, the researchers used simple correlation and regression analysis as well as a number of other statistical methods to determine whether or not there is a link between economic growth and the amount of tourists visiting a given area. To put it another way, the data suggest that economic growth has a long-term link with tourism receipts as well as spending on tourism, as well as the number of tourist arrivals. The empirical evidence supports the theory that tourism contributes to India's economic growth.

KEYWORDS: tourism; economic growth, Development, Globalization

INTRODUCTION

A country's socio-cultural identity and heritage are deeply entwined with its tourism and hospitality industries. Tourism and hospitality contribute to economic growth through creating jobs, generating foreign exchange, and developing locations with the potential for tourism in an era of globalization.

In 2024, the World Travel and Tourism Council (WTTC) predicts that travel and tourism will account for 10.3% of global GDP, up from 9.5% in 2013. (WTTC, 2014). The Indian tourism and hospitality sector generates 7.7 percent of the country's total employment, 6.8 percent of its GDP, and \$18.13 billion in export revenue (IBEF, 2014). India's third-largest source of foreign exchange comes from the tourism and hotel industry (makeinindia, 2015).

As a result of tourism, the country's social and economic well-being improves. [1] The tourism industry makes a substantial contribution to the government's foreign exchange reserves and creates employment opportunities for a wide range of people within the country. It is also important to promote local crafts and fine arts in order to preserve natural beauty, cultural heritage, and soil tradition, as well as strengthen the process of national integration and global brotherhood by supporting the preservation of the nation's handicrafts and fine arts. Different types of tourism must be distinguished for the sake of analysis.

LITERATURE REVIEW

Sana Naseem (2021) Many economies throughout the world rely heavily on tourism, and it's been studied extensively for many years now. In the context of India, there has been a dearth of research into this topic. Therefore, this study examines the role of tourism in the Kingdom of India's economic development. using annual time series data from 2003 to the present. For this study, the researchers used simple correlation

and regression analysis as well as a number of other statistical methods to determine whether or not there is a link between economic growth and the amount of tourists visiting a given area. To put it another way, the data suggest that economic growth has a long-term link with tourism receipts as well as spending on tourism, as well as the number of tourist arrivals. The empirical evidence supports the theory that tourism contributes to India's economic growth.

Abhishek Thommandru, Marcos Espinoza-Maguiña, Edwin Ramirez-Asis, (2021),” Tourism has a significant impact on the country's social and economic well-being. The tourism industry makes a substantial contribution to the government's foreign exchange reserves and creates employment opportunities for a wide range of people within the country. It is also important to promote local crafts and fine arts in order to preserve natural beauty, cultural heritage, and soil tradition, as well as strengthen the process of national integration and global brotherhood by supporting the preservation of the nation's handicrafts and fine arts. Different types of tourism must be distinguished for the sake of analysis. As an example, international tourism and domestic tourism, which is based on the tourist's permanent residence's geographical restriction, are two major forms of tourism. A tour does not have to be for a specific amount of time; rather, it is defined by the distance travelled from one's regular abode to a destination or sites outside one's own territory. To learn more about how tourism and the hotel industry contribute to economic prosperity, keep reading this article.

Fernanda Strozzi (2018) Topics such as the relationship between tourism and economic impact, its possible advantages and negative externalities are characterized by both vastness and variability of contents. Each field of study has its own seminal works that are difficult to identify. "Systematic Literature Network Analysis" (SLNA) is a dynamic literature review method that incorporates bibliographic network analysis into a systematic literature review. As an additional benefit, this methodology can assist newcomers identify and connect to the most developed fields of study in the field of tourism.

RamphulOhlan(2017) Tourism and economic growth in India are examined in this study by looking at the relative relevance of financial development from 1960 to 2014. The new Bayer and Hanck combination test shows that tourism, economic growth, and financial development are all intertwined. In both the long and medium term, inbound tourism has been proved to have a positive impact on India's economy. A long-term one-way Granger causality between tourism and economic growth is found in the analysis. Promoting tourism policies to attract more international visitors has been recommended.

Rajesh Tiwari, Bimal Anjum (2016) Tourists' contributions to India's economic growth are examined in this chapter. India's tourism and hospitality sector accounts for 6.8% of the country's gross domestic product. Because the tourism and hospitality business has the potential to increase visitor traffic to 30 world heritage sites, as well as boost economic growth, the multiplier effect of tourists on job creation is significant. The study used a descriptive research design. Foreign tourist arrivals were studied in connection to economic variables. The success stories of Kerala and Gujarat were examined in the paper as examples of a targeted approach to tourism. The trend of tourism and its influence in the country's economic growth are examined using secondary data. There was a strong link between tourist arrivals and the growth of domestic capital. There is a strong association between the growth of India's service industry and the gross domestic product of Kerala and Gujarat, as well as the increase in international visitor arrivals.

FORMS OF TOURISM

Various forms of tourism are discussed in this section:

Religious & Spiritual Tourism:

More and more people around the world are suffering from mental health issues, and many are turning to spiritual practises like reading, meditation, and prayer for solace. As the spiritual hub of the world, our country has long been regarded as a symbol of our country's multiculturalism. Religion is crucial for adherents of the world's major faiths and sects. For thousands of years, Hinduism, Islam, Buddhism, Jainism, Zoroastrianism, and Christianity have coexisted.

Rural Tourism:

Rural tourism was a major driver of expansion in the Indian tourism industry. Rural vacationing. Tourists should be drawn to rural tourism experiences that are also financially viable for the local community. All development organisations must work together to take advantage of the enormous potential. Well-planned and well-executed development in the village is a surefire way to raise property values and improve the quality of life for the entire community. The success of this expansion rests on the dedication of the local population to providing tourist facilities and creating a tourist-friendly atmosphere. Hotels and restaurants in rural areas are booming as tourists flock to the area. The poor rural population will surely benefit from increased rural tourist profits. People of various socioeconomic backgrounds will benefit from the growth in their purchasing power, which in turn strengthens rural economies. People's quality of life will improve if infrastructure like railways, power, water, health, and sanitation are improved.

Nature Tourism:

Natural attractions are being reimagined by tourists and suppliers in the search for new products. Modern nature tourism focuses on the meeting of wildlife and plants in their natural habitats. Tourists can enjoy nature in its natural setting through natural tourism, which focuses on nature and its beauty. Eco-tourism is concerned with the preservation of natural and cultural resources. In recent years, the terms "nature tourism" and "environmental tourism" have become synonymous. There has been a significant increase in demand for nature-based travel in recent years. The total number of international tourists is between 40 and 60 per cent.

Adventure Tourism:

Youth tourism has long been regarded as one of the most important segments of both international and domestic tourism. Meeting and investigating single-child gatherings is a common occurrence for young people. Young travellers' behaviour and views are shaped by the excitement and danger of travel. Increased participation in higher education, decreased unemployment among young people, increased travel budgets by means of parental support, the desire for a more exciting and unique experience, and cheaper long-distance travel are just some of the reasons why the number of young travellers is increasing. Adventure tourism and young people are looking for a lot of room to grow.

Mice Tourism:

There has been a tremendous growth in the field of meetings, incentives, conferences and exhibits. Itineraries for incentive trips and conference displays are examples of mouse events. In spite of being referred to as "mice," each of these subsets of mice has distinct traits. Convention offices are increasingly providing meeting, incentive, and exhibition organisers and service suppliers.

METHODOLOGY

For this model to capture the short- and long-term correlation between tourism growth (measured in terms of tourism receipt TR), tourism expenditure (measured in terms of tourism expenditure), and number of tourist arrivals (TA) and economic growth (measured in terms of GDP), we used yearly time series from 2003 to 2019—17 observations—which should be sufficient to capture these correlations. From World Development Indicators, all data sets are in current USD.

Based on Khan's (2020) model, which was used to examine the importance of tourism in the context of Kingdom of India, the following can be stated:

the rate of economic expansion is f (tourism growth, tourism expenditure, tourist arrivals)

A logarithmic function is used to represent all of the parameters in a real-world context:

$$LY_t = \log(Y_t).$$

The following is an example of a log-linear econometric structure:

$\text{Log (GDP)}_t = b_0 + b_1 \log(\text{tourism receipts})_t + b_2 \log(\text{tourism expenditure})_t + b_3 \log(\text{number of tourist arrival})_t + \#t$

Here, the constant term is b_0 ; b_1 (receipts), b_2 (expenditures), t (time trend), and $\#t$ (random error term) all assume normal, uniform distribution.

RESULTS

Descriptive Statistics

Log form of selected parameters' correlation matrix and descriptive statistics, as depicted in Table 1. The correlation matrix shows that there is a substantial positive correlation between the variables. Economic growth and tourism receipts are highly associated with the correlation of 0.834, indicating that both are endogenous variables. To put it another way, for every 1% rise in tourism receipts, the economy grows by 0.834%. Both tourist expenditure and tourist arrivals contribute to 0.82 and 0.925 percent growth in economic output, respectively.

Table 1 Descriptive statistics with a correlation matrix

Dependent Variable	Mean	Median	Maximum	Minimum	Jarque-Bera	Probability	LNG	LNTR	LNTE	LNTA
LNG	26.99	27.192	27.399	26.098	2.185	0.335	1			
LNTR	22.86	22.852	27.711	21.952	0.23	0.891	0.834	1		
LNTE	23.44	23.613	23.948	22.149	9.736	0.008	0.817	0.562	1	
LNTA	16.56	16.682	16.951	15.808	1.589	0.452	0.925	0.804	0.746	1

Unit Root Test

As shown in Table 2, Dickey–Fuller stationarity and Phillips–Perron tests are used to assess the data. First difference level at intercept level for tourism receipts and tourist arrivals; autoregressive vector lag is one.

Table 2 Unit root test

Dependent Variable		ADF		Phillips Perron	
		t-Statistic	Prob.	Adj. t-Stat.	Prob.
LNG	Level	-2.637	0.106	-4.705	0.002 *
	1st difference	-3.428	0.027 **		
LNTR	Level	0.907	0.99	0.778	0.798
	1st difference	-7.65	0.00 *	-9.005	0.000 *
LNTE	Level	-3.171	0.041 **	4.158	0.006 *
LNTA	Level	-2.615	0.11	-3.15	0.042 **
	1st difference	-4.499	0.004 *		

Johansen Co-Integration Test

Co-integration tests for the variables will be carried out after the stationarity test has been carried out. Using the Johansen test for co-integration and the conditional model with four variables, the following can be provided to accomplish co-integration:

$$H_0: b_{1i} = b_{2i} = b_{3i} = b_{4i} = 0 \quad H_A: b_{1i} \neq b_{2i} \neq b_{3i} \neq b_{4i} \neq 0$$

Where $i = 1, 2, \text{ and } 3$.

According to the short-run VAR model, H_0 is accepted, whereas H_A is accepted, which implies the long-run relationship and the Error Correction Model has to be examined further.

Co-integration is shown in Table 3 at the 0.05 significant level, demonstrating a long-term link between the variables. It is possible to express the long-term equation as follows:

$$LNG_t = 0.994LNTR_t + 1.41LNTE_t - 0.265LNTA_t$$

An increase in tourism receipts of one percentage point leads to an increase of 99.4 percent in GDP over the long term, while increasing tourism expenditures by one percentage point leads to an even greater gain in GDP. A 1% rise in tourist arrivals, on the other hand, will boost GDP by 26.5 percent.

Table 3 Johansen co-integration test for LNG as a dependent variable

Eigenvalue		Trace Statistics	0.05 Critical Value	Prob. **	Max-Eigen Statistics	0.05 Critical Value	Prob. **
None *	0.897	65.578	47.856	0.0005	34.07	27.584	0.0064
At most 1 *	0.813	31.507	29.797	0.0315	25.143	21.132	0.0129
At most 2	0.301	6.364	15.495	0.6525	5.364	14.265	0.6953
At most 3	0.065	0.999	3.841	0.3174	0.999	3.842	0.3174
LNGDP			LNTR		LNTE	LNTA	
1		0.994	(0.44)	1.41	(0.191)	0.265	(0.793)

Co-Integration Regression

Regressions for tourism receipts, tourism expenditure and the number of tourist arrivals are shown in Table 4 using FMOLS, DOLS or CCR as a co-integration variable. It appears that all of the criteria are linked to economic growth, but the DOLS implies that only tourist receipts and tourist arrivals have a direct effect. Also, according to the CCR, all of the factors are directly linked to economic expansion. Using the Hansen instability co-integration test and the Jarque-Bera test, the cointegration model is found to be significant.

Table 4 Co-integration regression

Variable		FMOLS		DOLS		CCR
LNTR	0.28	0.0209 **	0.312	0.05 **	0.317	0.032 **
LNTE	0.256	0.015 **	0.287	0.23	0.235	0.0286 **
LNTA	0.62	0.008 *	0.989	0.04 **	0.574	0.024 **
C	4.34	0.059	10.54	0.139	4.753	0.009 *
Adj R ²		0.86		0.997		0.853
Long-run Variance		0.014		6.78 10 ⁵		0.014
Co-integration test	0.29	0.200	0.069	0.200	0.244	0.200
Jarque-Bera	1.346	0.51	0.467	0.792	1.301	0.522

Granger Causality Test

Granger causality tests were also performed to confirm the causal relationship between the variables in this investigation, with a lag duration of 1. Table 5 shows the results of the Granger causality.

There is a causal link between LNTA and LNG, according to the findings. As a result, it supports the tourism-led growth argument that LNG influences LNTA in India; the direction of causality is unidirectional.

Table 5 Granger causality test

Null Hypothesis	Obs.	F-Statistics	Probability
LNTA does not Granger cause LNG		2.90152	0.1123
LNG does not Granger cause LNTA	16	9.34552	0.0092
LNTE does not Granger cause LNG		0.85377	0.3723
LNG does not Granger cause LNTE	16	0.13732	0.7169
LNTR does not Granger cause LNG		1.92603	0.1885
LNG does not Granger cause LNTR	16	0.25776	0.6202
LNTE does not Granger cause LNTA		1.97735	0.1831
LNTA does not Granger cause LNTE	16	0.58823	0.4568
LNTR does not Granger cause LNTA		0.41381	0.5312
LNTA does not Granger cause LNTR	16	0.14988	0.7049

LNTR does not Granger cause LNTE		0.04247	0.8399
LNTE does not Granger cause LNTR	16	0.19091	0.6693

CONCLUSION

Tourists' involvement in the Kingdom of India's economic growth is the focus of this study. All of the exogenous variables were found to be significant by the FMOLS model, however only two of the three exogenous variables were found to be significant by the DOLS model. Policymakers in India's tourist industry will benefit from the findings of this study. The long-term and short-term links between tourism and economic growth are clearly demonstrated in this study. In order to enhance India's economic growth, officials should focus on promoting sustainable tourism, according to a new report. Policymakers should also focus on improving the infrastructure of tourist destinations and making the visa application process for international visitors more efficient in India.

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