

Tourism Development: Its Impact on Economy

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Globalization has been the buzz word with the International economy for the last two decades and correctly so it has been the essential catalyst for accelerated liberalization. The economic globalization revolves around the internationalization of trade and services. Tourism for many countries is a substantial part of their international trade pie. World over affluence is on the rise, stepping up the disposable income and the willingness to spend on travel, and as a result tourism has emerged as one of the important industries which has grown by leaps and bound.

Back home, tourism in India is the largest service industry, with a contribution of 6.23% to the national GDP and 8.78% of the total employment in India. The tourism industry in India generated about US\$100 billion in 2008 and that is expected to increase to US\$275.5 billion by 2018 at a 9.4% annual growth rate. According to World Travel and Tourism council, India will be a tourism hotspot from 2009–2018, having the highest 10-year growth potential.

Tourism is a multi - disciplinary subject and is related to almost every aspect of human activity. Tourism impact refers to either positive or negative changes, benefits or new situations caused by a series of activities associated with development of tourism (Chen, 2006). Hawkins (1982) pointed out that tourism and leisure not only increase economic revenue but also result in environmental pollution. Developing tourism or the leisure industry is not an elixir for promotion of local prosperity. It may also cause negative impact on local economy, social culture, and the environment (Brougham and Butler, 1981; Archer and Cooper, 1998; Baker and Crompton, 2000; Bigne, et al., 2001; Tosun, 2002; Lin, 2006). In view of its impact on the development of economies, an attempt has been made to know the economic, socio-cultural and environmental impact of tourism in the developing countries.

Positive Impact of Tourism

Tourism is a skill oriented economic activity. The impact of tourism industry on the host country is tremendous. It is particularly useful for a developing country in earning valuable foreign exchange, which is essential for economic development.

Tourism can be a catalyst for national and regional development, bringing employment, exchange earnings, balance of payments advantages and important infrastructure developments benefiting locals and visitors alike (Glasson *et al.*, 1995). Honey and Gilpin (2009) suggests that the tourism industry can also help promote peace and stability in developing country like India by providing jobs, generating income, diversifying the economy, protecting the environment, and promoting cross-cultural awareness.

Foreign Exchange Earner

Tourism helps the nations to earn valuable foreign exchange, which is vital for both developing and developed economies. Tourism can also be called an 'export industry'. It is an 'invisible export' where no goods or services are exported whereas in 'visible exports' there is always a flow of goods out of the country. Income from foreign tourism in the form of foreign exchange earnings add to the national income and as an invisible export may offset a loss on the visible trading account. Highlighting the tremendous growth potential offered by the tourism sector in India, the Economic Survey 2010-11 has said the country's foreign exchange earnings from tourist arrivals grew by 24.56 per cent in 2010 at 14,193 million dollars as compared to 11,394 million dollars in 2009.

Contribution to Government Revenues

Government revenue from the tourism sector can be categorized as direct and indirect contributions. Direct contributions are generated by taxes on incomes from tourism employment and tourism business. Indirect contributions are those which originate from taxes and duties levied on goods and services supplied to tourists.

Employment Generation

The tourism industry is a highly labour intensive service industry and hence a valuable source of employment. The extent at which employment is created is influenced by the degree of linkages between tourism and other sectors of the economy. The industry creates employment opportunities for skilled as well as unskilled labour. It is estimated that one job in the core tourism industry creates about one and a half additional jobs in the tourism-related economy (ILO 2008). There are workers indirectly dependent on each person working in hotels, such as travel-agency staff, guides, taxi and bus drivers, food and beverage suppliers, laundry workers, textile workers, gardeners, shop staff for souvenirs and others, as well as airport employees (ILO 2008).

Multiplier Effect

The multiplier in tourism industry works in a positive direction in accelerating the economic activity of the economy. The money spent by a tourist in a particular area increases the income of that area by an amount greater than itself. The money paid by the tourist, after a long series of transfers over a given period of time, passes through almost all the sectors of the economy, stimulating each in turn through out the process. In destinations where a large percentage of tourist needs are locally supplied local contribution and multipliers tends to be high, and the resulting economic impact correspondingly greater. In destinations where substantial income is not retained locally, economic impact from tourism is less. According to Cooper (2008), tourism impacts income in different ways depending on the country or region where it develops. Every US dollar spent by overnight tourists impacts income in the economy between 1.12 to 3.40 times.

Development of Infrastructure

One of the areas in which tourism can influence the domestic economy is through the development of infrastructure in host regions. Tourism can induce the local government to make infrastructure improvements such as airports, roads, water supply, electricity, banks etc., all of which can improve the quality of life for the local population as well as facilitate tourism. Better infrastructural facilities result in commercial and industrial development which in turn leads to an all round development of that area.

Industrial Development

The development of the tourism industry leads to development of many other related industries. These are enterprises which wholly or mostly depend on tourists for their business like hotels, travel agencies etc. Secondary tourist enterprises are partially dependent on tourism, but mostly they serve the needs of the resident population like banking, Laundry etc. The growth and development of these industries are closely related to tourism. If tourism flourishes in an area, it immediately brings with it overall prosperity of the group of industries localized in that area.

Regional Development

Vast regional imbalances are found in most of the developing countries i.e. those areas which are highly industrialized and developed and those which are backward due to the absence of industrialization. Some of these backward areas are areas of high, scenic beauty and cultural attractions. These areas if developed for tourist purposes can bring a lot of prosperity to that area thus removing regional imbalances.

Socio - Cultural Impact

The social impact of tourism development refers to changes in the quality of life of residents of tourist destinations. Tourism can serve as a supportive force for peace and foster pride in cultural traditions. Preservation of its culture is one of the basic responsibilities of any community. Tourism can go a long way in helping the community to preserve the culture by using its cultural heritage as an attraction for the tourists. Cultural integration is said to be one of the objectives of tourism development. Because of this monuments are preserved, festivals are popularized, new outlets are provided to traditional craft and performing arts. Hence tourism can offer opportunities for continuation, rejuvenation or enhancement of traditions and a way of life.

International Understanding

Tourism can be a 'vehicle' for international understanding by bringing diverse people face to face. It enables man to broaden his outlook. The interaction of the foreigners with the locals leads to exchange of ideas, breaking down of prejudices,

barriers and suspicions that exist between the nations. Tourism promotes good will and friendship among the nations of the world thus fostering the much-needed peace in the world

Conservation of Environment

Environment includes the land, air, water, flora, fauna, people, their creations and social and cultural conditions that affect their lives. Tourism results in the conservation of environment. The development of tourism and protection of environment are interrelated. Pleasing environment attracts tourists and this will help the economy to grow.

Negative Impact of Tourism

Tourism may not necessarily have a positive impact on the economy. Often the developed countries may be the ones who benefit from tourism whereas the developing economies that urgently need the income, employment and the improvement in the standard of living are least able to realize these benefits. Negative impacts from tourism occur when the level of visitor use is greater than the environment's ability to cope with this use within the acceptable limits of change. Uncontrolled conventional tourism poses potential threats to many natural areas around the world. It often puts a strain on the scarce resources, and it can force local populations to compete for the use of these critical resources.

Leakages

The direct income for an area is the amount of tourist expenditure that remains locally after taxes, profits and wages are paid outside the area and after imports are purchased; these subtracted amounts are called leakages. Of each US\$ 100 spent on a vacation tour by a tourist from a developed country, only about US\$ 5 actually stays in a developing country destinations economy. A study of tourism 'leakage' in Thailand estimated that 70 per cent of all money spent by tourists ended up leaving Thailand (via foreign owned tour operators, airlines, hotels, imported drinks and food etc.). Estimates for other third world countries range from 80 per cent in the Caribbean to 40 per cent in India.

Enclave Tourism

The opportunity for the local people to enjoy the profits from tourism are limited by the 'all - inclusive' vacation packages. In this the tourists remain at the same cruise ship or resort for their entire stay where they make their entire expenditure. These 'all-inclusive' have a smaller trickle - down effect on local economies and so the benefits remain confined to a limited segment not spreading to the local population.

Infrastructure Costs

Tourism development requires sufficient amount to be spent on infrastructural facilities like airports, roads etc. along with certain subsidies. If the Government decides to spend on these it may be at the cost of ignoring the other critical areas of the economy like health and education.

Inflation

Increasing demand for basic services and goods from tourists will often cause price hikes that negatively affects local residents whose income does not increase proportionately. Also the superior buying capacity of wealthy tourists causes prices to rise beyond the ability of local people to pay. The tourism development creates additional demand for land and competition from the growing potential buyers, which leads to increase in building costs and land values. It results in dominance by outsiders in land markets, which erodes economic opportunities for the locals. In Costa Rica, around 65 per cent of the hotels belong to foreigners.

Loss of Authenticity

Adapting cultural expression and manifestations to suit the taste of tourists, results in altered environment, which is less authentic and less interesting for the tourists. The local craftsmen have responded to the growing demand for souvenirs, arts, crafts etc. and have made changes in designs of their products to suit the changing tastes. This commodification of cultural goods may lead to cultural erosion.

Cultural Clashes

Tourism involves movement of people to different geographical locations and establishment of social relations between people of different cultures, ethnic and religious groups, values and life-style, languages and levels of prosperity, which results in cultural clashes. Many tourists come from societies with different consumption patterns and lifestyle than what is found at the destination. One effect is that the local people who come in contact with these tourists may develop 'demonstration effect' i.e. copying the lifestyle of the tourists. This may lead to social and ethnic tensions, particularly in developing economies where we find a growing distinction between the 'haves' and 'have-nots'.

Crime and Anti-social Activities

Tourism may contribute to an increase in criminal and antisocial activities. The presence of a large member of tourists with a lot of money to spend and often carrying valuables such as cameras and jewellery, increases the attractions for criminals and brings with it activities like robbery and drug dealing. Tourism can also lead to gambling, which may cause negative changes in social behaviour. Development of tourism has also led to the growth of prostitution.

Environmental Pollution

The technological complexity of the twenty first-century living has led to various forms of pollution, which are both initiated and compounded by tourism development. The flora and fauna do not get sufficient chance to regenerate and the ecological balance is disturbed. Excessive use of vehicles such as cars and buses and air transport used by the tourists causes air pollution. Noise generated by the concentration of tourists, their vehicles and sometimes by certain types of tourist attractions such as amusement parks may reach an uncomfortable and irritating level for residents of the area. Over use or misuse of environmentally fragile archaeological and historical sites can lead to damage of these attractions through excessive wear, vibrations and vandalism.

Depletion of Natural Resources

Tourism development can put pressure on natural resources when it increases consumption in areas where resources are already scarce. Water, and especially fresh water, is one of the most critical natural resources. The tourism industry generally overuses water resources for hotels, swimming pools, golf courses and personal use of water by tourists. This can result in water shortages and degradation of water supplies, as well as generating a greater volume of waste water. Tourism can create great pressure on local resources like energy, food, and other raw materials that may already be in short supply. A high demand is placed upon these resources to meet the high expectations of the tourists (proper heating, hot water, etc.) The provision of tourist facilities like accommodation and other infrastructural requirements have an adverse effect on the natural resources, both renewable and non renewable.

Conclusion

Tourism industry in a country has to be properly planned, developed and supervised, so as to ensure maximum positive impact and minimize the negative impact to minuscule levels. The present form of environmentally explosive tourism has lent support to the view that in some cases the benefits of tourism are more than outweighed by its economic, social and environmental costs. Many a developing countries depend on tourism as a bread winner for their nation. In order to increase the pace of this lucrative source of income it is essential that concentrated efforts should be made to ensure that tourism in their country changes course and emerges as the new avatar of ecological or environmental oriented tourism called eco-tourism.

The tourism industry world wide should join hands and welcome the new order of the day – Eco-tourism. The entrepreneurs in the tourism industry should make a resolve to reduce the carbon footprints thereby resulting in the creation of a new business model which is sustainable and sets the ball rolling for an ever-expanding tourism revolution. Only then will tourism give a boost to the industrial growth and economic development of the nations.

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