Measuring the Size of Tourism and Its Impact in Developing Country Bangladesh'S Economy

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Abstract

Travel & Tourism is a significant economic movement in most countries around the world. As well as its straight economic impact, the industry has significant indirect and induced impacts. The output of tourism industry in the global as well as individual viewpoint is truly amazing. Tourism pushes on whole economy directly or indirectly. Many countries in the world depend upon tourism as a main center of foreign swap earnings. For many developing countries tourism is one of fundamental pillars of their development process because it is one of the dominant activities in the economy, in some countries it is the only basis of foreign currency and employment, and therefore constitutes the platform for their economic development. Tourism engages many industries in the economy and cannot be distinct as a solitary industry. Therefore, we dispute that aggregate measures of tourism should be built from the demand side. We also argue that the measure of the size of tourism and the measure of the involvement of tourism to GDP should be separated. While initial tourism demand is the paramount measure of the size of tourism, tourism driven GDP is the best measure of the input of tourism.

Keywords: Tourism Development, Economic Impact, Investment, Tourism Economy, Tourism impact etc

1. Introduction

Tourism is a fast growing economic activity in many countries approximately the word, and plays an important task in the economic, social, cultural, structural and technological development of nations. As Edgell points out, *tourism* serves to stimulate the development of basic infrastructure, contributes to the growth of domestic industries, creates new employment, draws foreign investment, and facilitates the transfer of technology and information. Bangladesh is developing country with a bulky population. The average GDP growth for the last few years varies from 5-6.5%. Since 2001 RMG industry is the source of foremost foreign currency. In the recent time there is a competition in the RMG sector from the competitors. So the search of alternatives has been emerged besides maintaining the position in RMG. The hopeful alternative in this case possibly Tourism. Contributions of tourism in Bangladeshi economy are increasing day by day. Although it is tough to measure over all contribution of tourism in economy, in this paper attempts to rectify some incorrect concepts in the literature and offers a method for deriving consistent measures of both the size of *tourism* in an be defined as an industry. It is shown that in the presence of international trade, the size of *tourism* so defined may differ significantly from its contribution to GDP. However, they are on a consistent basis. The method developed in this paper provides consistent estimates for both measures.

The rest of the paper is organized as follows. **Section 2** first discusses the Literature review. **Section 3** discusses some Objectives of the study. **Section 4** discusses The Economics of Tourism: An assessment of the Impact Analyses. **Section 5** is two subsections. These are Economic effects of tourism in Bangladesh and Tourists arrivals and income from tourism in Bangladesh. **Section 6** develops an Annual Research and Key facts, where several data, diagrams are available. **Section 7** applies Multiplier Effect of Tourism and Industry part of an empire on *tourism*. **Rests of sections** are Recommendations, Conclusion and references The paper ends with concluding remarks.

2. Literature Review

As tourism emerges from the shadow of economic policy to a centre-stage position, it has become imperative to evaluate its role in economic development. The industry is shrouded in myths and stereotypes, and there is a need to examine critically recent trends in tourism, its economic organization and its contribution to economic development (William and Shaw: 1991:2). WTTC (2008) predicts a steady growth for world travel and tourism between 2009 and 2018, with average growth of 4.4% per annum over the period, supporting 297 million jobs

and 10.5% of global GDP by 2018. Since 1960s academic approaches towards tourism have been considering it as a development stream (Peters, 1969; de Kadt, 1979). Tourism provides foreign exchange, increases employment, attracts foreign and domestic private capital for development and promotes economic independence (Britton, 1982). The developing and least-developed countries (LDCs) have considered tourism as an effective tool for achieving economic development. For the last few decades, a growing concern and interest has been seen on the economic impacts of tourism that are largely expressed through the numbers of supported jobs and millions of dollars earned through the activities of the industry at national and global levels (Stynes, 1999). We are trying to achieve Millennium Development Goals (MDGs) for poverty elevation within 2015 it would be possible if all actors working together at global, regional and national levels tourism is one of them **(UN, NY, 2007).** In the beginning of Bangladesh tourism was not included in industry but from 1999 its included as a Industry it represent the importance of the tourism. . Tourism is a leading industry in the service sector at the global level as well as a major provider of jobs and a significant generator of foreign exchange at the national level **(UN, NY, 2007)**. When considering foreign exchange earnings from tourism or tourism receipts the amount might seem rather small. The annual growth rate over the last few years is noteworthy. Though tourism has not assumed a significant role in the national economy yet, it is hoped that tourism shall grow to contribute significantly to the national economy in the future **(Ali & Mohsin, 2008)**. Simultaneously, oversimplification and frequent misinterpretation of digits sometimes provide a distorted and incomplete understanding of tourism's economic effects (Stynes, 1999). Nevertheless, most of the studies largely focus on the proceeds of tourism earned by the developed countries, keeping developing and under developed countries rather out of focus (Narayan, 2004).

3. Objectives of the study:
1) To identify the potential of tourism in Bangladesh.
2) To identify the role of tourism in the economic development of Bangladesh
3) To find out tourism impact on GDP.
4) To recommend necessary suggestions to overcome the tourism related problems.
5) To identify the constraints of tourism development in Bangladesh
6) Provide recommendations for the development of tourism sector.
7) To recognize development trends in Bangladesh tourism
8) To distinguish potential strategies that can supply to increasing the competitiveness of Bangladeshi tourism.

4. The Economics of Tourism; An assessment of the Impact Analyses:
WTTC recognizes that Travel & Tourism's whole contribution is much greater, and aims to confine its indirect and induced impacts through its annual research.

The tourism industry requires a series of inputs that are varied in nature. It automatically opens up a wide variety of economic activities in diverse professions and diverse areas. For example, establishment of a hotel in certain areas calls for a regular supply of many items, as a result of which economic activities for the production and bring of those items automatically grow. The wide variety of choices of visiting tourists also calls for a variety of supplies from different areas thus creating a sequence of economic activities. The tourism industry is potentially a foremost source of foreign exchange, which can contribute considerably to a favorable balance of payments.

Balance of payments: The balance of payments of a country, at a fastidious time, reflects on a set of accounts representing the country's trade with the rest of the world. Trade flows are represented in financial terms and there are three main accounts. The current account has two sections, the merchandise account, i.e. the import and export of physical commodities like rice, tea, coffee, cars; and the invisible account, which includes mainly services such as tourism, insurance and banking remittances.

Tourism and foreign exchange earnings: Foreign exchange earnings from tourism industry are the receipts of non-domestic currency earned by selling goods and services to foreign tourists. It is useful to categorize earnings into hard convertible currencies and soft nonconvertible currencies. Estimates of foreign exchange earnings from tourism are usually derived from sample surveys of tourist expenditures and returns from tourism-related doings such as airlines and banks. Furthermore, foreign currency earnings received from the sale of air tickets to foreign tourists are not adjusted to account for payments for operating charges overseas, or perhaps to foreign crews. They are not unique to tourism, but apply to all items of international trade.

Multiplier analysis: Multiplier analysis is used to guesstimate the long run ongoing impact of tourist expenditures in the economy. It is recognized that initial tourism expenditure will give rise to import demand to service tourists' needs, and that much of the original expenditure will percolate through the economy to stimulate further indirect expenditure and expenditure induced by the initial expenditure. These three terms imitate the fact that tourism is a multifaceted activity. It is essentially interdependent, relying on inputs from many sectors of the economy like agriculture, industry and general services. The initial amount of tourism expenditure will generate

changes in the economy – in output, income, employment and contribution to government revenue. The changes in the various categories may be less than, equal to, or greater than the initial (additional) change in tourist expenditure which started the economic process. Tourist multipliers refer to the ratio of changes in output, income, employment and government revenue to the original change in tourist expenditure. Tourist multipliers can be divided into five main types:

Transactions or sales multipliers. An increase in tourist expenditure will generate additional business revenue. This multiplier measures the ratio between the two changes.

Output multiplier. This relates to the amount of additional output generated in the economy as a consequence of an increase in tourist expenditure. The main difference with the transactions or sales multiplier is that the output multiplier is concerned with changes in the actual levels of production and not with the volume and value of sales.

Income multiplier. This determines the extra income created in the economy as a consequence of the increased tourist expenditure.

Government revenue multiplier. This measures the impact on government revenue as a consequence of an augment in tourist expenditure.

Employment multiplier. This measures the total amount of employment created by an additional unit of tourism expenditure.

There are a number of methodological approaches to calculating multipliers and the choice of methodology will give rise to different coefficients, i.e. in measuring the relative impact of the original increase in tourist spending.

Leakages: International tourism will generate imports. Tourists are short-term visitors who bring with them certain expectations relating to accommodation, food, hygiene, etc. To meet these expectations many developing countries have to import goods and services in order to encourage and develop tourism. Payments for these goods and services to support the tourism sector are said to be 'leakages', i.e. part of the tourist expenditure leaks out of the economy to pay for necessary imports. Very few countries, if any, have the resources and means to supply all of tourism demand. It is necessary, therefore, to examine the import pattern of the tourism sector to see whether imports can be limited and substituted by domestic production.

Contribution to government revenues: Contributions received by government from the tourism sector may be direct or indirect. Direct contributions arise from charging taxes on income, for example, private and corporate incomes generated by tourism employment and business. Indirect sources of income will mainly comprise of the range of taxes and duties levied on goods and services supplied to tourists. In order for governments to raise revenue there has to be some level of economic activity. As tourism activity increases we can expect it to generate employment, and income. In many developing countries the identifiable labour force is small and the majority of employment is found in agriculture and government service. This employment base often means that identifiable incomes on which taxes can be levied is not the major source of government revenues. There are a number of ways in which indirect revenues may be generated. These would include 'tourism taxes', for example, taxes levied on goods and services bought by tourists. A bed tax – a percentage levied by government on the sale of a night's accommodation – will be paid by all users, but in specific regions tourists will be the main users. In many developing countries governments earn a substantial proportion of their revenues from duties levied on imports. Where the tourism sector is a major importer of goods and materials, this can generate considerable revenues.

Where tourism is an important sector of the economy, it may provide three main opportunities to contribute to government revenues. Firstly, by direct taxes on personal and company incomes; secondly, by duties on imports; and thirdly, by government charges for the services it provides. These services for tourism can vary between countries. Some governments, such as those of Bangladesh, India, Pakistan, and China, operate commercial services for tourists through specialist agencies, sometimes called tourism development corporations.

Measurement of employment: Employment generated by tourism is categorized into direct and indirect. Direct employment is defined as jobs which are specifically created by the need to supply and serve tourists. The obvious example is those jobs created by the opening of a tourist hotel. Tourism, however, also requires a large input from the construction sector, and those workers employed on building tourism facilities constitute a backward linkage from the tourism sector.

In Bangladesh, however, there are many export products that earn foreign exchange, but in all cases it involves the physical transfer of goods. However, tourism is mostly a service industry, involving minimal physical transfer of goods and services. People from other countries visit Bangladesh, enjoy the facilities, spend foreign exchange and return home. Except for purchases of gift and souvenirs, there is very little to be physically transferred. This characteristic of the tourism industry is known as "invisible exports". For a country such as Bangladesh, which has little surplus for exports, this aspect of tourism can play a vital role in the economic development of our country.

5A. Economic effects of tourism in Bangladesh:

There is a multiplicity of economic strength of tourism. Tourism activities modify in sales, income and employment in a region. These effects are distinguished in direct, indirect and induced. The total economic impact is the sum of all direct, indirect and induced effect. Effects that are caused from immediate effect of changes in tourist expenditure are called **direct** effect. There is a backward linkage of some of the industries with the hotels. These industries supply some of the products or services to the hotels. Due to the increased number of tourist supply of these product or services is required in enormous volume which is called **indirec**t effect. For example the indirect effects of tourism concern all sectors of the economy, especially agri-food industries and all tourism- related services such as air transport. **Induced** effects are the change in economic activities resulting from household spending of income earned directly or indirectly as a result from tourism spending.

Tourism effects are:

Increase in Gross Domestic Product.

Human resource development.

Poverty mitigation.

Promotion of indigenous culture and heritage.

Development of river tourism and eco-tourism.

Development of rural livelihood.

Protection of indigenous rights and resources.

Education and training for all.

Conservation of environment.

Increase in local export.

Peace and happiness.

Promotion of local cuisine.

5B. Tourist Arrivals and income from Tourism in Bangladesh

Tourists have been arriving in Bangladesh increasing day by day. The following table.1 demonstrates the tourist arrivals in Bangladesh and percent change in different years. This Table shows yearly and monthly Foreign Visitors Arrival in Bangladesh.

Table 2 shows that Foreign Exchange Earnings from Tourism & Other Travels. Also focus percent changes. All of changes are fluctuating but upward trend.

Foreign Visitors Arrival by Months
2000-2009

Month	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
January	23,160	25,548	23,711	22,193	23,670	20,213	16,382	16,733	39,345	28,632
February	18,730	20,724	16,152	19,041	25,012	15,848	13,473	17,308	30,788	26,286
March	15,982	20,062	17,898	16,506	24,262	19,853	13,659	17,579	30,079	25,114
April	14,976	19,216	15,372	15,299	23,173	16,234	12,261	23,956	25,128	24,786
May	15,647	15,926	15,771	17,996	14,959	18,535	20,971	20,853	36,929	23,704
June	14,212	16,606	15,754	21,867	23,020	17,496	17,002	24,483	39,158	22,244
July	14,809	15,517	14,345	22,957	26,991	19,773	25,604	32,223	42,457	21,780
August	13,399	16,739	14,315	19,041	21,938	15,292	14,244	20,614	36,017	18,239
September	12,874	11,015	13,022	17,968	19,860	13,166	16,823	18,509	26,723	14,749
October	15,855	13,053	18,601	23,498	21,785	15,568	17,237	27,073	43,213	19,963
November	19,489	15,265	17,136	21,028	27,208	18,399	14,734	30,308	39,996	19,336
December	20,078	17,528	25,169	27,115	19,392	17,285	17,921	39,471	77,499	22,274
Total	199,211	207,199	207,246	244,509	271,270	207,662	200,311	289,110	467,332	267,107
% Change	15.30	4.01	0.02	17.98	10.94	-23.45	-3.54	44.33	61.65	-42.84

Table1. Source: BPC/ http://www.parjatan.gov.bd/tourism_2009.php

Foreign Exchange Earnings from Tourism & Other Travels

(2001-2010)   (Million Taka)

Month	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Jan	273.80	297.50	259.00	457.00	450.42	653.71	561.13	749.28	649.24	495.98
Feb	218.10	260.60	327.00	393.70	502.73	554.11	624.04	585.06	579.46	496.98
Mar	196.10	336.20	355.90	425.90	468.50	538.94	471.90	527.79	518.90	565.97
Apr	219.00	312.50	241.10	309.40	335.56	411.62	387.22	459.35	473.85	427.37
May	240.50	282.70	226.30	305.00	347.95	452.02	449.95	423.06	538.21	342.11
Jun	221.70	313.00	288.00	279.70	301.23	394.96	366.17	509.52	417.71	473.03
Jul	207.10	267.50	302.30	303.60	296.98	398.14	346.63	461.98	453.03	320.97
Aug	170.50	251.50	232.00	285.90	354.61	424.16	363.72	417.30	439.32	431.37
Sep	193.40	245.90	217.30	293.10	334.14	362.29	342.54	464.46	350.65	368.06
Oct	187.00	205.00	265.10	247.90	332.67	327.95	359.68	415.67	361.99	525.26
Nov	234.80	277.70	224.20	250.42	324.45	444.50	440.25	519.39	461.28	477.14
Dec	291.80	262.50	371.80	415.94	444.65	568.25	551.96	591.66	518.60	638.46
Total	2653.80	3312.60	3310.00	3967.56	4493.89	5530.65	5265.19	6124.52	5762.24	5562.70
% Change	1.02	24.82	-0.08	19.87	13.27	23.07	-4.80	16.32	-5.92	-3.46

Source: Bangladesh Bank

Table2: http://www.parjatan.gov.bd

6. Annual Research: Key Facts
GDP: Direct Contribution
The direct payment of Travel & Tourism to GDP reflects the 'internal' spending on Travel & Tourism (total spending within a particular country on Travel & Tourism by residents and non-residents for business and leisure purposes) as well as government 'individual' spending - spending by government on Travel & Tourism services directly connected to visitors, such as cultural (eg museums) or recreational (eg national parks). The direct contribution of Travel & Tourism to GDP is calculated to be consistent with the output, as expressed in National Accounting, of tourism-characteristic sectors such as hotels, airlines, airports, travel agents and leisure and recreation services that deal directly with tourists. The direct contribution of Travel & Tourism to GDP is calculated from total internal spending by 'netting out' the purchases made by the different tourism sectors. This measure is consistent with the definition of Tourism GDP, specified in the 2008 Tourism Satellite Account: Recommended Methodological Framework (TSA: RMF 2008). The direct contribution of Travel & Tourism to GDP was BDT193.0bn (2.1% of total GDP) in 2012, and is forecast to rise by 7.7% in 2013, and to rise by 6.4% pa, from 2013-2023, to BDT384.7bn in 2023 (in constant 2012 prices).

The total contribution of Travel & Tourism to GDP was BDT394.8bn (4.3% of GDP) in 2012, and is forecast to rise by 7.5% in 2013, and to rise by 6.8% pa to BDT819.4bn in 2023.
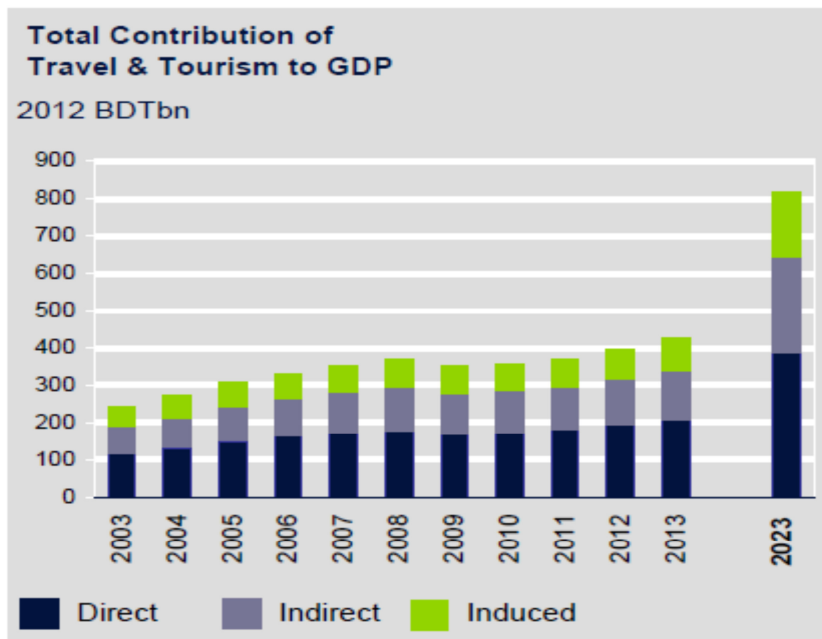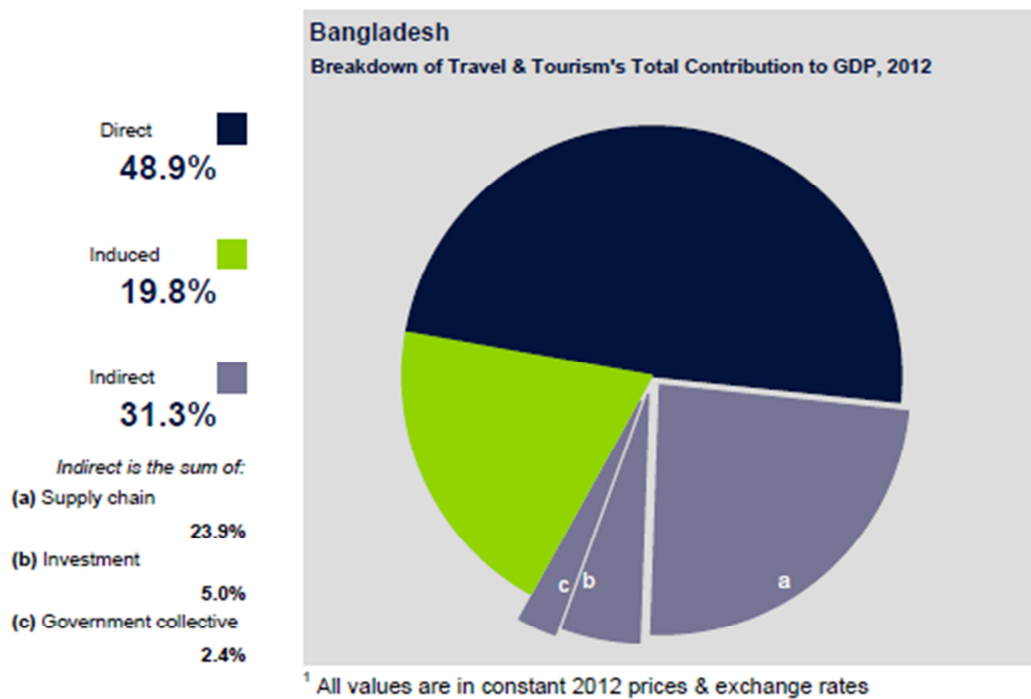
Table 3. GDP: Total Contribution

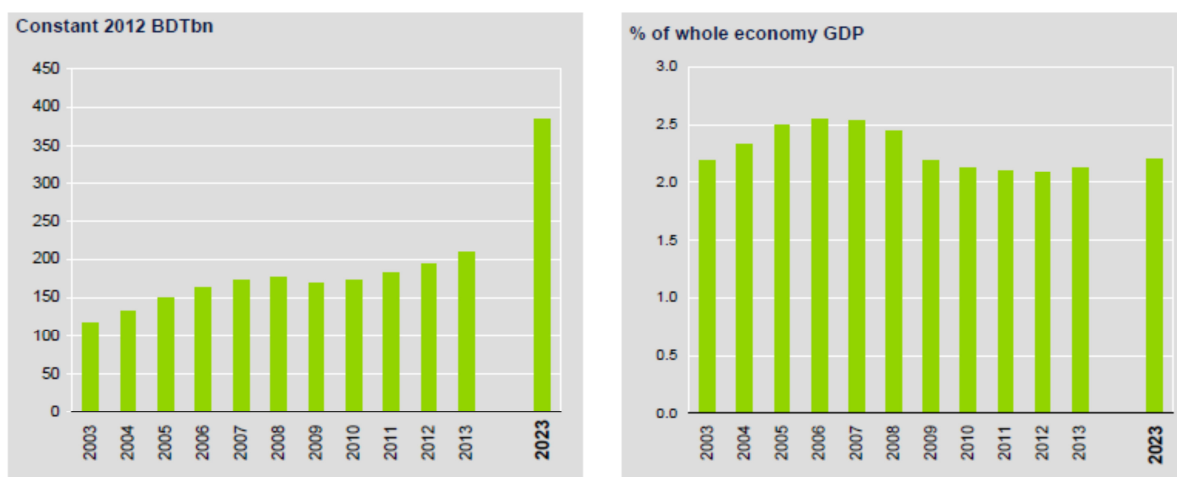**Table 4: The total contribution of Travel & Tourism to GDP is twice as large as its direct contribution.**

Table 5: The total contribution of Travel & Tourism to GDP and its percentage in GDP. Source: World Travell and Tourism Council.

Bangladesh direct contribution of travel and tourism to GDP

Bangladesh (BDTbn, real 2012 prices)	2007	2008	2009	2010	2011	2012	2013E	2023F
1. Visitor exports	7.1	6.2	5.5	7.2	6.8	7.7	7.9	12.8
2. Domestic expenditure (includes government individual spending)	270.3	281.6	278.3	286.2	306.9	322.7	346.2	619.4
3. Internal tourism consumption (= 1 + 2)	277.4	287.9	283.7	293.4	313.7	330.4	354.1	632.1
4. Purchases by tourism providers, including imported goods (supply chain)	-104.9	-111.0	-115.7	-120.4	-131.7	-137.5	-146.3	-247.4
5. Direct contribution of Travel & Tourism to GDP (= 3 + 4)	172.5	176.9	168.1	173.0	182.1	193.0	207.8	384.7
6. Other final impacts (indirect & induced) Domestic supply chain	89.2	91.5	86.9	89.5	94.2	99.8	107.5	199.1
7. Capital investment	19.5	29.9	31.0	33.1	35.0	37.3	37.5	67.4
8. Government collective spending	6.9	7.0	7.5	8.1	9.4	10.0	10.6	20.0
9. Imported goods from indirect spending	-7.8	-10.2	-16.2	-19.5	-23.4	-23.6	-23.9	-29.0
10. Induced	72.0	74.0	72.7	72.4	72.5	78.3	84.8	177.2
11. Total contribution of Travel & Tourism to GDP (= 6 + 8 + 7 + 8 + 10)	352.2	369.1	350.0	356.5	369.7	394.8	424.3	819.4
Employment impacts ('000) 12. Direct contribution of Travel & Tourism to employment	1389.4	1367.6	1247.5	1240.5	1252.9	1281.6	1338.3	1784.8
13. Total contribution of Travel & Tourism to employment	2943.2	2959.4	2695.8	2648.0	2633.5	2714.4	2829.3	3891.3
Other indicators 14. Expenditure on outbound travel	46.8	60.7	46.9	61.2	54.7	50.9	48.7	90.7

Table 6 :The economic contribution of Travel & Tourism: Real 2012 prices; Source: World Travell and Tourism Council.

Concepts shown in this table align with the standard table totals as described in the 2008 Tourism Satellite Account: Recommended Methodological Framework (TSA: RMF 2008) developed by the United

Nations Statistical Division (UNSD), the Statistical Office of the European Communities (EUROSTAT), the Organization for Economic Co-operation and Development (OECD) and the World Tourism Organization (UNWTO).

Employment: Direct Contribution

In 2012 Travel & Tourism directly supported 1,281,500 jobs (1.8% of total employment). This is expected to rise by 4.4% in 2013 and rise by 2.9% pa to 1,785,000 jobs (1.9% of total employment) in 2023.

Employment: Total Contribution

In 2012, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 3.7% of total employment (2,714,500 jobs). This is expected to rise by 4.2% in 2013 to 2,829,500 jobs and rise by 3.2% pa to 3,891,000 jobs in 2023 (4.2% of total).
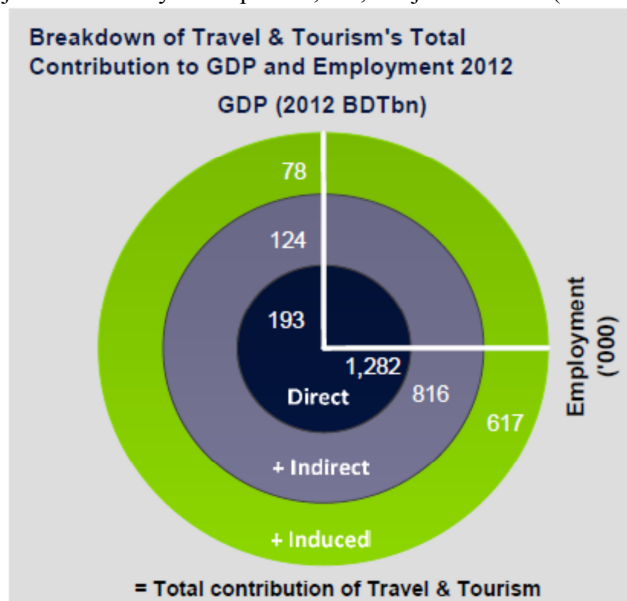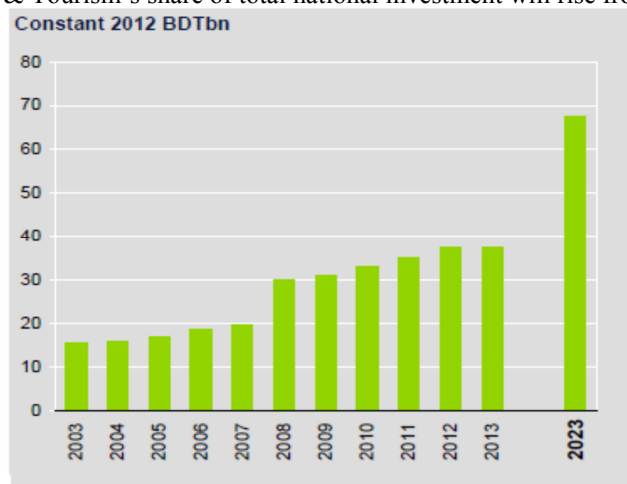

Table 7: Employment contribution in Economy

Investment: Travel & Tourism is expected to have magnetized capital investment of BDT 37.3bn in 2012. This is expected to rise by 0.5% in 2013, and rise by 6.0% pa over the next ten years to BDT 67.4bn in 2023. Travel & Tourism's share of total national investment will rise from 1.5% in 2013 to 1.5% in 2023.

¹ All values are in constant 2012 prices & exchange rates

Table 8: Total investment in Tourism sector in Bangladesh

Visitor Export: Visitor exports generated BDT7.7bn (0.4% of total exports) in 2012. This is forecast to grow by 3.2% in 2013, and grow by 4.9% pa, from 2013-2023, to BDT12.8bn in 2023 (0.5% of total).
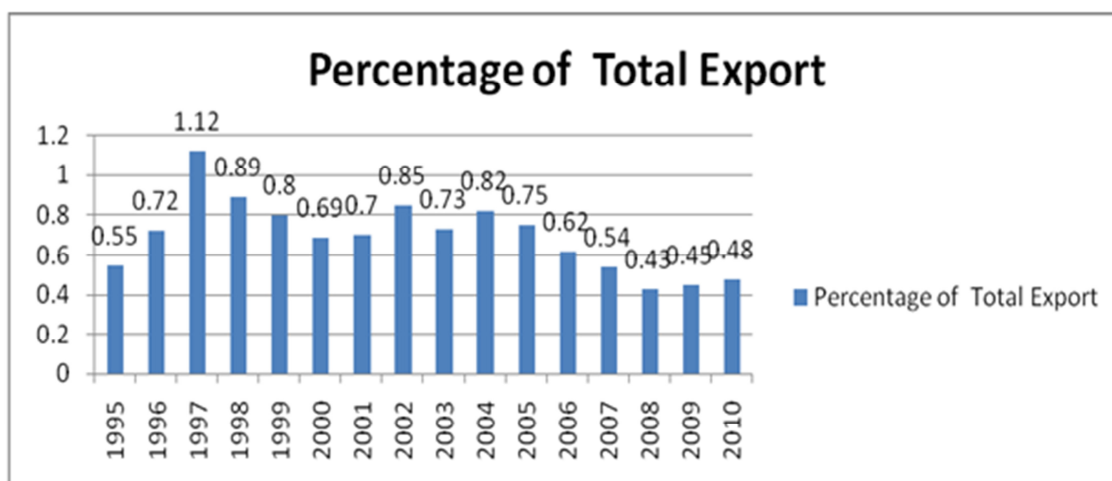
Percentage of Total Export

Figure 9: International Tourist receipts (% of total exports) in Bangladesh as reported by World Bank The data showed in the table and graph show that international tourist receipts got a downwards trend with some fluctuations.
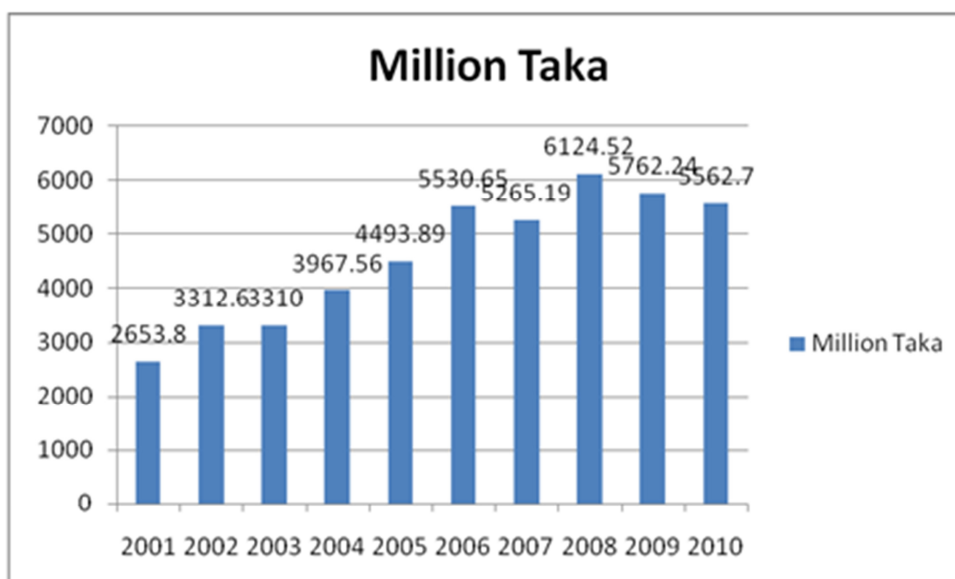
Million Taka

Figure 10: Foreign Exchange Earnings from Tourism & Other Travels

The data showed in the table and graph show that foreign earnings got a rhythmic upward trend for the first 6 years(2001-2006) and then it remained almost stable for the following few years(2006-2010).

7A. Multiplier Effect of Tourism

Because of the especially absorbing capacity of this industry which is influenced by the functions of many ministries, departments and private sector enterprises, the scope of tourism activities have expanded. UNWTO, WTTC, ILO and UNESCO say that: tourism can produce revenue in areas of high biodiversity; tourism can move up public support for conservation since it can provide environmental education to visitors and local/rural people; tourism can catalyze economic opportunities for local/rural people; tourism can be less environmentally damaging than other revenue generating industries based on natural resources; tourism may be one of the little economic activities suited to take place within protection areas located on marginal land and tourism based on natural resources can theoretically be sustainable if its impacts are managed and mitigated.

The multiplier effects of the tourism create great push on any economy. Malaysia, Singapore, Hong Kong, New Zia land are live example. Tourism drives on weak economy and change it rising economy.

7B. Industry part of an empire on *tourism*

The fact that an industry is important to *tourism* does not necessarily mean that *tourism* is important to the

industry. An indicator of the importance of *tourism* to an industry is the contribute to of *tourism* driven output in the industry's total output. The higher the share of *tourism* driven output in an industry's total output, the more dependent the industry is on *tourism*. Among the industries, only the hotels and lodging places industry is a characteristic *tourism* industry. More than 85 percent of the hotels, lodges was produced for *tourism* purposes in 1987 and 1994. In other words, if not for *tourism*, the industry would not have existed. In 1987 and 1994, *tourism* driven output accounted respectively for 64.4 and 62 percent of air transportation industry's total output. If not for *tourism demand*, air transportation industry's output would have been reduced dramatically. But, non-*tourism demand* would be able to keep the industry alive.

The hotel and lodging place industry and the air transportation industry were the only two industries with more than 50 percent of their output driven by *tourism demand*. Many industries that people would typically associate with *tourism* actually depend less on *tourism* than people would think. For example, less than one third of the amusements industry's output was driven by *tourism demand* in 1987 and 1994. In the same years, *tourism* driven output accounted for less than one sixth of the eating and drinking place industry's total output. Without *tourism*, these industries' output would be significantly smaller. But, *tourism* is certainly not a necessary condition for the existence of these industries. So, these industries can at best be called *tourism* related industries.

On the other hand, *tourism demand* was an important driving force to the production of many industries that people would think have nothing to do with *tourism*. Examples of these industries include the pipelines, freight forwarders, and related services industry, the crude petroleum and natural gas industry, and the glass and glass products industry. In 1987 and 1994, one fifth of the pipeline, freight forwarders, and related services industry's output and more than 12 percent of the crude petroleum and natural gas industry's output were produced because of *tourism demand*.

Many small towns in Bangladesh made on tourism industry. Such as Kuakata, Teknaf, Sri Mongol, Mongla etc. There are more than 50 towns in Bangladesh, where 80% or more people depend on Tourism industry.

In summary, the above analyses at the detailed industry level make it understandable that *tourism* involves every industry in the economy in the sense that all industries are important to *tourism* and vice versa. Some industries support *tourism* directly, while other industries support *tourism* indirectly. Therefore the importance to and the dependency on *tourism* of an industry cannot be judged by whether it provides goods or services directly to *tourism demand*. All these show that defining and measuring *tourism* from the *supply* side by splitting the output of industries directly serving tourists into a *tourism* part and a non-*tourism* part would be conceptually incorrect and statistically difficult.

8. Conclusion:

Tourism is now one of the world's largest industries and one of its fastest growing economic sectors. For many countries tourism is seen as a main instrument for regional development, as it stimulates new economic activities. Tourism may have a optimistic economic impact on the balance of payments, on employment, on gross national income, production and other sectors. The main economic impacts of tourism relate to foreign exchange earnings, contributions to government revenues, generation of employment and income, and inspiration to regional development. The first two effects take place at the macro or national level, whereas the other three occur at sub-national levels. These effects are interrelated, but for analytical purposes it useful to separate them. Before examining these impacts it should be noted that, with the exception of earning foreign exchange, the other economic benefits can also be gained from domestic tourism activity.

This paper explains *tourism* as a set of socio-economic activities carried out either by or for tourists. Though *tourism* so defined is a multidimensional phenomenon, it is principally a consumption activity. Therefore, if not for the comparison with GDP, the size of *tourism* in an economy is best measured by total expenditure in the economy for *tourism* purposes.

We argue that *tourism* has a *demand* side and a *supply* side, and a good measure of *tourism* should best facilitate the analyses of *tourism* impacts. Defining and measuring the *supply* side of *tourism* as an industry is conceptually inconsistent with the definition of industry in SNA and has little analytical utility. Moreover, it results in the incomparability across industries and a misleading inter-industry relationship. To correctly measure the size of *tourism* and estimate *tourism's* contribution to GDP, we introduce a new concept called initial business *tourism demand*. The measure of business *tourism demand* based on this concept avoids double counting and hence is comparable to GDP. The method developed in this paper provides consistent estimates for both the size measure of *tourism* and the contribution measure of *tourism*. *Tourism* GDP and the size of *tourism* generated by our method differ from each other but are consistent with each other at the same time.

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