

Vicious Circle of Poor Tourism in South Asian Perspective: An Empirical Study of India, Nepal and Srilanka

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Abstract

Though insignificant, tourism in South Asian region has been gaining importance mainly for socio-economic benefits. But, the relationship between tourist arrivals and total earnings is conventionally straight forward and over simplified. This over simplified relationship does not answer many questions related to proactive future oriented tourism. The present article is looking after all those areas of new and modern tourism practices with a special emphasis on profitability and its sustainable orientation with respect to ecological and socio-cultural impacts. The Log-lin model is used to find out the relationship between arrival and earnings and compared at various national levels. The arrival statistics and earnings are compared and tested empirically for the per capita spending of the concerned countries like Nepal, India, and Srilanka etc.

Key Words: Arrival Statistics, Foreign Exchange Earnings, Per-Capita Expenditure, Log-lin Model

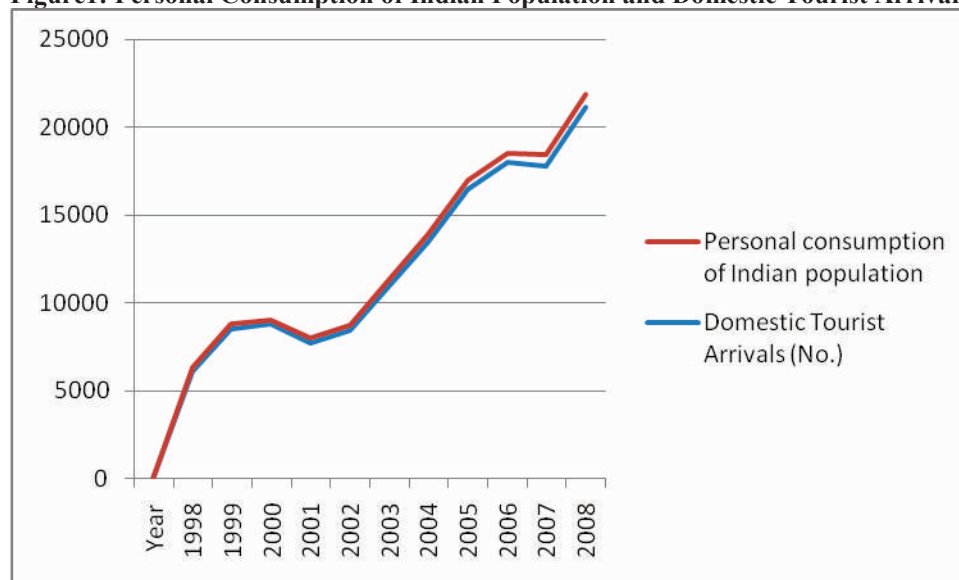
Introduction:

Tourism is important, and in some cases, vital for many countries. It was recognized in the Manila Declaration on World Tourism of 1980 as an activity essential to the life of nations because of its direct effects on the social, cultural, educational and economic sectors of national societies and on their international relations. Tourism brings in large amounts of income in payment for goods and services available, accounting for 30% of the world's exports of services, and 6% of overall exports of goods and services. It also creates opportunities for employment in the service sector of the economy, associated with tourism. These service industries include transportation services, such as airlines, cruise ships and taxicabs; hospitality services, such as accommodations, including hotels and resorts; and entertainment venues, such as amusement parks, casinos, shopping malls, music venues and theatres. Tourism has become a popular global leisure activity. In 2011, there were over 983 million international tourist arrivals worldwide, representing a growth of 4.6% when compared to 940 million in 2010. International tourism receipts (the travel item of the balance of payments) grew to US\$1.03 trillion (€740 billion) in 2011, corresponding to an increase in real terms of 3.8% from 2010. In 2011, international travel demand continued to recover from the losses resulting from the late-2000s recession, where tourism suffered a strong slowdown from the second half of 2008 through the end of 2009. After a 5% increase in the first half of 2008, growth in international tourist arrivals moved into negative territory in the second half of 2008, and ended up only 2% for the year, compared to a 7% increase in 2007. The negative trend intensified during 2009, exacerbated in some countries due to the outbreak of the H1N1 influenza virus, resulting in a worldwide decline of 4.2% in 2009 to 880 million international tourists' arrivals, and a 5.7% decline in international tourism receipts. But the tourism in South Asia is no longer an elitist tag as it is contributing significantly to the economic and socio-cultural development of the society. The traditional view of international tourism only with the prospect of foreign exchange earnings has been changing. UNWTO and other international organizations are advising all less developed and developing countries to utilize tourism as a tool for socio-economic and cultural development. Tourism has significantly increased its scope and opportunity in India. Having been criticized by the then social scientists to be an elitist tag the growth for international tourism receipts in India is confined to only less than .05 per cent for a long time which is even less than Sri Lanka (Ministry of Tourism, 2009). The international tourist traffic to the country during 1951 was just 16,829. Over a period of more than fifty years, the arrivals increased to 2.6 million in 2000 and registered a compounded annual rate of growth of about 15% in the year 2001. Tourism is presently India's third largest export industry after readymade garments and gem & jewellery. The rate of growth in foreign exchange earnings from tourism is exceptionally high (i.e more than 24%) and is expected to be even higher in the coming years (WTTC, 2011).

The most significant feature of the tourism industry is its capacity to generate large scale employment opportunities particularly in remote and backward areas. It offers enormous potential for economic utilization of the natural attractions like landscape, mountains, beaches, rivers etc., which would otherwise remain either idle or under utilized. It also applies to a multitude of man-made attractions like monuments, palaces, forts and unique rural and city environments. A desirable feature of tourism industry is that it employs a large number of women both educated and uneducated. It has a natural affinity to the nature of women, as hospitality is an

industry in which women have been participating for centuries. In fact, women are in large numbers in hotels, airline services, travel agencies, handicrafts making, cultural activities and other tourism related activities. Total employment both direct and indirect employment inclusive was 20.0 million in 1995-96 (Ministry of Tourism, 1996). The labour – capital ratio per million rupees of investment at 1985-86 prices in the hotel and restaurant sector is 89 jobs as against 44.7 jobs in the case of agriculture and 12.6 jobs in the case of the manufacturing industries (Ministry of Tourism, 2010). Considering all the segments of tourism industry the job ratio is 47.5, which is still higher than the manufacturing and agricultural sectors respectively. The domestic tourist arrival in India has been increasing over the years particularly since 1980s. Below is given a latest figure showing the relationship between the personal consumption of Indian population and the domestic tourist arrivals in India from 1998 to 2008. It implies that the emerging mediocre section of the Indian society is increasingly interested to participate in tourism related activities.

Figure1: Personal Consumption of Indian Population and Domestic Tourist Arrival



Source: www.wttc.org

Information or data on or related to arrivals of tourists have been contributing to the market analysis and destination management. Today, statistics on tourist arrivals significantly contribute to the impact research studies, destination marketing, destination policy, planning and management (DPPM). Many scholars think that The 'Tourism Industry' is a 'market' (tourist-needs), as opposed to 'product' (tourism facilities) driven industry. Therefore the market needs and demands need to be understood and taken into account prior to providing recommendations for product development support (Kwazulu-Natal Tourism Authority, 2002).

Literature Review:

Singh R.K. (2009) has said that the broad objectives of future tourism development in India should be oriented to an accorded status in the national agenda for action and its eco-friendly sustainable development. The target of tourist arrivals to/in India revolve around its importance of creating awareness and people's participation, improving the quality of services, identifying the needs for a new thrust in image building, improving organizational capabilities and looking for other areas of resource generation. Besides, making travel a pleasurable experience, basic cleaning and hygiene facilities, care for heritage properties, uniform standard for all facilities and services and setting a common platform for all parties involved in the industry will certainly bring about a new orientation for tourism development in India. Truong and King (2006), have discussed and analyzed the wide ranging destination market segments varying from visitor demographics, travel characteristics to important supply led aspects of a destination. Kamra K.K. (2002, p.278), has opined that what less developed countries and regions need and require most is through going development or fundamental economic development that addresses the poverty or pollution suffered by many in the less developed world. However, reflecting the evolution of development theory from economic growth-based modernization models to the alternative/sustainable paradigm, the tourism development debate has similarly moved from support of the positive contribution of tourism to economic development to criticism of tourism development. Nicolau J.L., &

Más F.J. explain how the existence of strong heterogeneous tourism demand is introducing a wide and diverse range of market segmentation for the choice of a destination with an increasing emphasis on relationship marketing as the analysis of tourist destination choice represented one of the most fruitful lines of investigation in Tourism studies , and distinguish various approaches to the definition of tourist destination. Alternatively, this study presents the innovation of identifying decision processes individual by individual, tourist by tourist. To achieve this, the authors propose a segmentation of the tourism market based on revealed preferences towards a destination. These reveal preferences has the twofold implication that allowed to form groups of tourists with similar preferences or to treat them individually. The second section reviews the analysis of choice in tourism, in which the authors states the importance of studying the choice behavior of tourists, through revealed preferences and compared them with stated preference with a viable literature survey of destination choice and related attributes. The third section presents the research design, in which the detail of the methodology applied and the sample and data used. The fourth section showed the results obtained, both from the estimation of the utility function for each tourist and from the segmentation analysis. In the fifth section, the implications of management and its future lines of research is discussed. In Safari Plus (2004, November/December), Kanjilal, G. advocated the strategic planning of marketing, infrastructure development, public relations, customer satisfaction etc. in India. He explained that India has not been able to exploit its tourist potentialities despite her wide ranging tourism resource base because of those issues and managerial implications. In ‘Compendium of Tourism Articles’, Kanjilal G. (2005, p.70-75) mentioned that Assam has a partnership with Sikkim to open new trekking routes for the foreign tourists who are willing to travel to Sikkim for adventure purposes. Emphasis is to develop rural tourism in each of these North-Eastern states including Sikkim and there are some rural villages, which are a part of this exercise. This is done in order to display the tradition and culture of each state. In fact the special port folios have been made for each state to ensure that unique aspect of each state is highlighted. Kanjilal had also addressed the inaccessibility as one of the major constraints for tourism development in this region. Jafari J. (2003) said, “tourism now means different things to different people. To governments, tourism may mean sources of employment, economic activities, per capita expenditure, and multiplier effects; to the industry sectors, it may suggest promotion, arrivals, length of stay, receipts; while to religious groups, it brings to mind pilgrimage, spiritual search, universal brotherhood, unacceptable forms to tourist practices. To anthropologists, tourism represents a domain of study which includes contracts between the hosts and the guest, culture change, commoditization of heritage, prudence. Finally , to the hosts destinations, tourism means American tourists, Japanese tourists, inflation, intrusion; and to the tourists themselves, tourism offers escape from the daily routines, indulgence in leisure pursuits, rests and relaxation, education”. So, the central part of tourism management and promotion has always been tourists and their arrivals to a destination.

Objectives:

- i) To understand the arrival and earnings relationship contributing to the actual profitability and thereby the performance of tourism in India in South Asian perspective.

Methods:

Economists, businesspeople, and governments are often interested in finding out the rate of growth of certain economic variables, such as population, GNP, money supply, employment, productivity, and trade deficit. Suppose we want to find out the growth rate of personal consumption expenditure on services. Let Y_t denote real expenditure on services at time t and Y_0 the initial value of the expenditure on services. We may recall the following well-known compound interest formula also.

Here, the basic model is ,

$$Y_t = Y_0(1+r)^t,$$

which on taking logarithm becomes

$$\ln Y_t = \ln Y_0 + t \ln(1+r)$$

Taking , $\beta_1 = \ln Y_0$ and $\beta_2 = \ln(1+r)$, the model can be rewritten as

$$\ln Y_t = \beta_1 + \beta_2 t$$

Adding the disturbance term u_t to the above model we have

$$\ln Y_t = \beta_1 + \beta_2 t + u_t$$

where, $u_t \sim N(0, \sigma^2)$

Results and Discussion

The strength of correlation between the arrival and resulted earning was measured to understand the productivity among premier South Asian countries. The multiple R-Square value for India and Nepal were .4551 and 0.3886 respectively whereas for Srilanka the same was found to be 0.783. So, the tourism productivity of India with a wide ranging attraction and developmental potentiality is poor compared to Srilanka.

Table: Performance through Productivity of Tourism in India, Srilanka and Nepal

India	Srilanka	Nepal
Residuals: Min 1Q Median 3Q Max -119263 -112418 -92874 90377 327181	Residuals: Min 1Q Median 3Q Max -10992 -5925 -1680 7378 11606	Residuals: Min 1Q Median 3Q Max -6095 -3377 -1727 1010 11560
Coefficients: Estimate Std. Error t value Pr(> t) (Intercept) -2537734 729514 - 3.479 0.00268 ** X 191624 49426 3.877 0.00110 ** --- Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1	Coefficients: Estimate Std. Error t value Pr(> t) (Intercept) -849677 105568 - 8.049 1.53e-07 *** X 67490 8150 8.281 1.00e-07 *** --- Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1	Coefficients: Estimate Std. Error t value Pr(> t) (Intercept) -209066 63632 - 3.286 0.00389 ** X 17181 4944 3.475 0.00253 ** --- Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
Residual standard error: 157000 on 18 degrees of freedom Multiple R-Squared: 0.4551, Adjusted R-squared: 0.4248 F-statistic: 15.03 on 1 and 18 DF, p-value: 0.001105	Residual standard error: 7750 on 19 degrees of freedom Multiple R-Squared: 0.783, Adjusted R-squared: 0.7716 F-statistic: 68.57 on 1 and 19 DF, p-value: 1.001e-07	Residual standard error: 5151 on 19 degrees of freedom Multiple R-Squared: 0.3886, Adjusted R-squared: 0.3564 F-statistic: 12.08 on 1 and 19 DF, p-value: 0.002534

Considering the R-square values and its strength it is clear that India and Nepal needs to introduce new activity and participation program to increase the per-capita spending of tourists. Again accepting a large volume of tourists with low profit is practically a vicious circle of low profit that leads to adverse ecological, socio-political and cultural impacts. This low profitability and high adverse economic, social-political and cultural impacts would neither attract the local community leaders nor the investors as a whole. In this juncture, the possibility of unsustainable tourism development and promotion is very high. So, the isolated claiming and appreciation for sustainability is not all. Again, to increase the higher profitability a coordination committee under the aegis of the national tourism organization is needed immediately. India and Nepal can increase its sector specific efficiency viz. accommodation, transportation etc. Apart from the simple arrival and earning statistics, input and output based reliable industrial data to be enumerated to logically explain the future of tourism industry.

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