

Tourism as a Long Run Economic Growth with Special Reference to North-Eastern Region in India

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Abstract: *North-Eastern Region (NER) in India comprises eight states. Tourism in these states based on wildlife, natural beauty, unique flora & fauna, hold shrines, lush green tea gardens, turbulent rivers, vibrant and colourful cultural festivals. But unfortunately, due attention has not been paid to the socio-economic development of these states either by the Central Government or by the States Government. The apathy of the Government at the central and states is largely responsible for the low level of growth of industrial sector in the state. The natural beauty of these states attracts tourist from all over India and also from abroad. These industries have become important sources of income and employment of most of the people living in the states. While the development of agriculture is constrained by limited cultivated area (the states are mostly covered by with hill), development of heavy industries is not easy, and the development of tourism industries can be given greater importance. In this paper an attempt is made to access the contribution of tourism industry in these eight states to the Net State Domestic Product (NSDP).*

Keywords: *Tourism Industries, Economic Growth, Infrastructures, Government*

I. INTRODUCTION

Tourism is today the world's largest industry, with the travel and tourism (T & T) industry and T & T economy contributing 4.2% and 10.7% of global GDP respectively. This industry is also the highest generator of jobs, with T & T economy accounting for 8.2% of total employment or one in every 12.2 jobs. No wonder than the Tourism has been described as 'one of the most remarkable economic and social phenomena' of the last century.

Similarly, this industry significantly contributes GNP in our country and also the Gross State Domestic Product (GSDP) for its states which are the most important industries of economic growth. The present paper examined the contribution of tourism in economic growth which is represented by the increased in per capita NSDP North-Eastern Region, as NER becomes a separate world having natural scenic beauty, beautiful reserved forest and also their cultural heritages. Due to this reason, NER in India have a high potentiality of the development of tourism industry.

From the above stated research problem, the rest of the paper organized as follows: section 2 reviews the literature in brief, section 3 discusses the objective data and methodology, section 4 makes the analyses of the findings and section 5 concludes the papers.

II. Review of Literature

The status of Tourism Research in Economics and Social Development in NER as well as India is quite-low. There exist so many literatures about the impact of tourism sector expansion on the host economy, but the literature on whether it actually produces any significant economic growth is limited and that too for emerging countries like India, the empirical researches and evidences are most non-existent. Now we can summarize the most important studies in the following ways:

Aliqah and Al-rfou (2010) attempted to determine the impact of tourism sector an economic growth is Jordan during the period 1990 in 2008 by using descriptive statistical approach the study concluded that the tourism sector witnessed significant growth is tourism services, tourism infrastructure, tourism legalization institutional framework and number of tourism arrivals. The study also revealed that the contribution of tourism sector in GDP for the years 1990-2008 have seen variation ranged between 12.3% to 14.6% and increase is the contribution to tourism sector, in the field of employment it become 2.5% of the total manpower recruitment.

Khan et al, 1995 Lee and Kwon, 1995, Lim 1997 and Oh 2005, the study discussed the development of tourism has usually been considered a positive contribution to economic growth is Indian economy.

Keeping is the view such positive impact of tourism an economic growth many researchers have investigated the relationship between tourism sector development and economic growth is a country using Spain's economic data, Balaguer and Contavella-Jorda (2002) examined the role of tourism sector is the long run economic development of the country. The hypothesis of tourism led economic growth was confirmed by applying co-integration and causality tests. In Turkey, Tosun (1999), Guduz and Hatemi (2005) and Zortuk (2009) have also found empirical support for the tourism led economic growth hypothesis.

Dritsakis (2004) shows that tourism has a long run economic growth Oh (2005) Korean tourism concluded that the increase in tourism income influences the economic growth. Kim et al (2007) examines the role of tourism in the short run economic development of Pakistan through error correction model and the causal relationship is strong positive relationship between tourism, receipts and economic expansion which means the economic expansion is necessary for tourism development in Pakistan.

Wiekreasinghe and Ithayanayake (2006) investigate the issue that tourism industry leads to economic development for a developing country –Sri Lanka; using annual data from 1960 to 2000 the result of the study suggests that there is a significant causal relationship from tourism receipts to the GDP of Sri Lanka.

Eugenio-Martin et al (2004) investigate the relationship between tourism and economic growth for Latin American countries from 1985 through 1998. The empirical results show that tourism development can contribute to economic growth of medium or low income countries, while such a unidirectional relationship running from tourism towards for OECD countries whereas a bidirectional casual relationship exists for non-OECD countries. Skerrett and Huyber (2005) investigate the effect of international tourism on GDP Per Capita of 87 developing countries the results indicate that tourism positively affect economic development in these countries.

Foyissa et al (2007) using a panel data of 42 African countries, showed that receipts from tourism industry significantly contribute to economic growth of sub-saharan African countries. In another study, Fayissa et al (2009) using a panel data of 17 Latin American countries for the years that span from 1995 to 2004, investigated the impact of tourism industry on the economic growth and development. Latin American Countries within the framework of conventional neoclassical growth model. The empirical results show revenue from the tourism industry positively contribute in both the current level of GDP and economic growth of Latin American countries as do investment in physical and human capital.

It is at least inferred that developing countries have started considering tourism as an important and integral part of their economic growth and development strategies. It is in this context, the literature is almost silent about a study on the role of tourism in north-east India.

III. Objective, Methodology And Database

The entire study is based on secondary sources of data. World Tourism Organization (WTO) and Tourism Satellite Accounts (TSA) provide data related to tourism at international level. The general scenario of Indian tourism is also reflected from the tourism data made available by the Department of Tourism, Government of India. NDF Databank has provided some data on the general information on 'Economy', 'Resources', 'Tourism', 'Infrastructure', 'Industry', 'State finance', etc. It is not significant and lot of attention has to be provided to this parameter. But the primary field survey is not possible due to the shortage of time. The present research paper is mainly based on the data from NDFi Databank. It also observed the data from CSO, TSA, Ministry of Tourism, Government of India and Statistical Abstract.

To access the role of tourism in economic growth of North-Eastern Region, the major variables are considered by study are Net State Domestic Product at constant (2004-05) prices at factor costs (NSDP), Domestic tourist inflow (D) and foreign tourist inflow. The study has examined the percentage growth rate over previous year of major variable like NSDP at constant (2004-05) prices at factor costs.

Percentage (%) growth rate over previous year of any variable (Say, X) at period t for a particular state
= (A/B) x 100 ----- (1)

Where,

A= Difference between the X at period t and (t-1) in that state.

B= X in (t-1) in that state

To estimate the NSDP function we used multiple regression models where the functional specification is in linear. It runs stepwise regression to judge the explanatory power of the variables. This is done from general to specific or from specific to general and results report the final output regression. The NSDP at constant (2004-05) prices at factor costs is specific at-

$$NSDP = f(D, F, T, t, u) ----- (2)$$

Where, D = Domestic tourist inflow

F = Foreign tourist inflow

t = time trend

u = the disturbance term which captures the influence of the variables that may affect the NSDP at factor cost other than the factors included in the specification (2).

IV. Results And Discussion

Case A: The Percentage (%) Growth Rate over Previous Year of NSDP at Constant (2004-05) Prices at Factor Costs

The percentage (%) growth rate over previous year of NSDP at constant prices (2004-05) at factor costs is presented in Table-1.

It can be revealed that the percentage (%) growth rate over previous year of NSDP at constant (2004-05) prices at factor costs in North-Eastern Region showed a fluctuating pattern during the period 2005-06 to 2010-11. It can be noted that the percentage (%) growth rate over previous year are not only fluctuating but also showed negative value for some financial years for the states Arunachal Pradesh, Mizoram and Nagaland. It is interesting to note that some North-east Indian states achieved high growth rate of NSDP at constant (2004-05) prices at factor costs. From Table-1, We have seen that there is no continuous increasing trend of the % growth over previous year of NSDP at factor cost in North-east Indian states which intern implies no continuous increase in per capita NSDP at constant (2004-05) prices at factor costs reflecting the constraint of economic development of North-east India as a whole.

Table-1
State Wise % Growth Rate over Previous Year of NSDP at constant (2004-05) prices at factor costs of North-Eastern Region from 2005-06 to 2010-2011

Sl. No.	States	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
1	Arunachal Pradesh	2.67	5.35	11.54	9.20	12.45	-5.53
2	Assam	3.01	4.52	4.27	6.75	7.73	7.35
3	Manipur	6.60	1.73	5.51	7.31	7.63	6.16
4	Meghalaya	7.82	7.54	3.39	7.34	8.77	8.33
5	Mizoram	7.38	4.50	10.59	15.03	13.50	-5.94
6	Nagaland	10.42	7.82	8.12	6.03	-2.84	1.46
7	Sikkim	9.93	5.90	5.80	13.01	26.50	8.93

Source: Author’s own calculation from NER Databank.

Case B: Role of Tourism on NSDP Growth at Constant (2004-05) Prices at Factor Costs in North-Eastern Region

The results of linear (Stepwise) regression of NSDP at constant (2004-05) prices at factor costs is summarized by the following Table-2.

At first we focused our attention on the state Arunachal Pradesh .For this state it suggests that, foreign tourist inflow is only statistically significant variable at 1% level of significant explaining the NSDP at constant (2004-05) prices at factor costs. This variable explained 90% of total variation is growth of NSDP.

For the state Assam, it has found that the domestic tourist inflow is the only significant variable (significant at 1% level) accounting for 61.98% variation of NSDP at constant prices at factor costs. The coefficient of this variable 0.6367, suggesting that one percent increase in domestic tourist inflow will bring 0.6337% of NSDP growth.

Considering the state Manipur, the foreign tourist inflow appears the significant factor in determining growth of NSDP. This variable is significant at 1% level and explains 79.90% total variation of NSDP at factor costs and co-efficient of this variable showed the expected sign.

In the state of Meghalaya the regressions results revealed that there is no any statistically significant variable explaining the growth of NSDP.

Turning to the state Mizoram, it has found that domestic tourist inflow, foreign tourist inflow and time trend are jointly explained 89.31% total variation of NSDP growth at constant prices at factor costs, here time trend is statistically significant at 1% level.

Table-2
Estimated Multiple Regression Equations in Different States of North-Eastern Region: Linear Specification

Sl. No.	States	Explanatory Variables				R	DF
		Constant	D	F	t		
1	Arunachal Pradesh	315167.60 Sl. N (25.96)a	-	32.68 (9.42)a	-	0.900	5
2	Assam	3894 (5.23)a	0.6367 (3.28)a	-	-	0.6198	5

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3	Manipur	340418.3 (8.18)a	-	484.16 (5.00)a	-	0.799	5
4	Meghalaya	-	-	-	-	-	-
5	Mizoram	-3.91 (-3.25)a	2.34 (1.09)b	34.58 (0.78)b	19567.83 (3.24)a	0.8931	3
6	Nagaland	381981.8 (5.41)a	57.78 (4.13)a	-	-	0.7280	5
7	Sikkim	-240523.6 (-2.19)b	-	24.96 (4.10)a	-	0.7248	5

N.B. Figure in bracket gives the corresponding t- ratio, and

a = accepted at 1% level of significance

b = insignificant

R = adjusted R squared indicates goodness of fit of the model

D.F. = Degrees of freedom

In case of the Nagaland, the variable domestic tourist inflow is only one explanatory variable responsible for determining the growth NSDP which is statistically significant at 1% level and explain the 72.80% variation of NSDP at constant prices at factor costs.

Finally, it considering the state Sikkim, where the empirical results revealed that foreign tourists inflow are an only one statistically significant explanatory variable to determine the growth of NSDP by 72.48%. The coefficient of this explanatory variable suggests that 1% increase in foreign tourist in flow leads to an increase in 4.10% growth of NSDP at constant prices at factor costs.

From the above analysis of regression, it suggests that the explanatory variable (variables) which is responsible for growth in NSDP should be increased by improving the infrastructure of tourism industries.

V. Conclusion

The growth of NSDP at constant (2004-05) price at factor costs is not satisfactory at all for North-Eastern Region. For economic growth it is require to continuous increase in per capita NSDP constant price at factor cost. In the North-Eastern Region it is fluctuating as well as negative over time. Tourism sector contribute some part of NSDP of North-Eastern Region. Both domestic tourist inflow and foreign tourist inflow significantly contribute the NSDP growth. Hence state domestic product can be increased by increased in tourist inflow. As tourism infrastructure is inadequate in the entire North-Eastern Region, so by providing good transport and communication and making sufficient provision for accommodation of the tourist at and near the tourist sports with all types of civic amenities the states can earn huge amount of income from tourist sector. We think that both central and states governments are responsible for backwardness of entire North-Eastern Region and the prevailing problems should be solved by active government intervention.

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