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## Contribution of Tourism to National Economy

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**ABSTRACT:** The most important economic feature of activities related to the tourism sector is that they contribute to three high-priority goals of developing countries: the generation of income, employment, and foreign-exchange earnings. In this respect, the tourism sector can play an important role as a driving force of economic development. The impact this industry can have in the different stages of economic development depends on the specific characteristics of each Nation. Given the complexity of tourism consumption, its economic impact is felt widely in other production sectors, contributing in each case toward achieving the aims of accelerated development. A major difficulty in defining the boundaries of the tourism sector is to ascertain what investment costs should be ascribed to the development of tourism. Although here to not treated by international agencies as a “sector” in national accounting terms, tourism entails a collection of goods and services that are provided specifically for visitors and would not have been provided otherwise. Because of its interdependence with other sectors of the economy, it is difficult to analyze and plan for tourism. The lack of reliable statistical data hampers identification of the mechanisms by which tourism generates growth, as well as its potential for development. Yet, in those instances where analysis has been carried out and research has preceded planning, tourism’s priority in competing for scarce investment funds has been established. In these cases, long-term programs for tourism development have been designed. Nature and heritage tourism development has investment needs that differ, in certain respects, from traditional tourist hotel development. There may be a greater need to improve access to the attraction site or facility, and for a mode of development that does not interfere with a sensitive habitat or historic area.

**KEYWORDS:** tourism, national, contribution, economy, production, sectors, heritage, programs, earnings

### I. INTRODUCTION

Three primary factors influence the level of nature and heritage tourism demand: overall tourism growth, the growth in specialty travel, and increasing awareness of and concern for the environment. Each of these factors is in turn influenced by a number of elements. Overall tourism, for instance, is expected to continue to grow more rapidly than world economic output as a result of factors such as population growth, rising incomes and employment, shorter work weeks in many parts of the world, and the increasing integration of the world’s economies and societies. [1,2] The rapid growth of specialty travel is fueled by some of the same factors, but there are a number of additional explanations: the boom in outdoor recreation and the new interest in health and fitness, for example. Environmentalism is another of the elements that have changed people’s attitudes about how they should spend their vacations. Not all tourism receipts are retained within the economy. In fact, there is an outflow of foreign exchange for some of the goods and services consumed by visitors,[3,4] as well as for capital goods invested in tourism and for payments abroad. Import needs depend on the level of development and the degree of diversification of a Nation’s economy. These needs are also dependent on the availability of substitutes for imported products and on the qualitative level of the tourist supply in each Nation. The IDE offers one of the strongest socioeconomic

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arguments in favor of tourism development. It describes how income generated by the sector is distributed. The analysis can be undertaken at a spatial and at a functional level.[5,6]

At the spatial level, tourists prefer to travel in regions with little industrial development. They also tend toward areas of little agricultural value. For these reasons, tourism can become a dynamic force in regional economies. Within India, tourism demand originates in urban concentrations where the highest incomes are found. A percentage of such incomes is normally set aside for tourism in areas that are geographically different from the visitors' home base, reinforcing the process of internal income redistribution.[7,8] Internationally, a portion of the tourism consumption by developed countries occurs in developing countries, favoring the process of international income redistribution. At the functional level, the income generated tends to favor employment, which is estimated to contribute more to the total value-added of the industry than other factors do, because so much of tourism involves personal services. It has been estimated that, worldwide, tourism directly or indirectly supports sixty-five million jobs, including hotel managers and staff, taxi drivers, tour operators, and shop attendants, among others. Secondary employment is generated in agriculture, industry, handicrafts, and services. The tourism sector, particularly hotels, can play an important role in attracting foreign investment and providing training for nationals. Many tourism ventures include foreign equity participation and technical knowledge about the construction and operation of hotels. The former represents a mobilization of international financial resources, which can be regarded as a desirable substitute for foreign borrowing.[9,10] Outside management can be used to train large numbers of nationals who would not otherwise have access to training. Furthermore, tourism provides a stimulus for the development of other ancillary businesses catering to tourists. Tourism offers developing countries the possibility of diversifying their export earnings, particularly given that (i) traditional exports are subject to price fluctuations and (ii) there is a trend toward reducing the administrative, monetary, and border formalities that affect international tourism mobility. Tourism is mainly a private-sector enterprise, but the timely provision of hotel and other visitor services, such as entertainment, food, and sport facilities, requires public-sector participation in the form of infrastructure, promotional support, and fiscal and financial incentives, so as to attract private investment to the sector.[11,12]

Another important factor directly related to tourism facilities is the availability of credit. As in any commercial activity, the availability of credit on suitable terms is an essential catalyst for sound tourism investment. In a number of countries, when the private financial system does not provide it, the public sector has established credit lines for tourism investment. Tourist demand is spurred by innovation in the type of holidays offered (new commodities) and by improvements in transport, accommodations, and attractions (quality changes). The tourism sector offers a multidimensional product that, if vigorously promoted, is likely to lead to changes in the pattern of demand and generate new demand for services. [13,14] Yet, as in any other sector of economic activity, a minimum set of parameters needs to be in place in order to make an investment viable. In this sense, it is important to identify those attributes of a destination area that are necessary to attract tourism projects and make them viable. Such attributes relate to at least six different categories: climate, natural resources, infrastructure, amenities, culture, and socioeconomic and political factors. The table below presents these categories with their related attributes.

### Tourist Destination Attributes

CLIMATE	NATURAL RESOURCES	INFRASTRUCTURE	AMENITIES	CULTURAL	SOCIAL-ECONOMIC POLITICAL
Temperature Rainfall	Beaches Lakes	Water/energy supply Drainage	Accommodations Tourism	Historic features	Industrial structure Government structure

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Humidity	Rivers	Telecommunications	Organizations	Theaters	Planning system
Sunshine	Forests	Roads	Restaurants	Concert halls	Language
	Mountains	Railways	Shopping	Art galleries	Religion
	Flora	Ports	Sports facilities	Museums	Gastronomy
	Fauna	Airports	Recreational	Architecture	Hospitality
		Waste removal	parks	Exhibitions	
			Zoos	Festivals	
			Entertainment		

One crucial aspect of the study is financing the development of nature and heritage tourism. Financing the development of more traditional tourism during the 1970s and 1980s encountered persistent difficulties, that, in becoming more familiar to investors, banks and government authorities, perhaps are becoming less daunting. [15,16] The particular activities and context of nature and heritage tourism present different and in some ways more difficult financing requirements in relation to financing for more traditional beach/resort type tourism. A major difference is the need to acquire or secure the attraction for nature and heritage tourism and heritage. That is by definition a scenic natural or historical site, or some unique flora or fauna. To secure a scenic natural site, one needs to secure not only the immediate vicinity, but also the surroundings that go into making up the “view-scape”. In the case of unique fauna, and to some extent flora, it is necessary to secure the habitat of the species. Therefore, generally the development of nature and heritage tourism requires considerably more land, which usually requires the purchase of land, even in instances where the land has been declared a national park or protected area. [17,18]

Another difficulty in financing the development of nature and heritage tourism is that the type of visitor facilities required are typically somewhat distinct and may reduce the profitability of the required investment, or along with the still novel character of the nature and heritage tourism market, raise the level of apparent risk to the investor. Typically, nature and heritage tourism takes place in small parties or excursion groups. Lodging accommodations are on a much smaller scale. Therefore, the lower investment cost usually expected in less luxurious construction is often outweighed by the cost of more environmentally friendly power and sanitary equipment, building materials, and techniques, as well as the premium paid for lower economies of scale. Infrastructure required may lack the supplementary justification from neighboring industrial or governmental welfare activity. [19,20] While tourism attractions in national parks or in wild lands may not require the same level of infrastructure as a resort development, there is virtually always an irreducible amount of infrastructure required. For example, the practical access to some remote jungle lodges may be only by plane, which would require some form of airport, terminal, and navigational equipment.

## II. DISCUSSION

Tourism is very interesting to understand as we explain later. It is an activity, it is an industry and an important growth driver for India, its economy and also for its social progress and monitoring. Tourism no doubt brings with it tremendous economic value for India. It touches and impacts several industries directly and many more indirectly through tourism spend. Tourism is one of the important sources of employment generation and foreign exchange earnings for India. Due to all this tourism gains much more economic importance for any Nation. Tourism can be defined as travelling to a place which is different from your home city or Nation for various leisure or business purposes, and staying there for some considerable period of time at a length. It is travelling for some purpose and for stay which is not very long or permanent in nature. Tourism becomes an activity which builds the base for the wide scale consumption bringing far reaching benefits. Tourism gains importance as an activity which has far reaching

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positive impacts on industries, economy, society and therefore for the whole growth, progress and development of Nation. The definition of tourism also creates the foundation and the broad context of the tourism industry through which most of the advantages and benefits are received by Nation as a whole.[21,22] Let us now look at what tourism industry is and how it plays such an important role. Tourism definition above shows that it is a set of actions or activities i.e. travelling to a place, staying there and further local travelling. On this basis, we can define tourism industry as the consumption or use of all services and products by travelers throughout their tourism oriented travel trip. This is the demand side definition of tourism industry. The supply side tourism industry definition will be like: Tourism industry is a group of industries providing services and products for various needs of tourists and travelers on leisure, business and other related tourism characterized travel trips. What the tourists spend on consumption of these services and products becomes the revenues of tourism industry. The UNWTO (The World Tourism Organization of the United Nations) refers it as Tourism Sector which is made of several tourism focused industries that normally offer tourism characteristic products (and services). Taking this forward UNWTO defines 12 tourism industries that can be said to be serving the tourists in general. [23,24] These industries are:

- 1) Accommodation for visitors
- 2) Food and beverage serving activities
- 3) Railway passenger transport
- 4) Road passenger transport
- 5) Water passenger transport
- 6) Air passenger transport
- 7) Transport equipment rental
- 8) Travel agencies and other reservation services activities
- 9) Cultural activities
- 10) Sports and recreational activities
- 11) Retail trade of Nation-specific tourism characteristic goods
- 12) Other Nation-specific tourism characteristic activities

Tourism industry is important for the benefits it brings and due to its role as a commercial activity that creates demand and growth for many more industries. Tourism not only contributes towards more economic activities but also generates more employment, revenues and play a significant role in development. Tourism first creates demand as an activity and then fulfills that demand as a group of industries. Tourism is an individual activity of traveling and visiting places. It has created and promoted different styles or types of travelling, and travelers. We call these travelers as tourists who visit different tourist places and destinations. These tourists want to and they travel to places and make those places more popular. This way they bring earning opportunities. They also encourage development of those places, the nearby places and in fact the whole Nation or region to facilitate growing tourist activities. This is the unique aspect of tourism as this creates demand for economies on global scale and more importantly for each Nation and even goes deeper in creating demand and growth opportunities at city level and local level for various communities.[25]

This makes tourists important for India. Their role and significance increases as they are also one of the best brand ambassadors for any nation. Tourists come from different countries and carry back image and perception about your nation with them and share it with many more. Tourism is also a commercial activity because the whole tourism process involves consumption of services and products. Hence tourists become highly important as they are growth drivers and brand ambassadors. This highlights the importance of tourists and significance of their roles for economies and countries. Tourism adds to the consumer population of India who for a short period of time do almost all of the things and consumes most of the service and products which India's native population or consumers do.

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They are tourists. Tourism in simple words grows the overall demand in India's economy on a sustainable basis. This appropriately sums up the role, significance, impact, and importance of tourism. It also explains and justifies why tourists are important for every nation.

Tourism Industry contribution makes it important. Tourism Industry is important because it brings many benefits and advantages. But if we have to emphasise on one key factor which immediately, accurately and simply highlights the importance of this industry then it is this. The economic contribution of tourism industry to all the countries. The Economic Value this industry brings or the value tourism adds to the economies of every nation is the single biggest factor. In fact all the major economic, financial and even other reasons that make this industry important can be categorized under this one factor. [26]

Be it:

- 1) The GDP contribution of tourism
- 2) The employment generation
- 3) The tourists it brings
- 4) The business it generates
- 5) The wide scale boost it gives to the industries of any nation.
- 6) All these benefits point to one and only one most factor that makes this industry really valuable.

And it is the Economic Value that Tourism Industry brings

### III. RESULTS

There are 5 importance of tourism industry. These are also the advantages of tourism and are actually its 5 basic characteristics which signifies the tourism importance for economies, for countries & their societies, and also at the global scale. Due to these 5 factors only tourism creates demand, fulfills that demand, increases consumption, and brings growth and development to countries and economies.

- 1) Tourism activity creates demand
- 2) Tourism industry value chain meets & spreads demand across industries & boosts more economic activities
- 3) Tourism requires nation's wholesome development
- 4) Motivates to reach Global Standards
- 5) Tourism induces more consumption

There are two basic needs that fuel the demand for tourism. One is the curiosity, desire or need to visit and see different tourist places; know, experience & see natural wonders of places, cultures, etc. Second is to travel. Need for travelling is to satisfy the desire to see tourist places and could be due to the desire to just travel; spend leisure time or holidays in different places; etc.

All these needs create global and regional level demand for travel and transportation services and products. The demand for tour and travel booking and reservation industry is also significant here as they cater to the needs of tourists and travelers only. [27]

Tourists need to start their main tourism activity. This creates our nation and city specific need for stay & accommodation, food & beverages, local travelling & touring, and other recreational or fun activities. This is how tourists create a national and local specific demand. The third point which we may look at is that tourism as an activity can go much beyond the basic tourism activities or consumption. When tourists go visiting places they

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might do so many other things like go shopping, visit other local places, eat out, buy retail products or many other services. These are not specifically tourism activities yet, they add to the existing demand for many industries. This way tourists also produce or help in creating additional or induced demand for many other related and not so related industries.

Tourism as an industry fulfills the need and demand created by the tourism as an activity. Now, tourism, as mentioned in its definition, is not an industry as such rather a group of industries. This creates the value or supply chain of tourism industry. The 12 basic types of industries classified by UNWTO listed above are the tourism value chain industries[28]

Tourism is made up of these industries and their products, and more. This is the value chain of tourism where different industries and players provide products and services to fulfill the demand and needs of tourists.

This tourism value chain is created on the basis of the three needs mentioned above which create demand for various different products and services. But what this value chain also means is that tourism creates demand for not just one or two industries but so many different industries all together. This makes it very important from point of view of economic growth as it provides revenues and other benefits like employment generation to these industries. First of the tourism specific demands which it creates is for travel and transportation industry to reach tourist destinations. This involves air, water, rail and road transportation industries. Secondly, it creates various demand for the hospitality industry which includes accommodation, food & beverages, resorts, etc. The third demand which is the main one and often supersedes these two is for bookings and reservation industry. These industries, specifically transportation and hospitality, by themselves are huge and span across various sub industries, and therefore play important role in the economy of any Nation. These are also some of the very basic type of industries. This makes tourism very important. The 2nd demand it creates is spread across the accommodation and hospitality industry, food & beverages industries, local travel & transportation services industry, destination management and recreational services.

The 3rd demand is for the supportive and relatively undefined segment of demand. These could include services from local restaurants, local food joints and places to eat; entertainment places cinemas & theme parks or cultural or sports activities; and may even include retail products and services; shopping malls; or electronics & telecommunications products and services. Tourists are there to experience and enjoy so there is no definitive limit as to what they may do or buy additional to their planned tourism activities. This further strengthens the role and significance of tourism for a Nation and its economy.

All these services and their respective industries are part of tourism and collectively form the tourism industry value chain.[29]

The 12 industries listed by UNWTO broadly define and describe tourism industry value chain. According to the typical process a tourist takes when going for a tour, we can re-arrange those 12 industries in the following way:

## Primary Activities:

- 1) Travel agencies and other reservation services activities
- 2) Railway passenger transport
- 3) Road passenger transport
- 4) Water passenger transport
- 5) Air passenger transport
- 6) Accommodation for visitors
- 7) Food and beverage serving activities



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- 8) Transport equipment rental

Secondary Activities:

- 1) Cultural activities
- 2) Sports and recreational activities
- 3) Other Nation-specific tourism characteristic activities
- 4) Retail trade of Nation-specific tourism characteristic goods[28]

## IV. CONCLUSIONS

So, by its definition and composition tourism can be termed as a high value and high spending commercial activity. But what makes it more important is the wide spread of tourism revenues over several industries. This makes tourism contribute more widely and strongly to the economy. This way it results in more and wide employment generation, more industry revenues, much more induced spending by those industries, much contribution towards taxes, etc.

So, tourism creates a huge demand for different products and services for the whole economy. This sector consistently brings in new consumers for these industries as well. Tourism brings people from everywhere in the world. It is connecting places with people; places with places; and people with people. This sector brings the developed, growing, developing and emerging economies, all on single platform, thus driving them to become competitive globally and improve on their level of services, at least to be tourism competitive. It can even drive countries to have a stable and sound political environment and also have a more developed society.

Tourism brings many benefits, including but not limited to the following few:

- 1) Growth and boost in Economic activities
- 2) Boost wide scale industry revenues
- 3) Infrastructure development
- 4) Nation's improved brand image
- 5) Source of foreign exchange earnings
- 6) Source of employment generation
- 7) Connectivity and growth to local, regional and even the remotest areas
- 8) Global connectivity
- 9) Improvement in infrastructure and living standards
- 10) Cultural growth
- 11) Betterment of society
- 12) Introduction of new technologies

Thus travel and tourism can give boost to the economy in terms of consumer spending, job creation and more. For developing and emerging countries tourism can provide a great push to the economy.

This sector is driving growth in industries, in fact pushing those industries and economies to do better. This uniqueness of travel and tourism and its impact can be said to be more pronounced in the business travel segment. Thus, tourism as a while and within it MICE or business events are, or could be, a significant factor in developing world-class infrastructure and level of services.[29]

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