



TOURISM SECTOR AND ECONOMIC GROWTH- A STUDY WITH SPECIAL REFERENCE TO KERALA

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Abstract: Tourism based economic growth has helped many countries in the Asia-Pacific region that has stimulated inquiry for accentuating the efforts towards promoting the tourism sector particularly to mitigate the current account deficit in the balance of payments. The State of Kerala is a popular tourist destination known for a variety of tourist attractions including medical tourism, adventure tourism, beach tourism and eco-tourism. This study deals with the trends and patterns of tourism activities contributing to economic growth and employment. SPSS and M.S. Excel were used to analyze the secondary data and. The study aims to create a good relationship between activities related to tourism and economic growth and development. First of all, the study presents the literature on tourism and its contributions to economic growth and development. The data on trends and patterns of state GDP, employment and foreign exchange earnings are presents based on compounded annual growth. The OLS regression indicates that the GDP had positive association for both private and public employment but negative association with the forex earnings from tourism, this may be because the workforce associated with tourism are mostly unregistered in the public as well as in the private employment sector, or otherwise are self-employed.

Index Terms - OLS regression, State Domestic Product, Foreign exchange earnings,

INTRODUCTION

Economic growth and the necessity for more resources to satisfy the societal needs increase awareness among the public regarding the sustainability of economic development. Tourism is one of the major sectors for job creation and leading to economic development. The tourism industry has been attracting attention recently as a new phenomenon in international trade. International tourism is a significant source of income for many nations. Besides, it contributes to the economic, cultural and social development of many countries. If managed properly, it can be a catalyst for increasing production, improving the standard of living, increasing the public welfare and high level of employment. In 2016, tourism nearly contributed 3.1 per cent of the world GDP directly and almost 10 per cent indirectly besides creating several millions of jobs worldwide. The tourism sector in India is experiencing rapid growth attracting millions of visitors each year. The jobs related to tourism are mostly less in number and semi-skilled jobs which fit much into the rural folk. Tourism has the potential for exports based on favorable local advantages, such as pleasant climate, sites of historic and natural interests. The literature reveals multitudes of contribution to economic growth from tourism's contribution and deals with different methods for measuring the phenomenon and applied to many different economies (Ivanov, Stanislav and Webster, Craig, 2014). Economists have used data regarding GDP to understand the value of economic development.

Over the decades the Indian tourism industry has been showing tremendous growth. The first ever step was taken in 1945 to popularize the concept of tourism in India, by the Sir John Sargent Committee in 1946 that submitted the report and suggested the formation of regional tourism offices at Bombay, Delhi, Calcutta and Madras. It was implemented in 1949 by setting up a Tourist Traffic Branch along with two regional offices in Bombay and Delhi. On March 1st 1958, a separate Tourist Department was established under the ministry of Transport and Communication. In 1967, tourism was elevated to the Ministry of Tourism and Civil Aviation. The overall development of a country depends on the improvement of roads, vehicles, communication, water supply, airports and railway stations. Economic progress and industry development completely depend on the overall development of economic and social overhead capital of a country. Tourism plays a very crucial role in the infrastructural advancement of a country. Tourism helps agriculture sector and also various other industries directly and indirectly. The major indicators of tourism such as foreign exchange earnings, domestic tourist arrivals, total contribution of travel and tourism to GDP, foreign tourist arrivals and total contribution of travel and tourism to employment have been performing well. Literature on the

measurement of tourism's contribution to economic growth is robust in the last decade. The reasons are quite understandable – tourism is perceived as a panacea for economic growth in many countries and governments require an accurate measurement tool in order to develop local as well as national strategies for stimulating tourism development.

Kerala is a popular tourist destination and is known for a variety of tourist attractions including medical tourism, adventure tourism, beach tourism and eco-tourism. The Kerala State Gross Domestic Product is estimated as Rs 7, 72, 894 crores, which mainly consists of the largest contribution from service sector (61 per cent), followed by manufacturing (25.6 percent) and agricultural sector (11.3 per cent). The State has a very high unemployment level of 12.5 per cent against the national average of 5 per cent. Foreign remittances play a vital role in boosting the State GDP. The inflow of NRI deposits to Kerala increased by 12 per cent during 2016-2017) and stood at ₹ 1, 52, 348 crores in March 2017.

DATA ANALYSIS AND DISCUSSIONS

This section presents the analysis of the data. The Fig. 1 illustrates the employment status in Kerala.

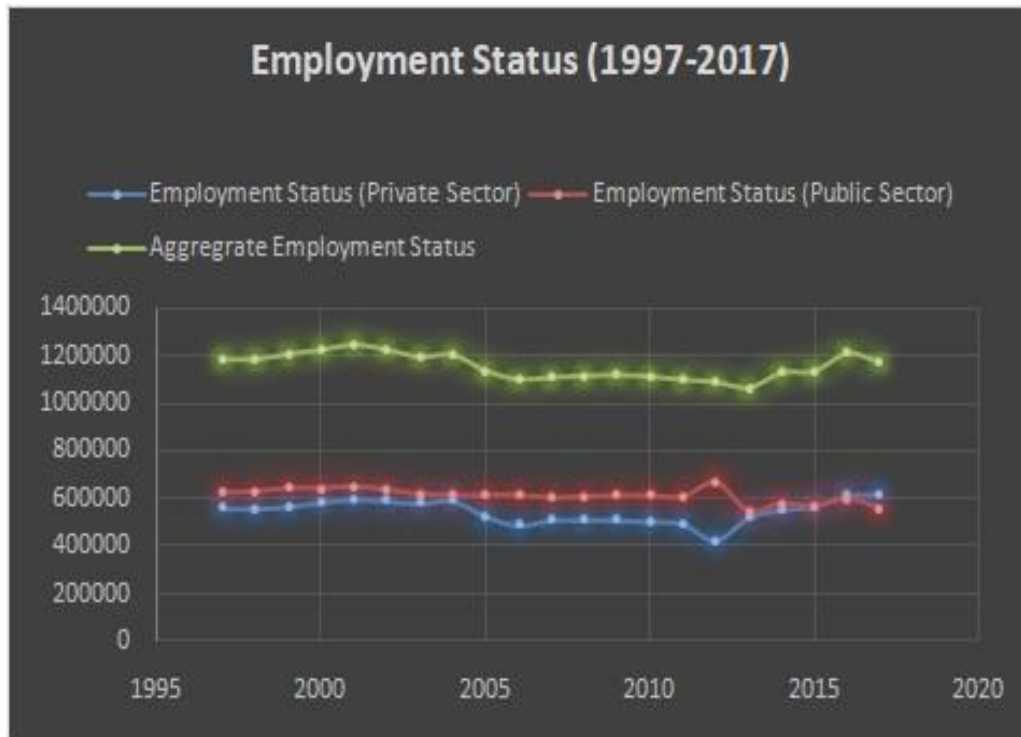


Fig. 1. Employment Status of Kerala (1997-2017).

Source: Department of Economics and Statistics

The multiple lines represent employment generation in the private sector, public sector and aggregate of all employment. To some extent the employment generated at the public sector is higher than the private sector. There is also a slight fall in employment in public sector in 2013. Private employment began to overtake the mark of the public sector in 2017. There is an increasing trend in employment since 2015 but tends to decrease after 2016 onwards. The government and the private firms are responsible for increasing the employment level in the State. One of the goals is to focus on the tourism sector by increasing the capital expenditure on infrastructure development.

Fig. 2 depicts the contribution of tourism to forex earnings. The line graph shows the Kerala State GDP and the bars show the forex earnings made by the state from 1997 to 2017. Forex earnings had a decent growth throughout the years except in 2009 due to the global financial crisis, after which it has steadily grown. Using splicing SGDP of Kerala with base year 2011-12 witnessed negative growth rate until 2010, but it started to increase from 2011 onwards. If different sectors of the economy improve, the GDP will not only increase but the overall forex earnings will also increase. So we can conclude that tourism is an engine of economic growth.

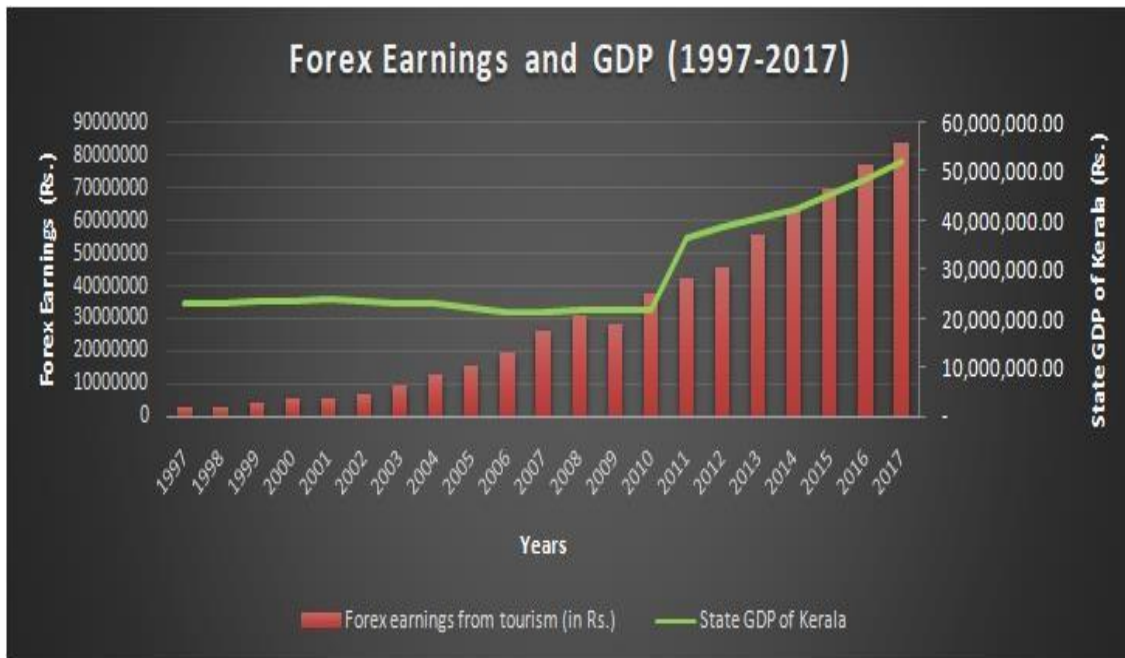


Fig. 2. Forex Earnings from Tourism with respect to GDP of Kerala.

Source: Department of Economics and Statistics

Fig. 3 explains the comparative analysis between State Gross Domestic Product and the status of aggregate employment of Kerala. Here again, a compound diagrams of both bar and line diagrams is used to represent the data of GDP of Kerala and Employment Status.

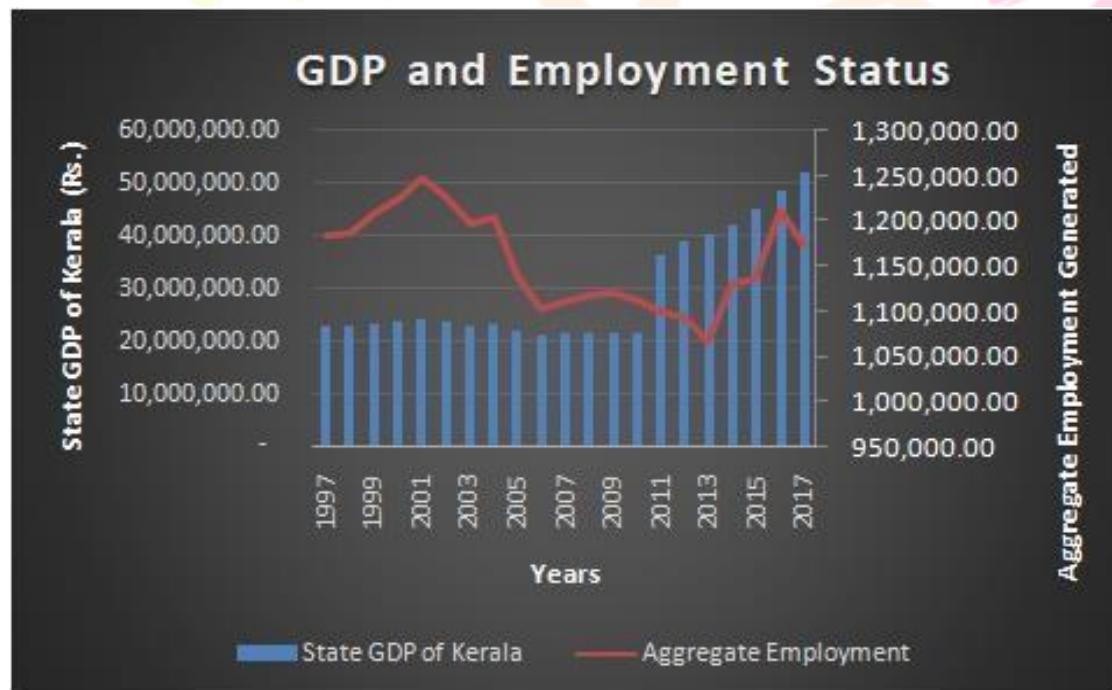


Fig. 3. Kerala State GDP and Total Employment Status of Kerala.

Source: Department of Economics and Statistics

As in the previous figure the state GDP had a sharp rise after 2010 but when it comes to aggregate of employment it can be observed that when GDP is increasing after a little decline the employment also starts to increase at a rapid scale. If the current situation needs to be improved then the government as well as the private firms shall need to invest in the sectors such as tourism and other related sectors.



Fig. 4. Forex Earnings in Rs and Employment Status of Kerala.

Source: Department of Economics and Statistics

By making use of the variables of Forex earnings from tourism, numbers in private, public and total employment that have taken place in Kerala along with the GDP of State with 2011-12 as the base year the stated information is derived. The table given above is self-explanatory.

Table 1.

Descriptive Statistics of Forex Earnings, SGDP and Employment. Source: Department of Economics and Statistics

Variables	No. of Observation	Mean	Standard Deviation	Minimum	Maximum
Forex	21	308341714.3	263622767.4	27320000	839211000
Private Employment	21	543380.95	48867.65	422000	613000
Public Employment	21	612809.5	29945.98	548000	669000
Aggregate Employment	21	1156190	53100.49	1066000	1247000
State GDP of Kerala	21	29408730.6	10552973.91	21142273.75	52057851

Source: Department of Economics and Statistics

The analysis of correlation for forex earnings from the tourism sector and private employment of Kerala was done by using Karl Pearson's correlation method. From the result we can infer that there is a slight -ve correlation of -0.0187 between these two variables which shows that with the increase in the earnings of forex there is a slight decrease in private employment in Kerala. But nevertheless, the variation is too small to cause a big difference.



Fig.6. Scatter Diagram used for Showing Correlation between Forex Earnings and Private Employment. Source: Department of Economics and Statistics

The above scatter diagram also proves the fact that there is very little negative correlation between the two variables which proves the fact that there will be little decrease or increase of private employment if there is a variation on the Forex income from tourism.

Table 2. Pooled OLS Regression Results.¹

Independent Variable (with respect to earnings)	Coefficient
GDP	0.376
Private Employment	-4.102
Public Employment	-10.35

Source: Department of Economics and Statistics

A pooled OLS regression has been performed on forex earnings with respect to aggregate employment and gross SGDP of Kerala at constant prices of base year 2011-12. From the analysis it can be deduced that the coefficients corresponding to GDP was 0.376, private employment was -4.102 and public employment was -10.35 indicating that the GDP had positive association and both private and public employment had negative association with the forex earnings which were statistically significant. This maybe because of the scarcity of data on private employment in the State.

CONCLUSION

The study has found out that Forex earnings from tourism had a decent growth throughout the years but had a decline during 2009 after which it had a steady rise. On the other hand, after a negative growth till 2010, the State GDP of Kerala started to rise from 2011 onwards. Also, employment generated at the public sector is more than that of the private sector to some extent. However, in 2013 employment in the public sector began to decline while the private sector saw a significant surge eventually surpassing public sector employment by 2017. This is the phase the policy of IT mission in Kerala which encouraged the establishment of start-ups as well as brought in a lot of MNCs to the State. Overall, it can be said that there has been a declining trend of employment generation but from 2015 onwards there is a tendency to increase. There is an increasing trend in terms of forex earnings from tourism, which needs to be sustained. In order to do so there must be more focus upon this sector. There is very little negative correlation between the forex income from tourism and private employment which evidences that there will be little increase or decrease of private employment if there is a change on the forex income from the sector tourism. The OLS regression indicates that the GDP had positive association for both private and public employment but negative association with the forex earnings from tourism, this may be because the community associated with tourism are mostly unregistered in the public and private employment sector, or otherwise are self-employed.

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