



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Tourism Sector and Economic Growth – A Study with respect to Kerala

¹Dr. Anjali Sankar, ²Dr. V. K. Xavier

¹Assistant Professor (SF), ²Professor

¹Department on Analytical Economics,

¹Mar Ivanios College (Autonomous), Thiruvananthapuram, India

²CMS Business School, Jain (Deemed-to-be University), Bangalore, India

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. Based on the secondary data and the analysis of data was done based on SPSS and M.S. Excel the study aims to establish the relationship between tourism activities and economic growth and development. There is a strong evidence that tourism generates employment and income in the private as well as public sector. 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 people associated with tourism are largely unregistered in the public and private employment sector, or otherwise are self-employed.

Index Terms - Private aggregate employment, Public aggregate Employment, State Domestic Product, Foreign exchange earnings, OLS regression

I.INTRODUCTION

Economic growth and the need for more resources to satisfy societal needs increase public awareness 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 (Assadzadeh and Najafi Nasab, 2012). In 2016, tourism contributed 3.1 percent of the world GDP directly and 10 per cent indirectly besides creating millions of jobs worldwide (Niñerola, Sánchez-Rebull and Hernández-Lara, 2019). Tourism is one of the most booming industries in India, an increasingly popular elixir to its economic development. Tourism related jobs are mostly low and semi-skilled jobs which fit into the rural folk. Tourism has the potential for exports based on favourable local advantages, such as pleasant climate, sites of historic and natural interests (Frederick, 1993). 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 on GDP to measure the value of economic development (Bodie et. al. 2001).

In India the tourism industry has been showing tremendous growth over the decades. 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. It was however, on 1 March 1958, that a separate Tourist Department under the ministry of Transport and Communication was established in place of the Tourist Traffic Branch. In 1967, tourism was elevated to the Ministry of Tourism and Civil Aviation. Since then tourism development gathered momentum in India. 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 major role in the overall infrastructural advancement. Tourism helps agriculture and other industries directly and indirectly (Rout. et. al. 2011). The crucial indicators of tourism such as domestic tourist arrivals, foreign tourist arrivals, foreign exchange earnings, total contribution of travel and tourism to GDP, and total contribution of travel and tourism to employment have been performing well (Rout et. al. 2016). 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 national and local strategies for stimulating tourism development (Ivanov, Stanislav and Webster, Craig. 2011).

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 State GDP of Kerala is estimated as ₹ 7, 72, 894 crores (Kerala Budget, 2019), which consists of the largest contribution from the services sector (61 per cent), followed by manufacturing (25.6 percent) and agricultural sector (11.3 per cent)”¹. “The State has a very high unemployment level of 12.5 per cent against the national average of 5 per cent”². ‘Foreign remittances have a significant contribution to 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” (Kerala Budget, 2018)³.

II. DATA ANALYSIS AND DISCUSSIONS

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

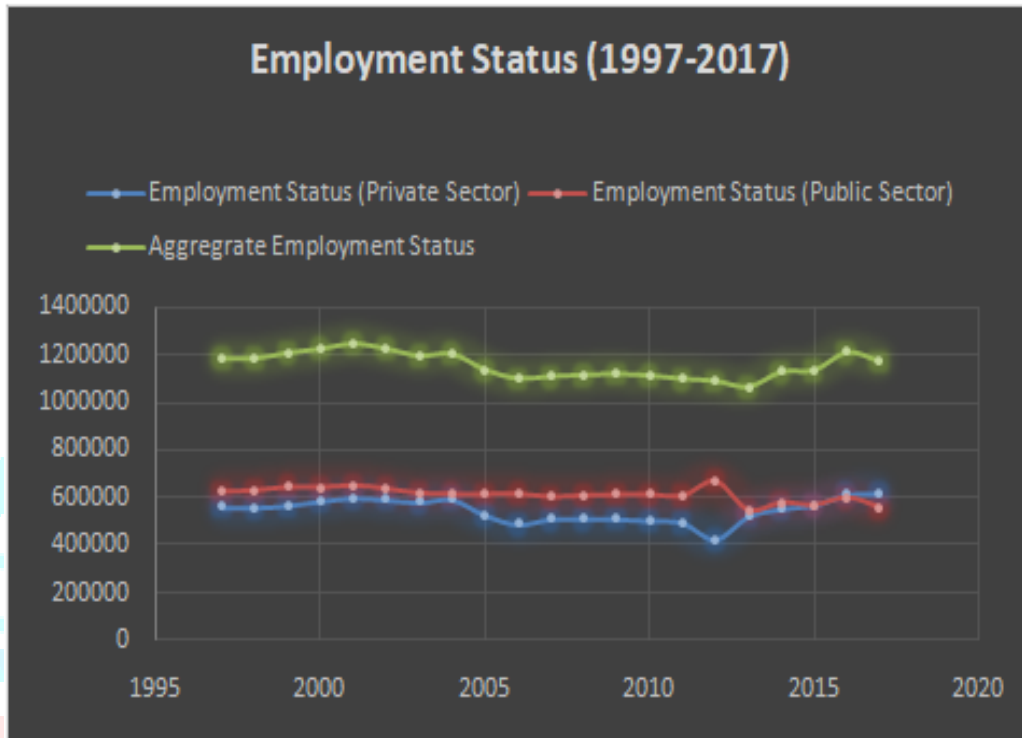


Fig. 1. Employment Status of Kerala (1997-2017).

Source: Department of Economics and Statistics

The multiple lines represent employment generation in the private sector, public sector and aggregate of all employment. The employment generated at the public sector is more than the private sector to some extent. There is a slight fall in the public sector employment 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.

Tourism contribution to forex earnings is shown in Fig. 2. The line graph shows the State GDP of Kerala and the bars show the forex earnings 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. On the other hand, the SGDP of Kerala (base year 2011-12) (using splicing) witnessed negative growth until 2010, but started to rise from 2011 onwards. If different sectors of the economy improve, the GDP will not only increase but the overall forex earnings will also increase. The inference suggests that tourism is an engine of economic growth.

¹Budget Speech 2019-2020 made by Hon'ble Finance Minister of Kerala, Dr. Thomas Issac http://www.keralacm.gov.in/wp-content/uploads/2019/01/BudgetSpeech2019-20-English_12.pdf

² Budget Speech 2019-2020 made by Hon'ble Finance Minister of Kerala, Dr. Thomas Issac http://www.keralacm.gov.in/wp-content/uploads/2019/01/BudgetSpeech2019-20-English_12.pdf

³Budget Summary 2018
<https://kerala.gov.in/budget-2018-19>

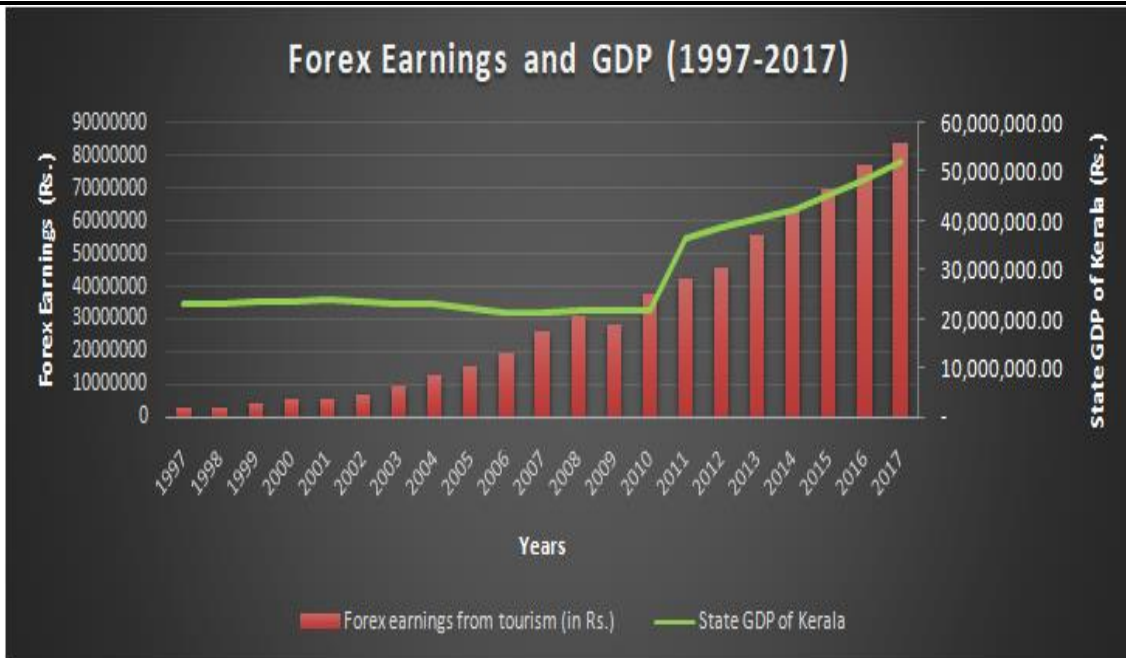


Fig. 2. Forex Earnings from Tourism with respect to GDP of Kerala.

Source: Department of Economics and Statistics

Fig. 3 shows the comparative analysis between State GDP and aggregate employment status 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.

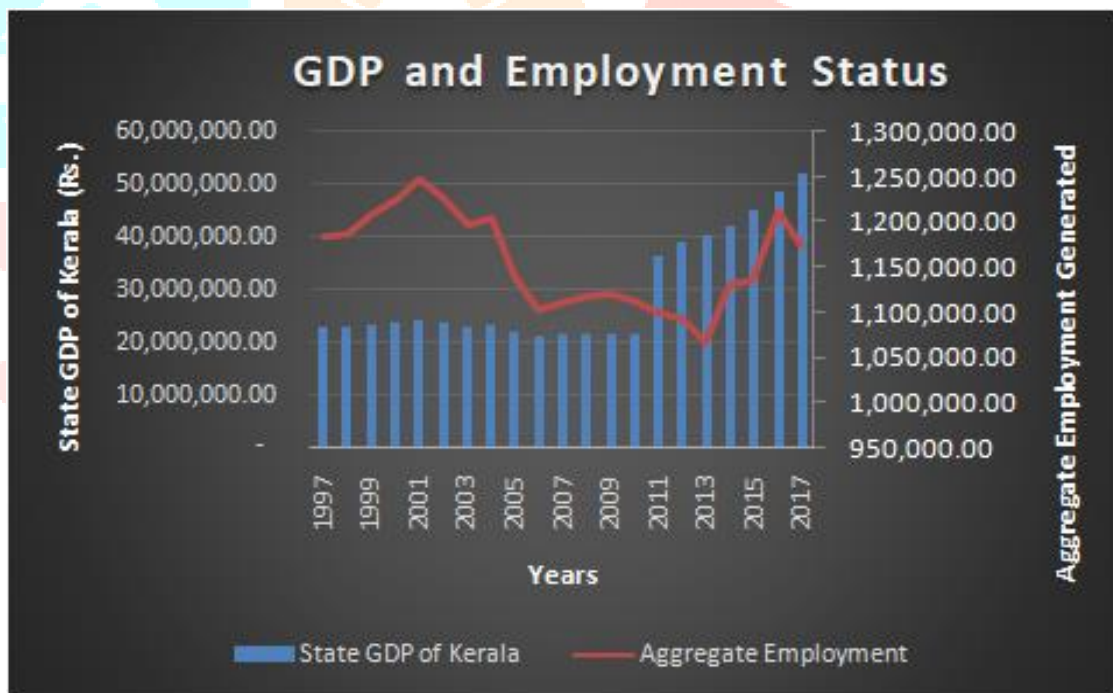


Fig. 3. State GDP and Aggregate Employment Status of Kerala.

Source: Department of Economics and Statistics

The red line graph and blue bars in Fig 3 represent the GDP of Kerala and the employment level, respectively. 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 and Employment Status of Kerala.

Source: Department of Economics and Statistics

Fig.4 indicates the comparison between Forex earnings and the employment status of Kerala using a linear trend line. There is an increasing trend for the forex earnings compared to aggregate employment. There is an increasing trend in terms of Forex earnings from tourism, which needs to be sustained. Therefore, more focus should be laid upon this sector.

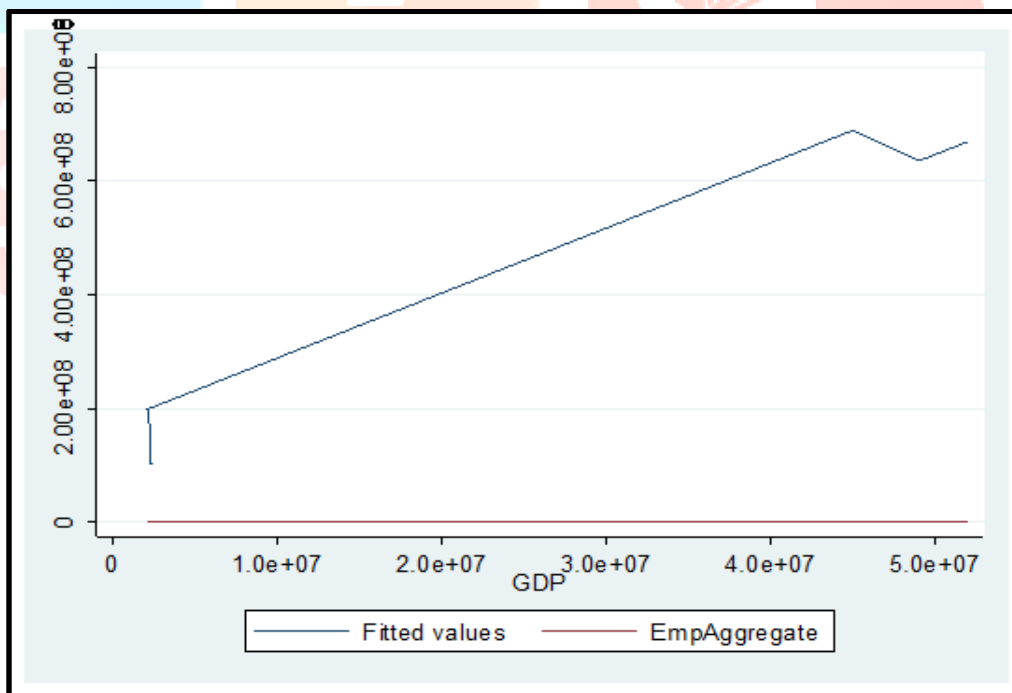


Fig. 5. Trend Line Showing Fitted Values of Forex Earnings and Aggregate Employment.

Source: Department of Economics and Statistics

The basic descriptive statistical summary (Table1) is derived from the obtained data sets. By using the variables of Forex earnings from tourism, numbers of private, public and aggregate employment that have taken place in Kerala along with the State GDP with 2011-12 as the base year the given 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 correlation analysis for the forex earnings from the tourism sector and private employment of Kerala was done using Karl Pearson’s method. The result shows there is a very slight negative correlation of -0.0187 between the 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 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 increase or decrease of private employment if there is a variation on the Forex income from tourism.

Table 2. Pooled OLS Regression Results.⁴

Independent Variable (with respect to Forex 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.

III. 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, there is a slight fall in the public sector employment in 2013 when the private employment began to rise and cross the mark of the public sector in 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 more focus should be laid 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 variation on the forex income from 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 people associated with tourism are largely unregistered in the public and private employment sector, or otherwise are self-employed.

REFERENCES

- [1] Abuzeid, Farah. 2009. 'Foreign Aid and the "Big Push" Theory: Lessons from Sub-Saharan Africa'. *Stanford Journal of International Relations*. 11:1:16-23.
- [2] Assadzadeh, A., and M. H. Najafi Nasab. 2012. 'Review of Investigating the Relationship between Tourism Industry and GDP in the Islamic Republic of Iran'. *International Review of Business Research Papers*. 8:2: 85-95.
- [3] B., Thomas (et. al). 2012. 'Rural tourism development in Lithuania (2003-2010) – A quantitative analysis'. *Tourism Management Perspectives*. 2-3: 1-6.
- [4] Carson, Doris Anna. 2018. 'Challenges and opportunities for rural tourism geographies: a view from the 'boring' peripheries''. *Tourism Geographies*. 20:4:738-742.
- [5] Ganesh, Aurobindo and C. Madhavi. 2007. 'Impact of Tourism on Indian Economy- A Snapshot'. *Journal of Contemporary Research in Management*. 1:1: 235-240.
- [6] Garau, C. 2015. 'Prospectives on Cultural and Sustainable rural tourism in a smart region: the case study of Marmilia in Sardinia (Italy)'. *Sustainability*. 7: 6412- 6434.
- [7] Kumar, Arun and Gaurav Rana. 2019. 'A Review of Economic Impacts of Tourism Industry on Growth of Indian Economy'. *Inspira- Journal of Modern Management and Entrepreneurship (JMME)*. 09: 03: 104-112.
- [8] Mohanty, P. P. 2014. 'Rural tourism in Odisha- A panacea for alternative tourism: A case study of Odisha with special reference to Pipli village in Puri'. *American International Journal of Research in Humanities, Arts and Social Sciences*. 7:2: 99-105.

⁴ Source Table given in Appendices as Appendix-A