
Economic Development in Tourism Industry

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Annotation: Tourism is essential to the success of many economies around the world. Tourism has become the world's third-largest export industry after fuels and chemicals, and ahead of food and automotive products. From last few years, there has been a great surge in international tourism, culminates to 7% share of World's total exports in 2016. There are several benefits of tourism for hosting destinations. Tourism increases the economy's income, creates thousands of jobs, develops the country's infrastructure and creates a sense of cultural exchange between foreigners and citizens. Tourism creates cultural exchanges between tourists and locals. Exhibitions, conferences and events usually attract foreigners. Organizational authorities typically profit from registration fees, gift sales, showrooms, and media copyright sales. Moreover, foreign tourists bring diversity and cultural richness to the host country. Tourism is a great opportunity for foreigners to experience new cultures, but it also creates many opportunities for locals. Young entrepreneurs can establish new products and services that are unsustainable for local residents alone. In addition, residents experience the benefits that tourism brings to their country.

Key words: Tourism, export, exhibitions, cultural exchange, profit, foreigners, infrastructure.

Introduction

The number of jobs created by tourism in many different sectors is substantial. These jobs are not only part of the tourism sector, but also include the agricultural sector, telecommunications sector, healthcare sector and education sector. Many tourists travel to learn about the host country's culture, different traditions, and gastronomy. This is very beneficial for local restaurants, malls and shops. The number of jobs created by tourism in many different sectors is substantial. These jobs are not only part of the tourism sector, but also include the agricultural sector, telecommunications sector, healthcare sector and education sector. Many tourists travel to learn about the host country's culture, different traditions, and gastronomy. This is very beneficial for local restaurants, malls and shops. World Tourism Day 2015 was celebrated around the theme 'One Billion Tourists; One Billion Opportunities' highlighting the transformative potential of one billion tourists. With more than one billion tourists traveling to an international destination every year, tourism has become a leading economic sector, contributing 9.8% of global GDP and represents 7% of the world's total exports. According to the World Tourism Organization, the year 2013 saw more than 1.087 billion Foreign Tourist Arrivals and US \$1075 billion foreign tourism receipts. The contribution of travel and tourism to gross domestic product (GDP) is expected to reach 10.8% at the end of 2026. Representing more than just economic strength, these figures exemplify the vast potential of tourism, to address some of the world's most pressing challenges, including socio-economic growth and inclusive development. Developing countries are becoming important players and are increasingly recognizing their economic potential. Developing countries, once essentially excluded from the tourism industry, are now its main growth areas. These countries rely primarily on tourism for their foreign exchange reserves. For the world's 40 poorest countries, tourism is her second most important source of foreign exchange after oil. The

BRICS (Brazil, Russia, India, China and South Africa) countries have emerged as a potential bloc in the developing countries which caters the major tourists from developed countries. Tourism becomes major focus at BRICS Xiamen Summit 2017 held in China. These countries have robust growth rate, and are focal destinations for global tourists. During 1990 to 2014, these countries stride from 11% of the world's GDP to almost 30%. Among BRICS countries, China is ranked as an important destination followed by Brazil, Russia, India and South Africa. The "new growth theory" developed by Balassa suggests that expanding exports triggers economic growth. This is because expanding exports promotes specialization, increases factor productivity by promoting competition, and creates positive externalities by promoting the diffusion of specialized information and skills. Exports also drive economic growth by boosting investment levels. International tourism is considered a non-standard mode of export as it represents local sources of income and consumption. Given the difficulty in measuring tourism activity, economic literature tends to focus on exports of commodities and finished goods, ignoring this sector of the economy. Like ELGH, TLGH analyzes possible temporal relationships between tourism and economic growth, both in the short and long term. The question is whether tourism activity drives economic growth, or economic expansion drives tourism growth, or is there really a two-way relationship between the two variables?

Tourism in South Asia

South Asia is recognized as a unique region with a fairly continuous land mass and diverse physical features ranging from grasslands to forests, wetlands to deserts. A wide variety of natural resources, coastal areas, mountains, scenic beauty, rivers, and varied climatic conditions further add to the appeal of the region. South Asia has her eight districts. Pakistan, Bangladesh, Sri Lanka, Nepal, Maldives, India, Afghanistan, Bhutan. In these countries, despite great potential for tourism, the economic base is still weak. The tourism industry is a vehicle for economic development in South Asia as well as in other developing countries. In the South Asian region, the share of the tourism sector in GDP was 8.9% (\$281.6 billion) in 2017 with the speculation of further growth of 7.2% in 2018. It will be 9.0% of GDP (\$301.8 billion) with auxiliary income of 6.2% by the year 2028 to reach 9.4% of GDP (\$579.6 billion), as presented in Figure 1. In 2017, tourism contributed 7.5% of jobs to the employment sector (49,931,500 jobs) and a speculated increase of 3.0% or a total share of 7.6% of the job market in 2018 (51,436,500 jobs). By the year 2028, the share of tourism in the job market is expected to touch 7.8% of the job market (63,006,000 jobs), as presented in Figure 2.

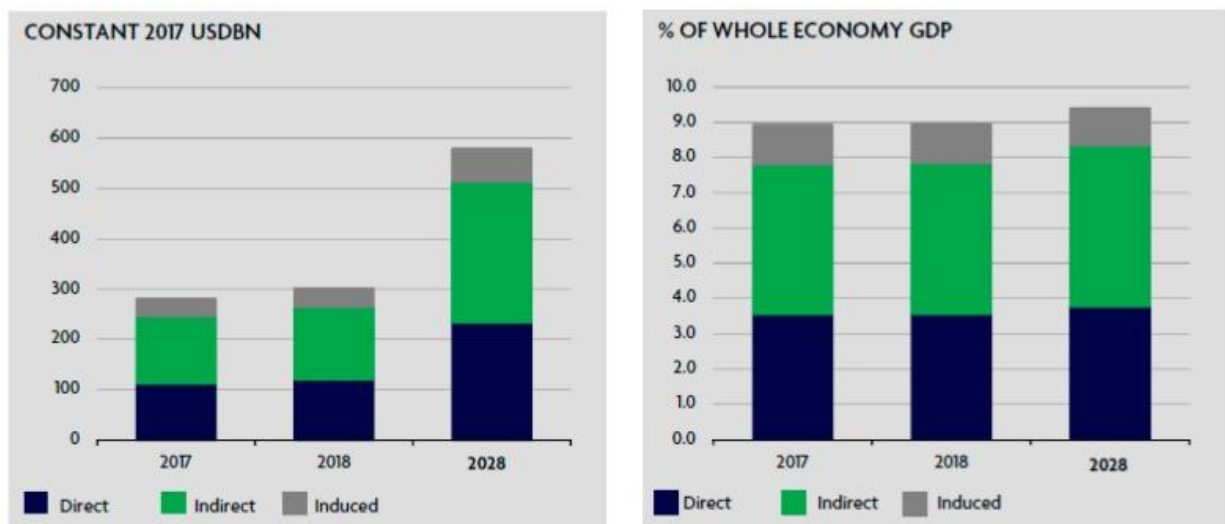


Figure 1

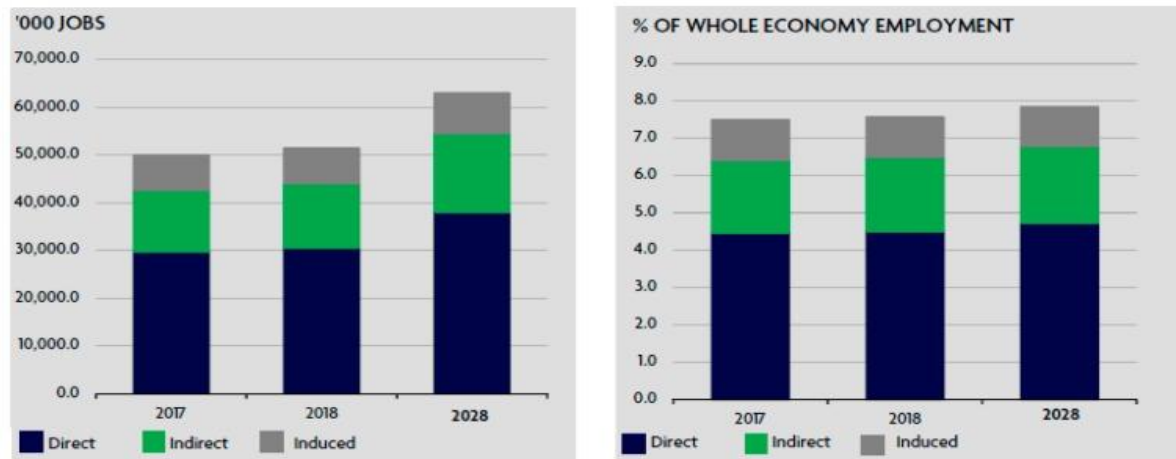


Figure 2

Development theories

Since the 1960s, the tourism sector has been considered an effective developmental growth pole, and many countries have enhanced their tourism sector to improve their economic development. Research by Todaro and Smith (2011) suggests that it is a multifaceted process related to development that brings about positive changes in economic growth and national institutions as well as in poverty reduction. Modernization theory (MT) is one of the most popular development paradigms he admired from the late nineteenth century to his mid-twentieth century. This theory is considered an extension of another theory called growth theory based on Keynesian economics. To justify MT, theorists have used MT as a key social indicator of economic development, permeating to the grassroots level in the form of a prosperous economy and employment prospects. Wealthy and powerful modernized economies typically offer citizens a high quality of life and the latest technology. Modernization is gaining popularity due to its bold and effective production methods. Moreover, from a tourism perspective, the modernization strategy of development will not only generate foreign capital, but also pave the way for technology transfer, creating more employment opportunities than before. The main focus of tourism development has been on these economic paybacks, with the tourism multiplier acting as a growth pole whenever other economic resources dwindle. Dependency Theory (DT) gained popularity in the 1960s and 1970s. It is a composite of numerous interrelated theories, focusing primarily on inequality in core capitalist countries and the developing South. According to this theory, historically poor countries are deprived of development by developed and rich countries. Economic dependence on development projects in developing countries is based on: (1) Transfer of advanced technology from developed countries. (2) Build up huge debts and rely on foreign investment. (3) interest on debt remitted to developed countries. The theory of neoliberalism (NL) was formed in response to major criticisms of this theory in the 1970s and 1980s. NL is the theory of a free global market free of economic and political influence. The dogma behind this theory is to remove all barriers put up by developed countries. There should be free movement of capital and trade around the world, and some consideration should be given to market features such as privatization, market development, deregulation, self-determination and self-sufficiency [34]. During the times mentioned above, it was common for governments to have the ability to attract foreign capital. As for neoliberal tourism, hotel chains could play a major role in attracting foreign capital. Infrastructure development in tourist attraction areas has the potential to boost local and national economies, but reduced government involvement in social programs and restrictions on unions will reduce access to education, health, the environment and other social services. Spending is also down. Under neoliberalism, tourism not only stifles a nation's development, but also humiliates and exploits workers against their own self-interest. Because of the many ramifications, state officials are reluctant to initiate human development projects and programs for the well-being of communities.

Eventually, in the decades of the 1970s and 1980s, it was realized that rather than benefiting the poorest of the world, policies were tilted, i.e., global top-down approaches were in favor of the west only. To enrich and uplift the standard of living of the poorest, aid and development organizations started searching for causes of poverty. Instead of getting rid of the root causes of poverty, the new alternative development (AD) or bottom-up style was launched only to minimize the symptoms. A basic needs approach (BNA) only concentrated on basic needs and did not focus on economic development.

According to neoliberal development and general modernization theories, the standard of living is measured by economic growth. However, DT and AD theories of economic development interrogated this approach. The DT approach demonstrated the negative effects of Western development on the poorest communities of the south and AD theory swung development to bottom-up from the top-down approach.

Sustainable development (SD) combines two different goals: sustainability and development. Simply put, this theory is a mixture of development theory and sustainability theory. By the late 20th century, ecologists took note of his 19th-century conservationist thinking. Environmentally savvy tourists abhor ecological and social harm. The sustainability factor was applied regardless of the fact that tour operators are motivated to promote green holidays. Ioannides believed that the International Federation of Tour Operators (IFTO) used sustainability as a marketing tool with the intention of maximizing profits. Currently, efforts are being made to reduce poverty through proper tourism. A UNWTO report (2005) explicitly supports the role of regional tourism by the local private sector in achieving the United Nations Millennium Development Goals.

Researchers have a variety of views concerning how tourism contributes to economic expansion and employment in many developed and underdeveloped countries. A number of scholars have the same opinion on the significant role of tourism and how it relates to the growth of the economy. According to the World Tourism Organization, tourism is an activity of traveling for the purpose of leisure outside the day to day environs. The benefits received by local and national economies should be analyzed accordingly. For economic development, tourism has been considered one of the driving forces. It has a positive impact in creating a foreign exchange and generating employment opportunities and local revenue. Numerous studies in different less-developed nations around the world have found a significant correlation between tourism and economic expansion.

Conclusion

The main purpose of the current study is to examine the relationship between tourism to employment and economic development. For this study we have used time series data from the year 1990 to 2015. The annual growth of tourism was used as an explanatory variable and both employment and GDP were taken as outcome variables. Bivariate regression and Johansen cointegration technique employed for the analysis. We have investigated the positive connection between the annual tourism growth, employment and economic growth. Findings of the study showed that tourism growth plays important role in the economic development of the country.

This study aims to empirically investigate the relationship between inbound tourism, financial development and economic growth in BRICS countries by utilizing the panel data over the period 1995–2015. The study employs the panel ARDL approach to cointegration and Dumitrescu-Hurlin panel Granger causality test to detect the direction of causation.

For future research, we suggest that researchers should consider the nonlinear factor in the dynamic relationship of tourism and economic growth in case of BRICS countries. Further one can go for comparative study to examine the TLGH in BRICS countries.

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