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## **TOURISM & ECONOMIC GROWTH OF NORTH EAST INDIAN STATES**

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Uttam Kumar Sikder

*Assistant Professor (Stage 2) Department of Economics & Politics  
Visva-Bharati, Santiniketan  
E-mail: uksikder.eco@gmail.com*

### **ABSTRACT**

Northeastern India comprises eight states. The tourism in these states based on wildlife, natural beauty, unique flora & fauna, hold shrines, lush green tea gardens, turbulent rivers, vibrant and colorful 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).

**Key words:** Tourism industries, Economic Growth, Infrastructures and Government.

JEL Classification Code: H- 70, H 10, 021

## **1. 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 highest generator of jobs, with T and 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 India and also the gross state domestic product (GSDP) for its states which are the most important indicator of economic growth. The present paper examined the contribution of tourisms in economic growth which is represented by the increased in per capita NSDP northeast Indian states, as northeast India becomes a separate world having natural scenic beauty, beautiful reserved forest and also their cultural heritages.

Due to this reason the northeast 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 the findings and section 5 concludes the papers.

## **2. Review of Literature**

The status of Tourism Research in Economics and Social development is North-Eastern India as well as India is quite-low. There exists 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 is the following:

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.

Eugenic 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 causal relationship exists for non-OECD countries.

Skerrit and Huyber (2005) investigate the effect of international tourism on GDP Prcapion of 87 developing countries the results indicate that tourism positively affect economic development in then 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 economics 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 Northeastern India.

### **3. Objective, Data and Methodology**

The entire study is based on secondary sources of data. World Tourism Organization (WTO) and Tourism Satellite Accounts (TSA) provide data related in 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. I 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 Northeast India, the major variables are considered by me are Net State Domestic Product at constant (2004-05) prices at factor cost (NSDP), Domestic tourist inflow (D) and foreign tourist inflow.

I have examined the percentage growth rate over previous year of major variable like NSDP at constant (2004-05) prices at factor cost.

% growth rate over previous year of any variable (Say, X) at period t for a particular state =  $(A/B) \times 100$  ..... (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. We run 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 cost is specific at -

$$\text{NSDP} = f(D, F, T, t, u) \text{ ----- (2)}$$

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).

#### 4. Results

##### **The Percentage (%) Growth Rate over Previous Year of NSDP at Constant (2004-05) prices at factor Cost**

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

**Table: 1**

**State wise “percentage Growth rate over Previous year of NSDP at constant (2004-05) prices at factor cost of Northeast Indian states from 2005-06 to 2010-2011**

<b>Sl. No.</b>	<b>States</b>	<b>2005-06</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
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

Data sources: Authors own calculation from NER Databank.

It can be revealed that the % growth rate over previous year of NSDP at constant (2004-05) prices at factor cost in all Northeast Indian states in my consideration showed a fluctuating pattern during the period 2005-06 to 2010-11. It can be noted that the % 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 Northeast Indian states achieved high growth rate of NSDP at constant (2004-05) prices at factor cost. 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 Northeast Indian



states which intern implies no continuous increase in per capita NSDP at constant (2004-05) prices at factor cost reflecting the constraint of economic development of Northeast India as a whole.

**Case B: Role of Tourism on NSDP Growth at Constant (2004-05) Prices at Factor Cost in Northeast Indian States.**

The results of linear (Stepwise) regression of NSDP at constant (2004-05) prices at factor cost are summarized by the following table 6.

**Table: 2**

**Estimated Multiple Regression Equations in Different States of Northeast India: Linear Specification.**

o.	States	Explanatory variables				R	DF
		Constant	D	F	t		
1	Arunachal Pradesh	315167.60 SI. N (25.96) <sup>a</sup>	-	32.68 (9.42) <sup>a</sup>	-	0.900	5
2	Assam	3894 (5.23) <sup>a</sup>	0.6367 (3.28) <sup>a</sup>	-	-	0.6198	5
3	Manipur	340418.3 (8.18) <sup>a</sup>	-	484.16 (5.00) <sup>a</sup>	-	0.799	5
4	Meghalaya	-	-	-	-	-	-
5	Mizoram	-3.91 (-3.25) <sup>a</sup>	2.34 (1.09) <sup>b</sup>	34.58 (0.78) <sup>b</sup>	19567.83 (3.24) <sup>a</sup>	0.8931	3
6	Nagaland	381981.8 (5.41) <sup>a</sup>	57.78 (4.13) <sup>a</sup>	-	-	0.7280	5
7	Sikkim	-240523.6 (-2.19) <sup>b</sup>	-	24.96 (4.10) <sup>a</sup>	-	0.7248	5

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

a = accepted at 1% level of significance

b = insignificant

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

D.F. = Degrees of freedom

At first we focused our attention on the state Arunachal Pradesh .For this state my analysis 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 cost. 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 cost. The co-efficient 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 cost and co-efficient of this variable showed the expected sign.

In the state of Meghalaya the regressions results reviled 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 cost, here time trend is statistically significant at 1% level.

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 cost.

Finally, we considering the state Sikkim, where our empirical results revealed that foreign tourist 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 cost.

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.

## 5. Conclusion

The growth of NSDP at constant (2004-05) price at factor cost is not satisfactory at all for the northeast Indian states. For economic growth it is require to continuous increase in per capita NSDP constant price at factor cost. In the northeast Indian states it is fluctuating as well as negative over time. Tourism sector contribute some part of NSDP of the northeast Indian states. Both domestic tourism 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 northeastern states in India, so by providing good transport and communication and making sufficient provision for accommodation of the tourist at and near the tourist spots 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 northeast India and the prevailing problems should be solved by active government intervention.

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