Analyzing Economic Impact of Tourism in Bangladesh

Dr Matiur Rahman

Professor, Faculty of business Administration

Eastern University, Bangladesh, Dhaka 1205

Abstract

This paper aims at providing a profile of tourism scenarios existing in Bangladesh. It is also attempted to identify the loopholes and shortcomings prevailing in various dimensions and directions of truism industry in Bangladesh. A regression based analysis has been performed to identify economic impacts of tourism sector in Bangladesh economy. Several constructive recommendations are put forth for better Operations Management in the tourism sectors of Bangladesh so that challenges faced can be tackled well.

Key Words: Economic Impact, Tourism Characteristic and Connected industries, Inbound Travel, Outbound Travel, International visitor, regression based analysis.

1. Introduction

Travel and tourism is a very important economic sector, like life and blood, in most countries of the world. This sector keeps formidable contribution to invigorate economic activities having high backward and forward linkage coefficients. In addition to "direct" economic impacts, this sector keeps "indirect" and "induced" impact on the economy. World tourism industry is flourishing very swiftly and posthumously. It is reckoned that in 21st century World Tourism will generate about 500 million job opportunities in Tourism Characteristic and Connected industries. It is also presumed that the contribution to GDP by World Tourism will be approximately 15%. However, in order to meet the requirements, constant changes in the travel and tourism policies need to be reframed and restructured. Tourism is a vital source of income for many countries and it generates income through the consumption of goods and services by tourists, the taxes levied on business in the tourism industry, and the opportunity for employment in the service industries associated with tourism, Some of the services offered by these industries include transportation services such as cruise ships and taxis, accommodation services such as hotels, restaurants, bars and entertainment venues and other hospitalities.

Tourism is a social, cultural and economic phenomenon related to the movement of people to places outside their usual place of residence pleasure being the usual motivation.

The activities carried out by a visitor may or may not involve a market transaction, and may be different from or similar to those normally carried out in his/her regular routine of life. If they are similar, their frequency or intensity is different when traveling. These activities represent the actions and behaviours of people in preparation for and during a trip in their capacity as consumers.

2. Literature Review

Tourism's contribution to economic development has been well documented in the literature. For many developing countries, which were traditionally dependent upon primary products in export earnings, tourism has become a major source of foreign exchange earnings. This has been vital for such countries given their prevailing economic conditions. Many developing countries have experienced severe deficits, particularly in the current account of the balance of payments during past few decades. In the resolution of these economies issues tourism has played an important role in such economies.

There have been several recent empirical studies which explored the relationship between tourism and economic growth. Hazari and Sgro (1995) developed a growth model in which they model tourism as an added component to the domestic aggregate demand. Furthermore, they model the foreign supply of capital and the growth in export as dependent on tourism growth.

Rigorous research works have been done and are being carried out to assess economic & social impacts of tourism. Among recent studies, one is by Eugene Tian et al (2011), UNWTO (2006), Barry, J. (1994) According to WTTC ranking, (WTTC country report 2009) The south Asian travel & tourism economy is ranked number , 10 in absolute size worldwide, 10 in relative contribution to national economies , 1 in long-term (10-year) growth. On marketing scenario of tourism, a direction based focus is available in the research work done by Buhalis and Michopoulou (2010). About on line tourism domain, a good representation can be found in the work of xiang and fesenmarier (2007). Similarly ideas about promoting tourism can be found in Millar (1997). Gnoth) 1997) discusses tourism motivation and Nininen & March (2007) discusses customer centric tourism marketing .

3. Conceptual Framework

3.1 Travel and Tourism

Travel is an activity done by a person moving from one geographic location to another. The person doing such an activity is a **Traveler.** A **Trip** is a to-and-fro activity. It is the travel by a person from the time of departure till he comes back to the origin. It is thus a **Round Trip.** Travel to a country by non-resident is called **Inbound Travel.** Travel done by a person outside his country of residence is called **Outbound Travel**. Thus, a person doing above types of traveling is called a **Domestic, Inbound and Outbound Traveler.** Thus, an **Inbound Trip** refers to travel between arriving in a country and leaving it. But, **Domestic and Outbound** trip refer to leaving place of residence and returning. Domestic travel has ultimate destination within own country of residence but outbound has destination outside country of reference. With respect to the country of reference an international traveler qualifies as an **international visitor** if he is on tourism trip (less than one year, purpose are business, personal, leisure etc and not employment) and if he is a non-resident traveling in the country of reference or a resident traveling outside of it.

So, a domestic, inbound and outbound traveler on a tourism trip is called domestic, inbound and outbound visitors.

4. Methodology

Survey Period, Sample size

Total survey was completed during the period of 21st may to 10thjune, 2013. Both Demand and Supply sides were considered for the survey. For handling demand side Face-to-Face interviews were conducted. In all **10,760 households** were surveyed for collecting information particularly on Domestic and Outbound tourism. Both **Urban** and **Rural** strata were captured. This sample size was proportionately allocated to **153 PSUs**. Such PSUs were taken as subsample from **HIES 2010** using PPS.Semi structured Questionnaire was administered for collecting necessary data. XIV

In order to capture scenarios of "**Inbound**" and "**Outbound**" tourism, foreign tourists and departing Bangladesh nationals (in all 2500) were interviewed using a semi structured questionnaire. For such purpose three Airports and 9 Land Ports were selected.

In order to make an assessment of the contributions of Tourism sector for Bangladesh Economy, we have adopted Regression Analysis approach. For such purpose we have constructed Multiple regression Models and we have done it separately for various forms of tourism as well as for total tourism contribution.

Theoretical Model

Different types of models have been using to analyze the importance of tourism sector for an economy. Growth theory models the interactions among factor supplies, productivity growth, saving, and investment in the process of growth. (Jacint Balaguer y Manuel |Cantavella-Jorda, 2000) Growth accounting, attempts to quantify the contribution of different determinants of output growth. Most research works concentrated on the export-let growth hypothesis.

Empirical Model

Several models which have been used by the previous researchers to examine the relationship between economic performances and tourism sector. The following model was developed using an econometric approach to measure the impact of tourism on real gross domestic production Bangladesh.

We have used the following generic Multiple Linear Regression Model.

$$Y_{ik} = \beta_{ok} + \sum \beta_{1kj} X_{kj} + U_{ik.}$$

Our constructed model looks like,

$$RGDP = \beta_0 + \beta_1 RGDP_{t-1} + \beta_2 GEXPEN + \beta_3 INV + \beta_4\ TRDV + \beta_5\ TOUR + u$$

RGDP   - Real Gross Domestic Product

RGDP $_{t-1}$ - Real Gross Domestic Production of previous year

GEXPEN - Government Expenditure

INV   - Gross Domestic Investment as Percentage of GDP

TRADV   -Trade Volume

TOUR- Tourism Receipts

4. Results and Analysis

In this section we provide a brief profile of contributions of tourism followed by regression results and analysis.

Domestic level tourism scenario

For domestic tourism scenario, Household level survey was conducted. In all, 21% households appear to have travelers who fall under the realm of tourism during last one year. About 25% of urban households and about 13% of rural households had some kind of tourists during last one year. As revealed from survey findings, household tourists performed tour for various reasons. For example, while about 12% had business purpose, another about 12% had schooling/training purpose and about 11% had shopping purpose. Majority of household level tourists used Bus (about 47%) as their main means of transport to reach the destination. While hotels were the main place of stay about (56%), on the average a tourist spent 2 nights during their tour. On the average a household level tourist spent Tk. 4177 for the whole tour. There is remarkable domestic demand for Tourism Characteristic Products. Per capita expenditure during a trip is Tk.598 on "accommodation", Tk. 600 on "food", Tk. 648 on "Transportation" and Tk.928 on "Recreation". Per capita expenditure per trip appears to be the highest on Tourism XV Connected Product namely, "Health Ground"- Tk.8,499 and the remaining expenditure goes to other types of goods and services.

Inbound Tourism Scenario
(Foreign National and Non-Resident Bangladeshi)

Although the study was in a limited form, one spectacular thing has emerged that substantial number of foreign tourists visit Bangladesh. During 2011-12 altogether 8,92,135 inbound tourist visited Bangladesh of which 64% (5,73,103) were Foreign Nationals and 36% (3,19,032) were Non-Resident Bangladeshi. Average number of nights spent by a foreign tourist is 6. Total expenditure of "Inbound" tourists on Tourism Characteristic Product in quite high. For example, estimated blowup expenditure on "Accommodation" is Tk. 18362 million, on "food & beverage" Tk. 6800 million, on transports Tk.3150million and on "entertainment" inbound tourists spent substantial amount, Tk. 5692 million. Remaining are other expenses

Outbound Tourism Scenario
Pre-Trip Outbound Expenditure

Total blownup expenditure of outbound tourists on tourism connected product like "accommodation" is Tk. 1439 million, on "food & beverage" Tk. 1297 million, on "transports (air, water, land)" Tk. 2145million and on entertainment outbound tourists spent substantial amount - Tk. 1007 million. Expenditure of outbound tourist on tourism connected products is also high. For example, on shopping outbound tourist spent TK. 15885million as per estimates. Blownup estimate of total Pre-trip outbound expenditure is TK. 106,327 Mil. BDT.

Outbound Expenditure Abroad

Total blownup expenditure of outbound tourists on "accommodation" is Tk. 25177 million, on "food & beverage" Tk. 21912 million, on "transports" Tk. 4752 million and on entertainment outbound tourists spent substantial amount - Tk. 8455 million. Expenditure of outbound tourist on tourism connected products is also high. For example, on shopping outbound tourist spent TK. 19353 million as per estimates.

Econometric Analysis

The estimated regression equation for total tourism is,

RGDP= 487.78** + 0.814*** RGDP $_{t-1}$+1.05 GEXPEN +9.34* INV

+0.00012***TRDV + 0.0123*** TOUR

      * 10% Significance Level

      **-5% Significance Level

      ***-1% Significance Level

      R^2=0.8988

      Prof>F=0.0000

According to the above estimated results, all the independent variables are statistically significant. When we consider about the trade volume and investment, both these variables play a major role in Bangladesh economy. Especially one unit change in gross domestic investment leads to 9.34 units change in real gross domestic production and this relationship has been statistically significant at 10% level. Thus increase in investment share is highly recommended for the steady economic growth . Similarly, trade volume causes to average change in real gross domestic production equivalent to 0.00012.. It shows that the receipts from tourism account for 0.023 units' average change in real gross domestic production and it is significant at 10% level. It is clear that tourism receipts bring a foreign assets and it leads to maintain a macroeconomic stabilization in the economy and this in turn encourages the tourism arrivals to the country. Hence, therefore there is an interrelationship between both

macroeconomic stabilization and receipts from tourism. Under this situation special policy changes is highly recommended to augment and strengthen the tourism sector.

5. Conclusion

It is universally admitted that tourism statistics are too much scattered. Thus, it hinders the smooth collection of data which delays the entire process. This is truer in the case of Bangladesh. Whatever results so far obtained show very clearly that tourism sector has high demand for goods and services. It keeps enormous contributions in GDP, Value added and Employment. Present findings clearly demonstrate that there are tremendous potentials and possibilities for the tourism sector to contribute massively for achieving MDGs of economic sector of Bangladesh.

The results point to the fact that tourism is an important sector in the Bangladesh economy. Thus, it is imperative to prepare TSA regularly. In the household surveys, there is always a possibility of underestimation due to the recall problem. It can be further improved if the survey targets tourists while on trip.

Data on the supply side of TSA has been taken from the National Accounts Statistics. For most of these industries, data are not readily available as it is required for TSA framework.

For TSA, passenger and transport services are disaggregated into road, air and water transport services. Within road transport, there are buses, other mechanized vehicles and non-mechanized vehicles. Disaggregated data on these transport are needed for TSA.

The Domestic Tourism Survey and International Passenger Survey were the first such attempt at the national level. These efforts have highlighted the areas where intensive work needs to be undertaken to compile systematic data on tourism.

The report needs to be seen as a part of continuing efforts towards strengthening the Tourism statistical network within the country.

It has been estimated that Tourism has kept 1.79% direct contribution to GDP during 2011-12 and 1.89% is the direct & indirect contribution. In job creation also Tourism has kept substantial contribution. While3.79% is the direct contribution of Tourism in job creation, 4.03% is the combined direct and indirect contribution.

It is very fervently expected that improvement in tourism sector in its various dimensions will enable to cherish dormant social and economic benefits. Keeping in view that Tourism sector is a very vital economic sector, constant changes in Tourism policies need to be reformed and restructured to make the sector more dynamic and flourishing. For accelerating pace of

progress in various dimensions of Bangladesh Economy, tourism sector can work as a stimulant because of its links with various sectors of the Economy. It is imperative to ensure promotion of accessibility for all population groups of the country to tourism. It is of paramount importance to foster a tourism culture in the society. For this, tourism needs to be nurtured and made as an easily obtainable good to the people. Special care and attention are needed to attract Inbound Tourists which can enable to earn substantial foreign exchanges.

It is expected that the findings of the present survey will knock at the mind of all concerned to warm up positive attitudes for flourishing the tourism sector which is a very immensely contributing sector of the Bangladesh economy.

References

1. Barry, J. (1994): Tourism Research, a Public sector Perspective btr, Australian
2. Buhalis, D., Michopoulou, E., (2010). Information-Inabled Tourism Destination Marketing: Addressing the Accessibility Market, Current Issues in Tourism, Vol 10.6
3. Eugene, T. & et al (2011): Direct & Indirect Contributions of Tourism to Regional GDP: Howaii working paper, University of Hawaii
4. Geoff, B. (2010): Tourism Research & National Strategy TRA, Australia
5. UNWTO (2006): World Tourism Barometer
6. Xiang, Z., Gretzel, and D.R Fesenmaier. (2009). Semantic representation of the online tourism domain. Journal of Travel Research, 47(4):440-453.