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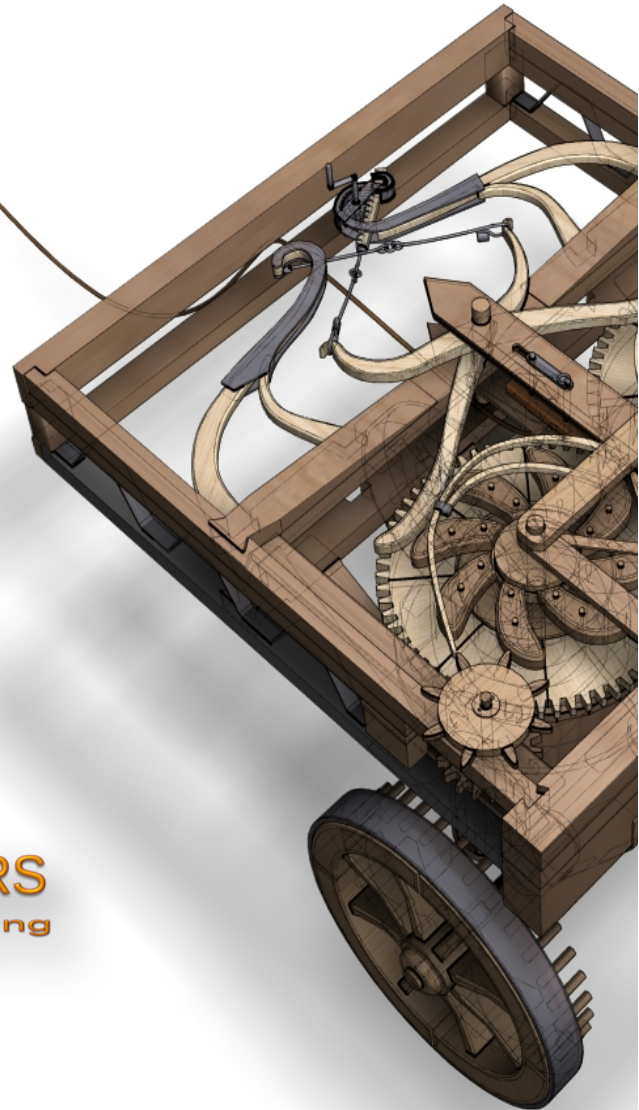
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Tourism and Peace in Economic Development Perspective of India

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Abstract:

The importance of tourism as an instrument for revenue generation, employment creation and fostering economic growth is well established across the globe. Globally, tourism has been recognised as the largest service sector in terms of revenue generation and foreign exchange earnings. The sector also plays a crucial role in attaining the macroeconomic goal of growth with equity. Thus, tourism has been considered and observed to contribute to world peace. But this peace contribution depends on social and politic stability which in turn depends on the economic development of a nation. So, in this paper an effort has been made to assess the role of tourism in India as an engine of peace oriented sustainable economic development. It is found that tourism has the potential to positively influence the sustainable development of the country. Therefore, it is imperative to chalk out appropriate plans and policies for promoting tourism as a means of achieving sustainable development and unending peace.

Keywords: tourism; peace; poverty eradication; economic development; India

JEL Classification: C20; C50; L83; Z30; Z32

Introduction

Tourism has emerged as a key sector of the world economy being motivated by the natural urge of every human being for new experience, adventure, education and entertainment (Rout 2016). Thus, it is a multifaceted sector which is seen as a human experience, social behaviour, geographic phenomenon, economic resource, and as a business. Historically, tourism has been considered as a key factor for socio-economic and cultural progress. Tourism plays an important role in achieving socio-economic objectives of unemployment reduction, poverty eradication, balanced regional development, improvement in balance of payments position, infrastructure development, and enhancing entrepreneurial skills and capabilities (Milanović and Stamenković 2012, Rout *et al.* 2016c). As a result, tourism has been taken up as an integral part of the strategies of national economic development. In general, it has been accepted that the tourism sector has the potential to influence the growth process of developing nations, and is able to put these countries in the high growth trajectory (Samimi *et al.* 2011).

Since 1960s, the tourism has been able to transform itself from a relatively small-scale sector into the largest and fastest growing global economic sector. This is very much reflected in the foreign tourist arrivals which over

time have been showing an upward trend - 25 million in 1950, to 681million in 1980, to 438 million in 1990 and to 681million in 2000 (Mishra *et al.* 2016). In 2014, the foreign tourist arrivals across the globe reported to be 1135 million, and the tourism receipts amounted to US\$ 1245 billion. In the same period, the Asia and the Pacific reported the tourist arrivals of 263.40 million, and the tourism receipts amounted to US\$ 376.9 billion. As per this statistics, share of India in international tourist arrivals is 0.68% and the share in international tourism receipts is 1.58%. In the Asia and the Pacific region, the share of India in international tourist arrivals is 2.92% and that of tourism receipts is 5.22%. In terms of annual growth rates, India witnessed 10.2% increase in the number of foreign tourist arrivals, 11.9% increase in the number of domestic tourist visits to all states and union territories, and 14.5% increase in the volume of foreign exchange earnings during 2014. The total contribution of travel and tourism to world GDP was recorded at US\$ 7.2 billion (9.8% of global GDP) in 2015. The sector also supported to generate 284 million jobs in 2015 across the globe ((WTTC 2016a). It is worthy to note that the employment contribution of travel and tourism increased by 2.6%, and its GDP contribution by 3.1% in 2015 (WTTC 2016a). In recent past, the sector not only outperformed manufacturing and retail in terms of GDP growth, but also outperformed financial service, education and healthcare in terms of job creation (WTTC 2016a).

In Indian context, the role of travel and tourism is nothing less. In 2015, the sector contributed INR 8,309.40 billion to GDP; created 37,315,000 numbers of jobs; investment contribution of INR 2,264.10 billion; and export contribution of INR 1,249.30 billion (WTTC 2016b). Thus, tourism in India has become an important sector in contributing to the sustainable development of the country. India has become the most preferred and sought after place amongst the domestic as well as foreign visitors. There can be several reasons for it. One attraction may be the diverse culture of the country. Another reason why people prefer to travel to India may be its peace. Indians always follow the '*Atithidevo Bhava*' approach towards tourists. Tourism has well been recognised as a facilitator of interacting with the environment for millions which through exchange of ideas and beliefs can promote harmonious mutual understanding, tolerance and peace.

In this context, tourism is significant because of its association with peace-making, peaceful conflict resolution, prevention of war, resistance to war, protesting war, non-violence, and reconciliation (Den Dungen 2014). Tourism is a peace carrier as it establishes harmonious contact between visitors and host, between different cultures, between peoples and places (De Villiers 2014). However, tourism to be significantly interrelated to peace, it is required to ensure social and political stability which ultimately depends on economic development. In order to maximize the benefits of peace tourism, economic linkages are required to be increased, and leakages are to be reduced (Isaac 2014). Thus, this paper is an attempt to evaluate tourism and peace in the perspective of economic development in India.

1. Literature review

The concept of tourism for peace is nothing new. Since long past tourism has constantly been defined as a means of promoting peace and mutual understanding (Wohlmuther and Wintersteiner 2014). In 1925, Professor Wim Treub emphasized on travel for world peace (Wohlmuther and Wintersteiner 2014). In 1929, the British Travel and Holidays Association declared 'Travel for Peace' as the theme for its inaugural meeting (Honey 2008). In 1967, the UN put forward the slogan 'Tourism: Passport to Peace'. In 1980, World Tourism Organization highlighted the fact that tourism could be a vital force for world peace (WTO 1980). Subsequently, the emphasis on tourism as an agent for peace gathered momentum. In this context, the tourism and peace literature recognises three possible explanations for the linkages between tourism and peace. One school of thought argues that tourism breaks monotony of life for vibrancy, rejuvenation and invigoration which eventually give endless peace. Thus, a global understanding builds up when people move across the regions/nations by knowing each other, knowing each other's customs and traditions, and understanding individual qualities and ethics. All these contribute to world peace (D'Amore 2010). Another school of thought relate tourism induced higher level of economic development to happiness. Tourism, on the one hand, helps increasing real per capita income, export by the country, foreign exchange earnings, and on the other hand, contribute to poverty reduction, employment generation and business promotion with market expansion. All these contribute to higher level of economic growth and development that is reflected in increased happiness. The third school of thought purports that the tourism promotes international

understanding and collaboration, contributes to environmental protection and preservation of biodiversity, enriches the cultural and heritage values, and also helps in healing wounds of conflict. All these exert a positive impact on fostering global peace.

In the economic development perspective, the extant literature on the contribution of tourism towards economic growth emphasizes on three hypotheses – the tourism-led growth hypothesis, growth-driven tourism hypothesis, and feedback hypothesis (Oh 2005). The first hypothesis presumes that economic growth in a country spurs from the development of smokeless tourism industry. The second hypothesis presumes that it is the economic growth and political stability of a nation that propels the development of tourism. The third one emphasizes on the reciprocal relationship between development of tourism and economic growth. Researchers at different points of time have empirically examined these hypotheses in the context of single-country or multi-countries. Studies including Balaguer *et al.* (2002), Dritsakis (2004), Kim *et al.* (2006), Katircioglu (2009), and Mishra *et al.* (2011) have concluded about the existence of tourism-led growth hypothesis for Spain, Greece, Taiwan, Turkey, and India respectively. The literature also infers that the growths of tourism based countries are faster than other countries such as OECD, Oil exporting, *etc.* (Brau *et al.* 2003, Lee and Chang, 2008). Consequently, developing countries consider tourism as a critical factor while chalking out development strategies (Sinclair 1998, Dieke 2004). Studies such as He and Zheng (2011) for Sichuan, Payne and Mervar (2010) for Croatia, and Kadir and Jusoff (2010) for Malaysia provides the empirical evidence of the existence of growth-led tourism development hypothesis. Studies including Shan *et al.* (2001), Durbarry (2002) and Lanza (2003) have concluded about the existence of reciprocal causality hypothesis for China, Mauritius and OECD countries respectively. In addition, the extant tourism literature also documents the evidence of no causal relationship between tourism and economic growth. It is, thus, inferred from the extant empirical literature that the tourism has been playing directly or indirectly, a crucial role in the overall growth and development of a nation.

Therefore, tourism has become an important economic sector which generates benefits of inclusive and sustainable development by employing people, raising their standards of living, and preserving their biodiversity and environment. In other words, tourism has become one of the most capable and feasible option for attaining overall development and happiness. Juan Manuel Santos, former President of Colombia, aptly recognised the role of tourism as an employment provider, business maker, and growth engine in an economy. It is a powerful instrument to reshape a country's image, developing its infrastructure, attracting foreign resources (capital) and fostering overseas trade. Long back, former President of US, rightly John F. Kennedy envisioned the potential of travel and tourism as a promoter of peace. Tourism is in fact a powerful social force that can achieve many important ends including peace (Higgins-Desbiolles 2006). Salazar (2006) also mentioned that tourism initiatives help in building a peaceful and sustainable world. Levy and Hawkins (2009) tried to link the contribution of commerce-based tourism to peaceful societies. Tourism because of its positive economic impacts such as poverty eradication, job creation and income generation, contribute to peace-building process (Wintersteiner and Wohlmuther 2014). However, Salazar (2006) observed that there is a lack of research indicating the precise circumstances under which tourism can promote peace. Similarly, Moufakkir and Kelly (2010) concluded that the relationship between tourism and peace is not yet established as the extant studies are much of hypothetical and opinion-based. Hence, empirical supports are warranted to establish this relationship. In this connection, this paper attempts to justify this relationship from the economic development perspective of Indian economy employing a multivariate empirical framework.

2. Data and methodology

In attempting to examine the dynamics of the relationship between tourism and economic growth to attain peace in Indian economy, this study makes the empirical analysis over the time period 1980-81 to 2014-15. It is presumed that the harmonious contact between people of different cultures through cross-border travel can ensure peace in the economic perspective of foreign exchange earnings and increased real national income. As such the annual time series variables viz., real gross domestic product has been taken as a proxy of the macroeconomic growth of India; and foreign exchange earnings from tourism and foreign tourist arrivals as the proxy of the development of tourism sector in the country. These variables have been chosen in line with the studies including Wang & Godbey

(1994), Gunduz and Hatemi-J (2005), Kim *et al.* (2006), Mishra (2013), and Rout *et al.* (2016a). The abovementioned annual time series variables have been transformed to their natural logarithms so as to avoid the likely problems of heteroschedasticity, and symbolized by *gdp*, *fee*, and *fta*. The required annual time series data have been compiled from the RBI database on Indian economy, Bureau of Immigration, and from the tourism statistics published by Ministry of Tourism, Government of India. As a part of the empirical analysis, first the stationarity property of time series variables have been examined by the use of ADF unit roots test, then the long-run equilibrium relationship between variables has been investigated by the use of Johansen's cointegration test, and finally the impact of tourism sector on real economic growth has been estimated by the use of following multiple regression model: $gdp_t = \alpha_0 + \alpha_1 fta_t + \alpha_2 fee_t + u_t$ where α 's are the coefficients of the variables and u is the error term which captures the influence of all those variables which are not modelled in this study.

3. Results and discussion

The results of ADF unit roots test are presented in Table 1 which clearly rejects the null hypothesis of non-stationarity at the first difference with trend and intercept. Thus, all the variables under consideration are stationary and integrated of order one. This finding indicates the possibility of the existence of long-run equilibrium relationship between *gdp*, *fta*, and *fee*. So, we employed Johansen's cointegration test, the results of which are presented in Table 2. The Trace test of cointegration indicates the existence of two cointegrating equations at the 0.05 level of significance, and this is confirmed by the maximum eigenvalue test. Thus, the existence of long-run equilibrium relationship or cointegration between *gdp*, *fta*, and *fee* is predicted in Indian economy. Then we estimated the multiple-regression specified in section 2, and its results are presented in Table 3.

Table 1. Results of Augmented Dickey-Fuller Unit Root Test

Variables	ADF Statistic at level with trend and Intercept	p-value	ADF Statistic at 1 st Difference with trend and Intercept	p-value	Decision
<i>Gdp</i>	-1.643	0.753	-5.252	0.000*	I(1)
<i>Fta</i>	-1.226	0.888	-3.412	0.072*	I(1)
<i>Fee</i>	-1.347	0.858	-3.226	0.096*	I(1)

Source: Authors' own estimation

It is revealed from Table 3 that all the coefficients of selected variables are significant in this multiple regression model. Furthermore, higher R-squared value (0.91) justifies strong relationship between variables. The Adjusted R-squared value (0.906) implies that about 90.60% variation in *gdp* (gross domestic product) in India is explained by *fta* (foreign tourist arrivals) and *fee* (foreign exchange earnings) in the country. Thus, the impacts of *fta* and *fee* are significant in determining the sustainable economic development of India. In other words, tourism is critical for promoting economic development of India.

Table 2. Results of Johansen's Cointegration Test

Hypothesized Number of Cointegrating Equations	Eigen Value	Trace Statistics	Critical Values at 5% (p-value)	Maximum Eigen statistics	Critical Values at 5% (p-value)
None*	0.786	76.429	42.915(0.00)	47.831	25.823(0.00)
At Most 1*	0.491	28.597	25.872(0.02)	20.982	19.387(0.02)
At Most 2	0.217	7.615	12.517(0.28)	7.615	12.517(0.28)

Note: * denotes rejection of the hypothesis at the 0.05 level

Source: Authors' own estimation

Therefore, the findings lend the evidence to believe that tourism is an engine of long-run economic growth. This calls for more emphasis on those activities and facilities which can be instrumental in attracting more and more foreign tourist to India. Furthermore, tourism has both forward and backward linkage effects on other sectors in an economy. Tourism can have stimulating effects on agriculture, horticulture, poultry, handicrafts, transport, construction and like. In this way, tourism sector development can be thought to reduce unemployment and remove

poverty thereby augmenting the position of India in terms of world happiness index. This will ultimately contribute to global peace.

Table 3. Results of Multivariate Regression Model

Variables	Coefficient	Std. Error	t-Statistic	Prob.
Constant	11,181.98	1,658.839000	6.740851	0.000000
<i>Fta</i>	141.8706	59.938810	2.366923	0.024200
<i>Fee</i>	0.478115	0.027177	17.592870	0.000000
R-squared	0.911655	Mean dependent variance		27,032.100000
Adjusted R-squared	0.906133	S.D. dependent variance		17,014.080000
S.E. of regression	5212.725	Akaike info criterion		20.037410
Sum squared residual	8.70E+08	Schwarz criterion		20.170730
Log likelihood	-347.6547	Durbin-Watson stat		1.472217

Source: Authors' own estimation

In addition, these linkages are critical for getting the benefits of multiplier effects in an economy. For this purpose, it is essential to facilitate fair money spending by tourists during their visits to the country. Such money spending would not only augment the supply of goods and services, but in an important way would contribute to the rise in consumption demand. This would promote domestic production thereby creating ample employment opportunities and putting more income in the hands of people. Therefore, the development of tourism sector can be catalysts for poverty reduction, and generating spirals of peace message in the country.

Conclusion

In the evolution of human civilization, tourism has been accepted as an important sector for higher level of economic growth and development across the globe. Since tourism is primarily a labour intensive activity, it has the potential to create large number of employment opportunities in allied sectors including agriculture, accommodation, transport, entertainment, etc. Thus, this sector is capable of removing the important socio-economic problems such as unemployment, inequality and poverty from a country. In other words, tourism development can contribute towards the improvements in standards of living of masses. In fact, tourism in India can be viewed as an engine for sustainable development of the country. And, in a very broad perspective, such reduction in unemployment and poverty in the nation can be seen as a march towards the attainment of happiness and peace. In this context, the relationship between tourism and economic growth as a platform for peace has been estimated for India. The findings reveal the presence of the long-run equilibrium relationship between them, and also the positive impact of tourism development on economic growth of India. It is found that the tourism parameters such as foreign tourist arrival and foreign exchange earnings from tourism are instrumental for positively influencing the sustainable development of the country. And, this development can ultimately contribute to unending peace.

However, as policy options this necessitates the formulation of appropriate tourism development strategies in the country (Rout *et al.* 2016a, 2016b). In this direction, the government of India has taken several steps of launching very effective campaigns such as *Incredible India* in 2002, *Athithi Devo Bahava* in 2009, Internal TV campaign in Europe during 2010-11, and *Clean India* in 2013. In addition, the tourism promotion schemes such as Tourists Visa on Arrival in 2014, *Incredible India* mobile application for accessing tourism information of 2014, National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive of 2015, and *Swadesh Darshan* of 2015 which can go a long way in contributing to the development of tourism industry in India. Recently, the Government of India attempted to provide cleanness at various tourist destinations across the country by gathering information regarding hygiene issues through a *Swachh Paryatan* Mobile App launched in February 2016. The Government also launched 24x7 Toll Free Multilingual Tourist helpline in 12 international languages in February 2016 to break the language barrier in communications. All these initiatives would certainly enhance tourism in India with all its favourable impacts on employment generation, business creation, and poverty eradication. Hence, this paper lends to support the relationship between tourism and peace in economic development perspective while leaving scopes for further empirical research which may include measures of job creation, business expansion, and poverty eradication.

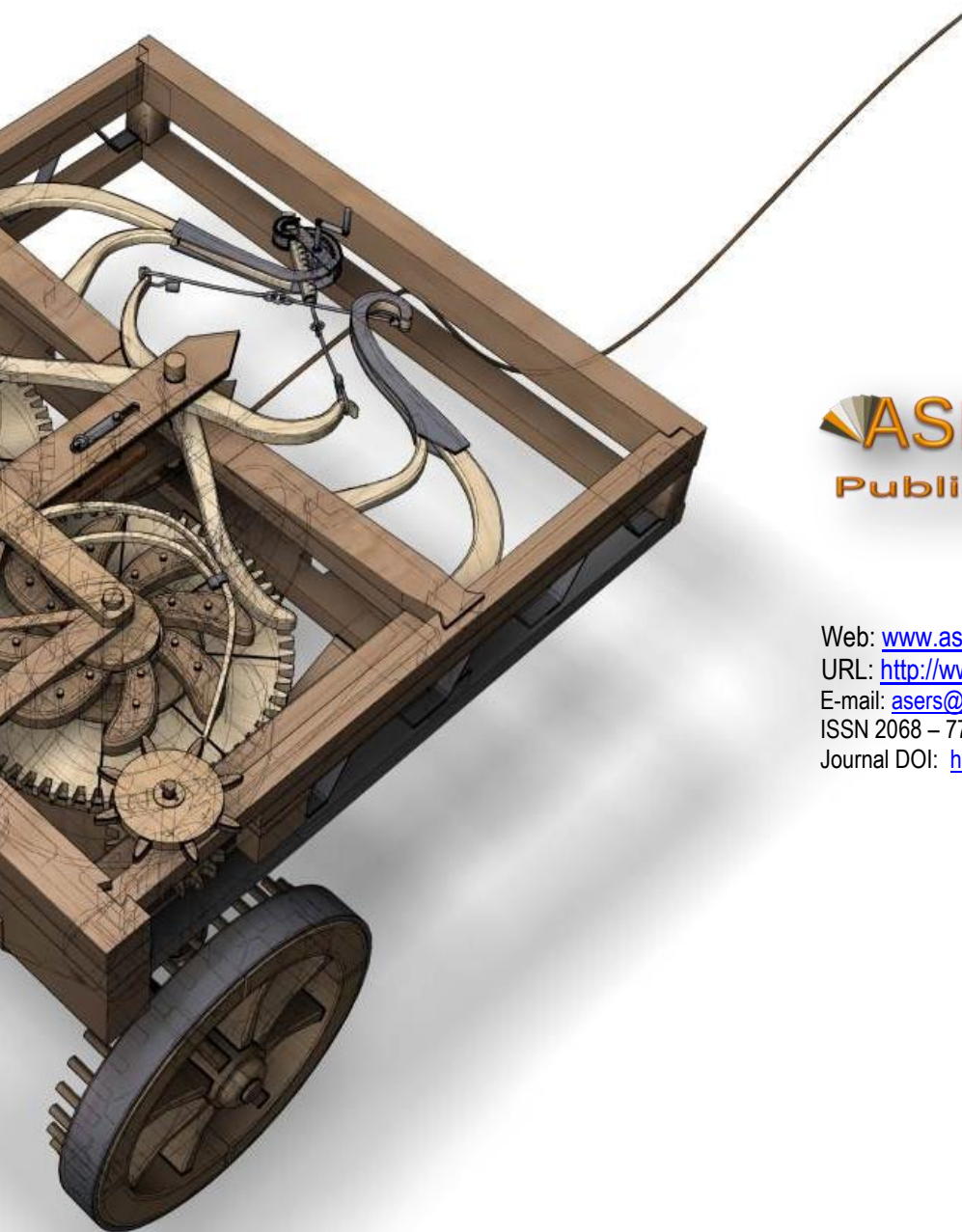
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