Impact of Tourism on Economic Development

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Keywords:	Abstract
tourism economic development national gross production	Todays, the economic effects of tourism in the international field are well-known and the different countries in the world consider this fact as one of the main revenue producer factor and they have established most of their economic programs including employment and improvement of payment balance status and marketing accordingly. Therefore, tourism as one of the economic active section can use the labor factor more than the other factors and cause the employment level to be improved since the extent of investment for creating a job in the field of tourism services in comparison with the other industries is fewer. Since most of the tourism services cannot be presented by the technology, the manpower employment is required. Hence, employment creation ground is provided by tourism development in different places and the unemployment rate is decreased. In fact, the present study examines the impact of tourism on the economic development for clarifying the importance of this industry in the countries' economy. The results of estimation show the positive and meaningful relationship of tourism on national gross production as an index for economic growth and development.

1.   Introduction

Todays, tourism is considered as one of the economic activities in the cycle of countries' national growth especially for employment, currency generating and boom of different areas. In addition, it enjoys the communicational, political, cultural advantages and special international impacts. For this reason, most of the countries in the world which have the rich heritages and natural intact zones use this activity as a tool in economic development strategy. Despite the great resources of tourism, Iran cannot designate a well-defined position from the international tourism entries revenues to itself. Notwithstanding the economic and cultural importance, tourism and cultural heritages have not been regarded in a good manner in the developmental programs and this fact caused the tourism area not to enjoy the effectiveness and efficiency required in balancing the state development system.

Tourism todays along with a collection of tendencies, movements, access to the facilities and increased financial capacities makes possible the masses travel. Technology development caused mass tourism to be increased due to several reasons that these reasons include leisure time increase, revenue increase, and remote communication development and transportation efficient ways. All these cases has changed tourism to the third affluent, dynamic and advancing economic phenomenon in the modern world that dominates the other industries after oil and car manufacturing industries. According to World Tourism Organization estimation, the value of funds resulted from tourism and travel in the future decade with the speed more than world trade reaches to the level higher than the exporting items in the other economic parts. During the recent 60 years, tourism enjoyed a continuous growth and has changed to one of the economic parts with the high speed growth in the world. During years of 1950 till 2005, the foreign tourism with the annual growth rate of 6.5 percent has increased from 25 million tourists in 1950 to 806 million tourists in 2005. Furthermore, during the year 2010, tourists with the increase of 6.7 percent than the year 2009 reached to 935 million persons. According to the official estimations of World Tourism Organization till 2020, the number of entered tourist will reaches to 1.5 billion persons [1].

The main origin of this industry is the advanced industrial countries in a manner that the maximum number of international tourists and earned revenue are related to the member Organization for Economic Co-operation and Development countries (OECD) and specially seven great industrial countries.

Todays, the economic effects of tourism in the international field are well-known and the different countries in the world consider this fact as one of the main revenue producer factor and they have established most of their economic programs including employment and improvement of payment balance status and marketing accordingly. Unfortunately, our country is far from its real position in attracting the tourists despite of abundant capacities. In addition, tourism industry development is very important especially for the developing countries that are facing the problems such as high unemployment rate, restriction in foreign exchange resources and single-product economy. Iran economy like the other developing oil producing countries greatly rely on the revenues earned from the oil export and its economic macro variables suffer severe fluctuations following the oil world price during the time. The trend governing on the variables such as national gross production, gross investment, per capita revenue and etc. show this fact during the last three decade of Iran economy. Therefore, for diversifying the economic growth resources and foreign exchange revenue and creating new job possibilities in the country, developing the tourism industry is very important. Since tourism as one of the active economic parts can use the labor factor more than the other factors and improve the employment level. The investment extent for creating a job in the field of tourism services in comparison with the other industries is fewer. Since most of the tourism services cannot be presented by technology, manpower employment is required. Therefore, by tourism developing in different places, job creating is possible in various fields and the unemployment rate is decreased [2].Tourism industry with its special particulars is considered as an active industry with bright future and investment in this industry is increasing within the countries with tourism attractiveness and attraction of foreign tourist has changed to an increasing competition among the institutions

related to tourism industry because this industry not only has a role in national economy strategy and currency revenue but it is a pure industry without pollution and job creator. By knowing the tourism industry position in economic growth and development, most of the countries try to consider this industry, its progress and creating the grounds required for its development in order to improve its position in their country and create great and stable revolution in their economy so that they impose less change in facing economic and financial crisis because in case of developing and creating the required grounds for tourism industry growth, its revenue producing and foreign exchange making can be an appropriate replacement for the oil revenues of the country. According to the statistics presented by World Tourism Organization, in the years of 1950 till 2005, the international tourism had an increasing growth and its economic value exceeds 600 billion dollar from 2.1 billion dollar. In addition, tourism in the year of 2007 could reach 10.3 percent of the national gross production of the world [3].

Hyun Jeong Kim, Ming-Hsiang Chen, Soo Cheong [4] have dealt with investigation of the relationship between tourism and economic growth in Taiwan. The findings showed that a long-term equilibrium relationship exists between tourism and economic growth in Taiwan and the relationship of these two variables is a bilateral relationship. In other word, tourism and economic growth reinforce each other in Taiwan.

Dritsakis, N. [5] has dealt with examining the impact of tourism on the economic growth of Greece and showed that there was a co-integration relationship among national gross production, effective foreign exchange rate and revenue earned from international tourism for the years 1960 till 2000. Granger causality tests showed that a bilateral causality relationship exist between revenues earned from international tourism and economic growth of Greece.

Balaguer, j., & Cantavella-Jorda, M [6] has dealt with examining the role of tourism in the economic long-term growth of Spain. Their hypothesis based on the fact that tourism will result in growth was improved by causality and co-integration test. Their findings showedthat economic growth in Spain has resulted in stable development of international tourism at least at the last three decades tangibly and visibly.

Rastghalam and Khatoun Abadi [7] examined the economic factors affected by establishing the tourism centers in the host zones. This research was conducted by Delphi and Likert method. In Delphi method, totally 33 economic and social effectiveness factors were determined in four clusters (economy, integration), (training, culture), (health, care) and (social welfare and development substructure).Findings of this research show that in comparison with the extent of effectiveness measurement of each cluster or the average extent of points signified in Likert spectrum, all four clusters enjoy positive effectiveness and in summary, all the mentioned factors have placed in the direction of positive effectiveness from establishing tourism centers and the cluster (economy and population enjoys more effectiveness than the other factors).

1-2 Tourism definition

In traditional age, tourism was performed for the purpose of world discovery and visiting the holy places or trading and etc. Usually, through the world, the tourists traveled for several reasons and all of them were god-oriented. Therefore, they endured hardness of way and destination. Beginning the modern age, the tourists began to recognize the work with the colonial, economic, scientific and even humanitarian purposes. They also endured the any kind of hardness. However -practically- from the middle of the 19th century and with development of railways, tourism development with the purpose of rest, relaxation and enjoying the nature and intact places. According to Matsioun and Wall's declarations, in adventure of 1980s, tourism includes "temporary changing the place to destinations out of the usual places or residence, activities which are done during the people's residence in those destinations and facilities which are provided for meeting their needs." "Tourism is the study of human being out of the place of residence; it is an industrial study which reply to his needs and the study of the impacts of human being and this industry on cultural, social, and economic environments. In different Persian cultures, tourism implies traveling for the purpose of amusement enjoyment and returning to the main place of residence and it implies short and temporary journey in the regions out of the place of work and main residence place. General comments on tourism and tourist are difficult and confusing. Because of complication of tourism activities and especially due to existence of different issued which deal with different aspects of this activity, there is no acceptable definition from tourism. While we have no exact definition from tourism concept, there is this solidarity that tourism enjoys four essential elements:

1. Demand for travel
2. Tourism intermediary
3. Impacts of destination (These elements form the forth one which is Scope of contacts.)
4. Economic impacts on tourism industry

During the last decades, tourism industry in the world, had a significant development and has caused economic and social changes. It active the economic investments and increase the internal security following the increase of demand for travel to the country which leads to the political legitimacy in international level. In the time, the travel changed not only to the means of enjoyment and amusement but to a tool for recognition and awareness of people's life, understanding with others, and beyond this, to recognition of the around world, its realities and richness of wisdom and attitudes toward the concept of life [8]. Therefore, this industry is introduced as one of the most important factors generating wealth and employment in the world and is considered as an economic engine of growth and advance of the developed and developing countries through the world. Development of this industry is considered as one of the main ways of accessing the economic growth and development in the world. For this reason, in most of the countries and societies, this industry is one of the progressive industries and most of the governments, economic official-in-charge and related authorities deal with development of this industry with more sensitivity and try to designate more share of the world market of this industry for their societies. The countries can earn revenue from different ways such as agriculture, industry and production which one of them requires existence of special facilities and resources. Most of the societies from the aspect of revenue earning from the mentioned ways are not in a suitable position but approximately, all the societies can earn revenue by tourism and provide necessary facilities for tourism in each country in special manner.

At present, tourism as one of the most important parts of economic activities of the countries and as a world system, designated the considerable part of the world gross production to itself. According to UNWTO estimation, till 2020, the revenue earned from international tourism will reach 1.6 billion dollar. For the same reason, this industry now in most of the societies is considered as a progressive industry. This industry, in addition to the key role in economic growth and revenue generating of the countries, is a vital factor in maintaining and progressing the natural and cultural resources, professional training, quality means and standards [9]. Tourism helps to acceleration in money circulation and employment generating which lead to profitability in the national economy of the host countries due to the mobility capacity of production and distribution of different services. If tourism develops due to strong interaction with other economic activities,

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the other economic activities which provide goods or service or consume its product will move along with it that is tourism can act as an engine for economic growth which drive the other activities along with itself forward [10]

Tourism affects the country's economy, through influencing the national revenue, employment, price changes and national business balance and leads money and population from the centralized industry zones to the villages and natural regions and causes money and economic advantages to spread through the society in the same manner. When tourist enter a country, they should pay the expenses within the country such as expenses of foods, accommodation, hotel and motel, amusement, transportation, tours and expenses for buying state local goods and souvenir and also the expenses of the museum and places of interest entrance fee and this payments as the foreign exchange which entered to the host country causes the economy growth of the host country.

Since tourism is one of the service industries, the revenue earned from this industry is considered a part of the national gross production and affects directly on the economic growth and development [11].

The impact of tourism economy can be understood when the profits and direct expenses of the interests and secondary expenses are considered. The revenues earned from tourism and travel will leads to commercial profits and a part of it is utilized for paying the wages, salaries and taxes. The expenses and interests which are directly connected to the tourism are considered as direct expenses. In addition to the first impacts, there are several the secondary impacts of the tourism activities. The sellers and beneficiaries spend some of their revenues for goods and services required by their clients who include investment for improving the new structures and equipment. While this chain is continued in one region, it produces revenue and generates employment indirectly.

The economic expenses of tourism are considered as the "private expenses" which are paid by the tourists for their travel. Tourists use transfer, resistance, food, amusement, services and other goods facilities and in turn, they enter the foreign exchange to the country. The financial expenses are those expenses which are enforced by the government through the taxes, the amounts paid by the clients, the amounts paid for taking the licenses, fines, entrance fee for the residents or visitors. Examination of interests and economic expenses of tourism and the method of capital return can cause the various goals to be accomplished for both designers and executors. With these examinations, the authorities and different decision makers can be informed of the investment interests in promotion of tourism facilities and equipment.

These results can investigate the role and share of different parts related to tourism in achieving economic growth and development. Net return resulted from the investment can determine investment priorities in different parts. Related organizations related to tourism should identify these priorities in the country and place them in the state tourism comprehensive plan and provide the investment possibilities in them.

If tourism development is not planned based on logical strategies, and has no comprehensive and unified programming in the process of execution, not only will it be become a serious threat to the communities, but also it will have negative consequences such as price rise due to increase in demand, imbalanced and illogical development of infrastructures and tourism facilities and installations, inappropriate cultural consequences and rise of crimes, bad effect arising from unstable seasonal employment, interference with conventional and religious ceremonies and damages to the environment; therefore, environmental evaluation of nature tourism development in accordance with the general rules and standards of tourism development and stable tourism criteria may play a very significant role in maximizing the sources arising from development of hiking and natural attractions and minimizing the risks and negative effects [9].

So far, most research studies in the field of tourism have examined the effects of tourism, and from among them, most have focused the economic effects. In this regard, Pearson (1989) believes: "studies related to increase in the number of tourists to the destination or destinations form the bulk of research on tourism. Most of these studies have been done by economists and have focused on the effects of revenue and employment".

2. Methodology

Most economists consider GDP as the criterion for economic development and growth. Moreover, in order to show the effect of tourism, the number of tourists entered into the country has been considered as a criterion. In order to examine the effect of tourism on economic growth and development, a model like the one offered by Bodie & Alan [12] was used. The following equation is used for testing the concerned hypothesis:

1)
$$y_t = c + B_1 y_t(-1) + B_2 Tour$$

Where Y_t: GDP as a criterion of economic development

$Y_t(-1)$: GDP of the previous year

Tour: Number of tourists entered into the country

It must be noted that the statistics and information related to variables of GDP, the income from entrance of tourists to Iran in the year 2005 have been extracted from WDI [13] website for the years 1979-2010.

2-1 Model Test & Results Analysis

In estimating the regression models in time series, stability examination of series is of prime importance. In order to examine the stability of model variables, Phillips-Perron unit root test has been used. In accordance with this test whose results are shown in table I, all variables are in unstable level, and for their being stable, a difference needs to be made. In accordance with first-time differencing test, stability hypothesis for all variables has been rejected. In other words, the dependent variable and all independent variables have become stable through one differencing, and their instability hypothesis has been rejected at 0.05 level of significance. Therefore, all variables of the model are accumulated from first time or I(1) differencing.

Table 1- Results of Phillips-Perron Unit Root Test for Level & Difference of Variables

Variables at level	P.P Test Statistic		First-time differencing of variables	P.P Test Statistic	
	With intercept and trend	With intercept		With intercept and trend	With intercept
Y	-2.839*	-2.534	dY	-3.845***	-3.865**
Tour	-0.690	-1.075	dTour	-4.561***	-4.516***

Level of significance at 1, 5 & 10 are shown by ***, ** and *.

Since all stable variables are of the same degree, in order to make sure the regression is not spurious, AEG was used. The results of the test are displayed in the following table:

Table 2- Results of AEG

Variable	Test type	Statistic (ADF)	Critical values at different levels of confidence			Degree of AEG
			10%	5%	1%	
Estimated	Without intercept and trend	-5.53	- 1.61	-1.95	-2.62	I(0)
equation	With intercept and without trend	-5.46	- 2.61	-2.94	-3.62	I(0)
remainders	With intercept and trend	-5.38	- 3.20	-3.53	-4.22	I(0)

Source: calculations of the research

The results of AEG indicates that absolute value of ADF test statistic in three different conditions of intercept and trend is more than absolute value of critical values at 1%, 5% and 10% of error levels, i.e. null hypothesis indicating non-existence of co-integration cannot be accepted; therefore, the remaining ones do not face unit root issue, and this proves stability of remaining expressions and convergence of variables. Thus, there is convergence among the variables, and the conventional regression model with regard to unstable time series data are usable and F, t, R^2 statistics are reliable.

2-2 Examination of Classic Hypotheses
After making sure the estimated regression is not spurious, the classic hypotheses must be examined so that the estimates based on classic hypotheses represent the best unbiased ones (BLUE). In the next part, the classic hypotheses are examined.

2-2-1 Non-Homogeneity of Variance
Non-homogeneity of variance causes increase of variance in estimated coefficients of intercept, and this affects other estimated independent variables, which in turn results in the fact that the estimates are not efficient. In order to examine non-homogeneity of variance of remainders, White test was used. The results of outputs of Eviews software are displayed in table 3.

Table 3- White Test Results to Make Sure Non-existence of Non-homogeneity of Variance

F-statistic	Obs*R-squared	Prob. F(1.28)	Prob. Chi-Square (1)
0.036275	0.038816	0.8503	0.8438

The results of the test indicated that the fitted model remainders have homogeneous variances. Therefore, model estimated coefficients are efficient enough.

2-2-2 Non-autocorrelation
Prior to using estimated equation for statistical inference, remainders must be examined in order to check existence or non-existence of autocorrelation. In accordance with economic matters, existence of autocorrelation in remainders shall result in false estimates of standard errors and incorrect statistical inferences with regard to equation coefficients. In order to avoid such errors, Breusch-Godfrey test was used. The results of Breusch-Godfrey test are displayed in table 4.

Table 4- Breusch-Godfrey Serial Correlation LM Test

F-statistic	0.288573	Prob. F(2.27)	0.7516
Obs*R-squared	0.611799	Prob. Chi-Square	0.7365

In the above test, the null hypothesis indicating non-existence of autocorrelation, taking into account the probability value reported in the table, is accepted; therefore, the results of the test shows non-autocorrelation in estimated equation remainders.

2-2-3 Non-existence of Multicolinearity
Multicolinearity usually exists among independent variables of the model. If there is full multicolinearity among variables, estimating coefficients is not possible; however, if there is imperfect multicolinearity, there shall be high variance-covariance, wider confidence intervals and t insignificant ratio. Therefore, with regard to the estimated results of the model and significance of embedded coefficients, non-existence of multicolinearity among variables of the model can be inferred.

2-2-4 Normality Test of Remaining Values
One of the hypotheses examined in usual OLS method is normality of distribution of estimate's remaining values. However, in regression embedding, when the purpose of embedding the values, lack of normality of distribution of the remaining values has no effect on estimate results. Histogram test of remaining expressions and Jarque-Bera statistic for normality shows a series of simple descriptive statistics of

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remaining expressions [14]. In figure 1, the histogram curve related to the model is displayed. The figure indicates that distribution of the remaining values is normal at 5% level of probability, and non-normality of remaining values distribution is rejected.
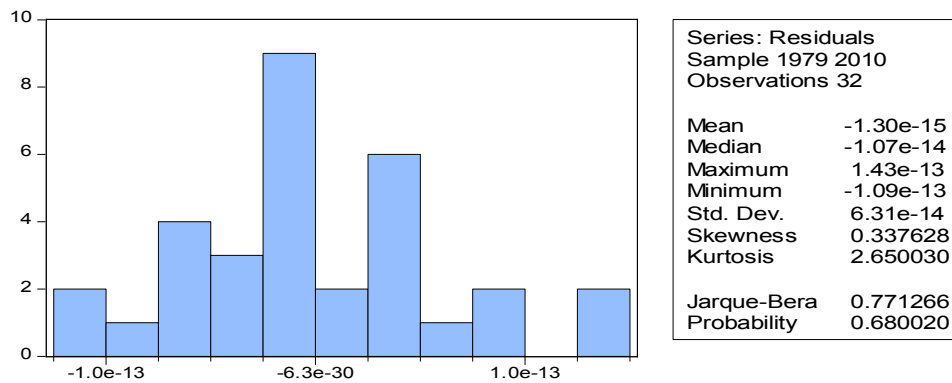

Figure 1:the result of normality test

Table 5-Results of Model Estimate Using Normal OLS Method

Variable	Coefficient	Standard deviation	t statistic		Probability
c	4.22	9.66	0.436		0.665
Y (-1)	0.883	0.087	10.065		0.000
Tour	0.108	0.038	-3.0109		0.005
R^2 0.90		Durbin Watson stat		1.77	
F-Statistic 131.576		Prob (F-Statistic)		0.000	

Source: Calculations of the research

GDP of the previous year has the most effect on economic development. As can be observed in the estimates, more of the coefficient is related to GDP of the previous year which has been estimated to be 0.88. The positive and significant coefficient of this variable in function of economic development of Iran indicates that such variable plays a very significant role in determining economic development of Iran. Moreover, incomes arising from entrance of tourists to Iran which is the main emphasis of this research, has a positive and significant correlation with economic development of Iran. The coefficient of this variable in the function of economic development is 0.10.

3.   Conclusions and Recommendations

The present research examines the effect of tourism on economy. Tourism industry with all its peculiar characteristics is considered a dynamic industry with a good future, and investment in such an industry in all countries with tourist attractions is rising. Attracting foreign tourists has become a competitive activity among all institutions and bodies related to tourism industry because this industry not only plays a role in advancing national economy and incomes in foreign exchange, but also it is a pure industry void of any corruption which makes job opportunities. Upon recognizing the significance of tourism industry in economic development, many countries have turned to this industry, its development and making the required grounds for advancing it so that they could improve its position in their own country and in doing so create a huge and stable revolution in their economy in a way that it is less vulnerable to fluctuations resulting from economic and financial crises because, the income and entrance of foreign currency through development and provision of grounds for advancing tourism industry may be a suitable substitute for oil incomes of the country.

Since tourism may play a very significant role in economic development of the country through making new job opportunities, for the purpose of advancing tourism, the following actions are recommended:

- Focusing on utilization of available unused tourist attractions such as landscapes, garden heights, green space, etc. as the main tourism activities for the purpose of revenue generation and entrepreneurship
- Making grounds for and encouraging people to cooperate in developing infrastructures, tourist equipment and facilities and revenue generation, and making use of private sector partnership in the areas where people cannot take part or invest.
- Making grounds for and utilizing private sector support for investing in tourism industry through clarifying governmental policies and local projects, manner of tax collection and subsidy payment, bank facilities, etc.
- Making use of available research with regard to tourism and doing marketing research for the purpose of identifying more target markets
- Creating job opportunities and exercising supervision over them

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