

# The Relationship between Tourism, Financial Development and Economic Growth in MP

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**Abstract** - Tourism and economic growth in India from 1960 to 2014 are examined in this research, taking into account the relative importance of financial development in that time period. It has been shown that both the long-term and short-term development of India's economy is enhanced by inbound tourism. Also found is a long-term one-way Granger causality between tourism and economic development. Furthermore, the outcomes of the Granger causality test indicated a one-way association between two variables ranging from GDP growth to tourist development. The findings support the rise of economic-driven tourism in MP.

**Keywords** - tourism, economic growth, GPD, development

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## INTRODUCTION

Tourism has surpassed energy, chemicals, and food as the world's fourth biggest export business. In 2014, tourism accounted for 6% of global 30 percent of international service commerce is made up of product and service exports. In addition, the tourism sector produced 9.8% of worldwide GDP over the same time period (GDP). Inbound tourism's influence on national economies is growing as the market for tourists expands in sizemore significant. Large parts of the people have reaped the benefits, and MP is one state where tourists may enjoy a wide variety of interests. Because of its internal position, unsurpassed beauty, and primitiveness the state of Madhya Pradesh has a certain allure and a distinct identity of its own. It's a massive country with abundant natural resources, people, history, and culture. It also has certain disadvantages, particularly in terms of with relation to size and a great distance, which have restricted the spread of communication in some ways. Researchers'tourist destinations, tourist behaviour, tourist appeal, satisfaction, motivation, and assessment of facilities, tourism package, information... among other characteristics. "Beauty isn't a characteristic of objects in and of itself. It only exists in the mind that considers them, and each mind sees beauty differently. One person may see ugliness while another sees beauty, and each person should accept his or her own feelings without claiming to control the feelings of others."

## LITERATURE REVIEW

**VELISARIA MATZANA ET.AL (2022)** The link between tourism and the development of the local economy in 21 European nations is examined in this research. The information is gathered on a yearly basis

and spans the years 1995 to 2017. Using a multivariate model, Studiers are trying to figure out if tourism has a long-term effect on economic development. GMM and Granger causality tests are often used in panel data analyses. Tourist spending has a significant influence on European economies, according to these results. So, the hypothesis of tourist-driven development is confirmed for these European countries (meeting our expectations).

**HAROON RASOOL ET.AL (2021)** After energy and chemicals, tourism has overtaken food and vehicles as the world's third-largest export industry. In 2016, international tourism accounted for 7% of global exports, a notable increase over previous years. Granger causality study demonstrates that inbound tourism and economic development may have both positive and negative links. This is the conclusion that may be drawn. According to the paper, BRICS states should implement policies that encourage international tourism in order to increase economic growth.

**ASIF KHAN ET.AL (2020)** Tourism is seen as an economic driver in underdeveloped nations. Pakistan is the centre of this study, It emphasizes on the importance of tourism in developing countries' development. Economic growth, energy and agricultural development, as well as poverty, were examined using a range of econometric methods and techniques. This study emphasizes the significance of tourism for the development of poor nations. Public interventions including the design and implementation of integrated policies, as well as education of policymakers, may help boost tourism in developing nations. Cohesive policies are essential for competitiveness, long-term viability,

and to make the most of the benefits that come from tourism.

**MR. ANURAG JAIN ET.AL (2019)** owing to its tremendous impact on the development of countries throughout the world globe, tourism is currently regarded one of the essential sectors. India, as one of Asia's most progressive countries, is focusing its efforts on making tourism a more viable and appealing economic industry. Madhya Pradesh is one of States with the highest levels of public support in India, with a significant change in the way tourism is promoted. The purpose of this study is to see how successful MP tourist marketing methods are in encouraging travel and leisure. When it comes to promoting the state's tourism, Madhya Pradesh Tourism has taken many important steps, such as organizing popular events and tourism festivals, as well as scouting, developing, and managing potential tourist hot spots. They've also launched eye-catching television commercials (TVCs), and they've been active on social media. The purpose of this study report is to learn about and appreciate the feasibility and potential of future research in the same area.

**KUNOFIWA TSAURAI (2018)** Using three panel data analytic methodologies, the research looked at the influence economic growth and tourism in Southern African Development Community (SADC) countries. According to the study, whether financial development in SADC nations fosters economic growth through tourism or if financial development and tourism complement each other positively influences economic growth in the area was examined. There is no longer any doubt about the positive influence of tourism and financial development on economic growth, according to a study of theoretical and empirical evidence. Financial management may or may not be a mechanism through which tourism contributes to economic development. The author decided to undertake this study in this setting in order to add to the body of knowledge. Economic growth in the SADC region was negatively impacted by tourism. Thus, Tourism's economic impact on the SADC area may be increased by strengthening the region's finance sector.

## METHODS

### Growth of Tourism

Tourism is critical to the country's social and economic progress. In nature, tourism is quite active. In both geographical and temporal situations, it varies. A variety of factors influence the development of tourism in every place or region. Tourism development might be beneficial or harmful. When the number of visitors increases, it is considered a good development. When the number of tourists drops in comparison to previous years, this is known as negative growth. Tourism inflow is influenced by a variety of variables such as socioeconomic, political, natural, and pandemic events.

Travel and tourism Human civilization has been influenced by them ever since the beginning. It has developed through time, with highs and lows. A modest but steady rise in India's foreign tourism began in India's early twentieth century. Since India has been exposed to affluent countries, this has happened as a result of that exposure. Its origins may be traced back to the construction of tourist infrastructure.

Since India's tourist business has grown tremendously since the early 1990s. Visitors from affluent countries who come for holidays, sightseeing, business, and meetings are fueling the growth of the tourist industry. In the last several decades, transportation, accessibility, communication, and housing have all improved, encouraging more people to travel and see new places. After the 1980s, India became a famous tourist destination. A surge in visitor numbers to South Asia in 1990 is attributed in large part to the popularity of India as a tourism destination for those living in the area. South Asia's tourism industry is dominated by visitors from this region, as well as roughly 75% of all tourist revenues.

To calculate a country's tourist index, a variety of factors are used. Two are particularly significant. International tourist arrivals and tourism revenues are the top and second, respectively. Foreign tourists (FTAs) and domestic tourists (DTAs) make up the majority of India's growing tourism industry (DTAs) (DTAs).

### Data description

The study used annual data from 1960 to 2014 and includes GDP per capita as well as two additional exogenous variables. By encouraging specialisation and boosting factor productivity via increased competition, as well as by fostering positive externalities via the spread of specialised knowledge and talents, Balassa's (1978) new economic growth theory claims that export expansion may drive economic development. Financial development is a well-established source of competitive advantage study's special elements in the case of India that reduces the bias of the omitted variable. GDP and international tourist revenues are calculated in by converting to US dollars, the data is less sensitive to changes in the value of the local currency.

### DATA ANALYSIS

The Government of India's Economic Survey, published in India, presented statistics for all three variables. Table 1 contains the data series' correlation matrix and descriptive statistics research for easy reference.

The growth, tourism, and financial development are all favorably affected by the natural logarithm of growth associated, as seen in the correlation matrix.

Furthermore, our data does not include any anomalies.

**The model**

This research uses an additional factor in India's tourism and economic growth is the country's financial development omitted-variable bias. Eq. 1 shows the model's general functional form for estimating tourism's effect on economic growth (1).

$$G_t = f(T_t \times F_t) \tag{1}$$

All The natural logarithmic (ln) form of the data series has been used, in accordance with the current literature, so that computed coefficients reflect elasticities and are efficient. The following is a representation of the log-linear model:

$$\ln G_t = \ln T_t + \ln F_t + \mu_t$$

where G is the Gross domestic product as a percentage of the population In this equation, T stands for the per capita revenue from international tourism, F stands for financial development, and t stands for time term.

**Table 1: Correlation matrix and descriptive statistics**

Statistic	Growth (lnG)	Tourism (lnT)	Financial Development (lnF)
Mean	5.7331	4.6851	4.3161
Median	5.7368	5.1258	4.1128
Maximum	7.3281	7.3466	7.9811
Minimum	4.4285	1.7407	1.8405
Standard deviation	0.8469	1.8012	1.9980
Skewness	0.2840	-0.3773	0.5200
Kurtosis	2.2260	1.8965	2.0246
Jarque bera (Probability)	2.1120 (0.3478)	4.0953 (0.1290)	4.6591 (0.0973)
Observations	55	55	55
Correlation			
lnG	1.0000	-	-
lnT	0.9656	1.0000	-
lnF	0.9757	0.9270	1.0000

**Analysis of the long-run and short-run impact**

Using the Augmented Dicky–Fuller and Philip Perron unit root tests, we were able to determine that the variables were not I, the series' integrating qualities, before proceeding. Table 2 summarises the results of the ADF and PP tests.

A country's total health and prosperity can't be measured by static measures like GDP growth, tourist arrivals or financial development, according to research. However, in the first difference form, all variables are fixed. lnGt, lnTt, and lnFt all refer to GDP per person, and they are all ordered in the same order. An growing number of macroeconomic series have been shown to be I.

**Table 2: ADF and PP unit root tests results**

Variable	ADF		PP		Inference
	Constant	Constant and trend	Constant	Constant and trend	
lnG <sub>t</sub>	0.4463(0)	-1.5885(0)	0.4463(0)	-1.7485(2)	Nonstationary
lnT <sub>t</sub>	-0.7997(1)	-2.0684 (1)	-0.5362(3)	-1.8114(3)	Nonstationary
lnF <sub>t</sub>	0.6072(1)	-2.4694(1)	1.4035(1)	-2.3436(1)	Nonstationary
ΔlnG <sub>t</sub>	-6.6532*(0)	-6.6581*(0)	-6.6532*(0)	-6.6580*(1)	Stationary
ΔlnT <sub>t</sub>	-4.7493*(0)	-4.7049*(0)	-4.7738*(1)	-4.7286*(1)	Stationary
ΔlnF <sub>t</sub>	-4.4457*(0)	-4.6251*(0)	-4.3912*(3)	-4.4223*(4)	Stationary

**CONCLUSION**

Researchers have been able to estimate the long- and short-term elasticity of economic growth using this method in the tourist sector. Surprisingly, we discover that foreign Profits from foreign tourists help India's economy both in the near term and in the long run. Long-term, a 1% increase in foreign tourist income improves the GDP of India by 0.2% on average. Over the course of the study, the estimations of the parameters are consistent. This shows that tourist income is outpacing GDP growth. In conclusion, these empirical data confirm the tourism-led wide hypothesis of development application. In terms of policy, our results support the long-term goal of the Indian government is to increase economic growth through investing in the tourism industry. The industry of travel and tourism potential to boost India's economic growth, and policymakers should take this into account when considering how to encourage incoming tourism.

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