CHAPTER - 6

TOURISM AS A PRO-POOR GROWTH STRATEGY
6.1. INTRODUCTION:

Poverty is a complex socio-economic state and is regarded both a condition of economic inefficiency and condition of social and political exclusion. It is a barrier between entitlement and access to income, employment and basic necessities of life; behind the barrier the poor and weaker sections of the society are vulnerable to exploitation of various kinds including social discrimination. It is one of the serious problems of the present generation.

As per Internationally accepted norms of poverty, a person is considered to be the poor and falling below the poverty line, if he cannot just have one kilogram of rice per day and this concept is based on the calories requirement and minimum needs for subsistence. Poverty is one of the core problems of every country world over. In Indian context, the poverty emphasizes more on minimum level of living rather than on reasonable level of living. Accordingly, it is broadly agreed that poverty can be termed as a situation where a section of the population fails to reach a certain minimum consumption standard. Poverty in India is defined with reference to consumer expenditure surveys by the National Sample Survey Organization (NSSO). Poverty imposes an oppressive weight on India. The Indian Government has accorded great importance to poverty reduction, which since independence has been a major goal of all Five Year Plans. Some states in India have been particularly successful in reducing the poverty ratios in the total population. After more than fifty years of Independence India still has the world's largest number of poor people. The World Bank which, defines poverty as survival on less than $1.25 per day, says India reduced poverty from 60% of the populace to 42% between 1981-2005, but says that country still accounts for one-third of the world’s 1.4 billion poor people. More than
75% of poor people reside in villages. The poverty level is below 10% in states like Delhi, Goa, and Punjab etc whereas it is below 50% in Bihar (43) and Orissa (47). It is between 30-40% in Northeastern states of Assam, Tripura, and Meghalaya, Tamil Nadu and Uttar Pradesh. So far as the state of Jammu and Kashmir is concerned, the poverty has also its roots there. The poverty ratios of the Jammu and Kashmir state has decreased by 47.02 % (19.20 percentage points) i.e. 40.83 % to 21.63 % from the base year 1973-74 to 2007-08 which shows the same trend as observed at an all Indian level (49.89 percent) during the period 1973-74 to 2004-05. The poverty figures in respect of the Jammu and Kashmir state seem reasonably consistent and in tandem with the trend of poverty decrease during the years under reference at the national level.16

Poverty alleviation is an International objective and the entire process of planned development has been directed towards attainment of this objective. Poverty in a wider sense reflects the collective and cumulative effect of economic patterns and forces, politics, sociology, geography and history of a society and is the root cause of the social strife, backwardness and political instability. For the developing countries, poverty alleviation, and eventually its elimination, is the most important goal. Since all countries of the world over suffer from poverty, developed countries with lesser degree and less developed countries with greater incidence. Characteristic features, causes and profile of poverty appear to be almost the same in all countries and measures taken to alleviate poverty are also similar in almost all countries.

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16 As per the figures thrown out by the fresh BPL Survey conducted by Directorate of Economics and Statistics 2007-08 in Jammu and Kashmir.
6.2. THEORITICAL LINKAGE BETWEEN TOURISM AND POVERTY:

Now the question arises how to alleviate poverty. Poverty alleviation has become an essential condition for peace, environment conservation and sustainable development, besides being an ethical obligation in an affluent world, where the divide between poor and rich nation seems to have increase in recent years. There is a stronger evidence that tourism if developed and managed in a sustainable manner, can make significant contribution to alleviate poverty, especially in rural areas, where most of the poor live and where there are very few other development option. In order to analyze the linkage between tourism and poverty alleviation it is important to define tourism first. Tourist is defined as temporary visitors who spend more than 24 hours in destinations other than their normal place of residence.\(^{17}\) The motive for the journey should be for holiday making, recreation, health, study, religion, sports, visiting family or friends, business or meetings (Sinclair 1998). The current study adopts this definition. Theoretically, therefore tourism is an economic activity, which belongs to the invisible trade section of the balance of payments accounts. It is deemed to be an export of services to the foreign countries from which the visitors originate. For the local or domestic tourists, tourism is accounted for within the internal trade regime and captured from the relevant sectors. Therefore, tourism as a sector can theoretically be linked to poverty alleviation by identifying its advantages in development of local economies. In this study we are supposed to discuss about the tourism and can tourism be an active agent for the poverty alleviation. Initially the influence of tourism has been considered in terms of its contribution to GDP and generation of employment. Growth of tourism was measured in terms of an increase

\(^{17}\) The United Nations Conference on International Travel and Tourism in 1963
of tourist’s visits, tourism expenditure and value of tourism spending. The argument for tourism development as a means to bring economic development in a country or region has been referred to as tourism development will trickle down the benefit to the poor. There is no denying of the fact the development of tourism employs people from the lower economic and social classes. There is a need for pro-poor tourism policies and practices that has to be developed.

The British Department for International Development (BDID) was the first agency to promote the concept of pro-poor tourism (PPT), which was successfully placed in the respect of the commission on sustainable development in April 1999 (Goodwin and Maynard 2000). After funding a desk-based review of tourism and poverty conducted in 1999 by Deloitte and Touché, the International Institute for Environment Development (IIED) and the Overseas Development Institute (ODI) – DFID supported research to review the experience of (PPT) strategies based on six commissioned case studies. ODI, IIED, and the International Centre for Responsible Tourism at the University of Greenwich (CRT) jointly undertake this work during 2000 and 2001, together with in country case study collaborators. The pro-poor approach subsequently received wider support within the World Tourism Organization’s (WTO) paper on poverty alleviation and tourism (WTO 2002).

A) What is pro-poor tourism and why focus on it.

Pro-poor tourism (PPT) interventions aim to increase the net benefits for the poor from tourism and ensure that tourism growth contributes to poverty reduction. PPT is not a specific product or sector of tourism but an approach. PPT strategies aim to unlock opportunities for the poor for economic gain, other livelihood benefits, or participation in decision making. Poverty reduction is not usually at the heart of the
tourism agenda. Yet tourism is significant in many poor countries and is already affecting the livelihood of millions of poor people, positively and negatively. Poverty reduction requires pro-poor growth. Concerted effort is needed to maximize the contribution of tourism to this.

PPT differs from other forms or concepts of tourism because it has poverty reduction as the prime goal (Ashley et al, 2001). It differs from sustainable tourism, whose main thrust is on environmental sustainability. The environment is a component of PPT because it is critical resource base for the poor, but its protection and conservation are not the over-arching goal. Similar, sustainable tourism is frequently and sometimes wrongly categorized as alternative tourism; ecotourism, rural tourism, community based tourism, adventure tourism, cultural tourism etc. but the PPT approach is applicable also to large-scale forms of tourism, or mass tourism.

Tourism has been identified by more than half of the world’s poorest countries as an effective means to take part in the global economy and reduce poverty. Tourism is increasingly a major, if not the main source of growth, employment, income and revenue for many of the world’s developing countries. This sector is currently the first or second source of export earnings in 20 of 40 Least Developed Countries (LDC’s) and is demonstrating steady growth in at least 10 others. Tourism has become the main engines of socio-economic progress for many countries and a development priority for a majority of the LDC’s.

The countries like India, tourism is very important because India is one of the countries in which millions of tourists come every year because of the historical,

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United Nations World Tourism Organization (UNWTO)
cultural and natural importance of India. India is the only country in the world where we can find a vast number of cultures and traditions. Even India is a multilingual country and tourism is one of the major sources of income for India. Tourism industry in India is based on certain core nationalistic ideals and standards which are: **Swaagat** or information, **Sanrachana** or infrastructure, **Suvidha** or facilitation, **Safaaai** or cleanliness and **Surakshaa** or security. The tourism industry in India is helping the growth in other sectors as diverse as horticulture, handicraft, agriculture, construction and even poultry. These are all mostly labour intensive and absorb the people of lower strata. So tourism in India can help to remove the poverty if knowing the significance of this smokeless industry.

Therefore, the significance of the study arises from the intended ambitions of trying to quantify the economic effects of tourism in India with special reference to the State of Jammu and Kashmir and their contribution towards poverty alleviation. The study is also significant due to its endeavor to indentify and suggest ways in which tourism can be used to contribute towards poverty alleviation.

**6.3. EMPIRICAL LITERATURE AND ESTIMATION METHODOLOGY:**

Numbers of studies are there on tourism and poverty alleviation. Some studies are mentioned below which are most related to this study like (Roy H. 2010), (Bazini E. and Nedelea A. 2008), (Muganda M., et al. 2010), (Lapeyre R. 2010), (Mshanga, et al. 2010). (Scheyvens R. 2009), (Deaton A. and Dreze J. 2007). It has been studied that in some cases tourism could not make a dent in the removal of poverty but some studies has examined seven signifiers of poverty alleviation: accessibility, improvement transport and communication, prices of goods and services, entrepreneurial training, income-generating projects, employment opportunities,
general quality of life and household income etc. for which tourism has any impact or not and it was found that tourism has it its role there. It has been also assessed the potential contribution of community-based tourism enterprises (CBTEs) to poverty alleviation and empowerment and it was found that tourism income captured locally improves rural households, livelihoods and generates linkages in the local economy. It has also been explored that whether pro-poor tourism (PPT) has the potential to transfer the way in which governments, the private sector and other agencies are working to ensure that tourism is actually delivering a greater proportion of tangible benefits to the poor. Over all the majority of the studies has got the positive results about tourism as a pro-poor growth strategy.

As the tourism industry is emerging as the biggest industry in the world, and provides the huge employment opportunities, particularly at the lower level where the higher educational degrees are not the prime requirement. This industry has the potential to increase the living standards of the people and can help to alleviate the poverty as well. Most of the existing literature about the present study highlights the relationship between the tourist arrivals, poverty and income, tourism receipts. In almost all the studies relating to this study has proved that tourism had its impact on the poverty. As the tourism activities anywhere take place, the poverty level has come down because tourism has an income multiplier effect also. People below the poverty line will come out of the vicious circle of poverty and there will be the increase in their welfare.

This chapter focuses mainly on two variables and has studied the relationship of poverty with them such as tourism receipts, per capita income at India level and the relationship has been studied through the use of panel data regression technique by
regressing percentage of poverty on percentage of tourism receipts and per capita income in different states of India as we consider the tourism receipts as representative of tourism has been studied. This study did not use tourist arrivals as an independent variable and instead of this it has used tourism receipts. The reason is that the tourist arrival may not tell the actuality of whether it can reduce the poverty or not because there may be some tourists whose spending may not reach to the poor strata who are directly or indirectly connected with the tourism industry. Therefore, this study has taken tourism receipts as one of the explanatory variable instead of numbers of visits which can more exactly and accurately tell the intensity of the impact on people living below poverty line.

It is being assumed that the growth of tourism leads to an increase in per capita income and reduction of poverty in the respective states. This study has used the multiple regression for panel data to study the relationship of poverty with tourism and per capita income. Therefore, the equation of the model estimated is as follows:

\[ P_{it} = \beta_1 + \beta_2 T_{it} + \beta_3 PCI_{it} + u_{it} \]  

(6.1)

Where \( P \) = Percentage of poverty for \( i \) states during the time \( t \), \( T \) = Percentage of tourism receipts \( i \) states during the time \( t \), \( PCI \) = per capita income \( i \) states during the time \( t \), and \( u \) = disturbance term.

Panel data also known as longitudinal time series data in which the behavior of entities is observed across time. These entities could be states, countries, companies, individuals etc. Panel data may have group effects, time effects or both. These effects are either fixed effect or random effect. A fixed effect model assumes
differences in intercepts across groups or time periods, where as a random effect model explores difference in error variances.

Fixed-effect (FE) model is being used whenever we have to analyze the impact of variables that vary over time. FE explores the relationship between predictor and outcome variables within an entity. Each entity has its own individual characteristics that may or may not influence the predictor variables. When using FE we assume that something within the individual may impact or bias the predictor or outcome variables and we need to control for this. This is the rationale behind the assumption of the correlation between entity’s error term and predictor variables. FE removes the effect of those time-invariant characteristics from the predictor variables so we can assess the predictor’s net effect. Another important assumption of the FE model is that those time-invariant characteristics are unique to the individual and should not be correlated with other individual characteristics. Each entity is different therefore the entity’s error term and constant (which captures individual characteristics) should not be correlated with the others. If the error terms are correlated then FE is not suitable since inferences may not be correct and then we need to mode that relationship (probably using random –effects). This is the main rationale for the hausman test.

The equation for the fixed effects model becomes;

\[ Y_{it} = \beta_1 X_{it} + \alpha_i + u_{it} \]  

Where;

\( \alpha_i \) \ (i=1,\ldots,n) is the unknown intercept for each entity \(n\) entity-specific intercepts).
$Y_{it}$ is the dependent variable (DV) where $i=$ entity and $t=$time.

$X_{it}$ represent one independent variable.

$\beta_i$ is the coefficient for that independent variable.

$u_{it}$ is the error term.

The rationale behind Random Effects Model is that, unlike the fixed effects model, the variation across entities is assumed to be random and uncorrelated with the predictor or independent variables included in the model.

If there is the reason to believe that differences across entities have some influence on dependent variable then random effects should used? An advantage of random effects is that time invariant variables can be included. In the fixed effects model these variables are absorbed by the intercept.

The random effects model is:

\[ Y_{it} = \beta X_{it} + \alpha + u_{it} + \epsilon_{it} \] \hspace{1cm} (6.3)

Random effects assume that the entity’s error term is not correlated with the predictors which allow for time-invariant variables to plays a role as explanatory variables. (RE) allows generalizing the inferences beyond the sample used in the model.

To decide between fixed or random effects we can run a Hausman test where the null hypothesis is that the preferred model is random effects vs. the alternative the fixed effects. It basically test the unique errors ($u_{it}$) are correlated with the regressors, the null hypothesis is they are not.
This study has also used the multiple regression for time series to study the relationship between tourism, poverty and per capita income at Jammu and Kashmir level. Therefore, the equation of the model estimated is as follows:

\[ P_t = \beta_1 + \beta_2 T_t + \beta_3 PCI_t + u_t \quad (6.4) \]

Where \( P \) = Percentage of poverty for during the time \( t \), \( T \) = Percentage of tourism arrivals during the time \( t \), \( PCI \) = per capita income during the time \( t \) and \( u \) = disturbance term.

The data for this study has been collected for 22 states including union territories in India. These states are Andhra Pradesh, Karnataka, Kerala, Tamil Nadu, Assam, Arunachal Pradesh, Manipur, West Bengal, Mizoram, Nagaland, Sikkim, Tripura, Rajasthan, Madhya Pradesh, Utter Pradesh, Maharashtra, Goa, Gujarat, Chhattisgarh, Himachal Pradesh, Jammu and Kashmir, and Jharkhand. The data for Per capita income and BPL has been collected from RBI hand book of statistics and Economic Survey of Jammu and Kashmir. The data on the tourism receipts has also been collected from Handbook of statistics Reserve bank of India. The study period taken has been for four years i.e. 2002, 2003, 2004 and 2006 for all selected states at India level. The actual number has been calculated into the percentages for BPL. The period analyzed for Jammu and Kashmir study is for six years. The data has been collected from Economic Survey of Jammu and Kashmir 2009-10 and RBI hand book of statistics. There have been some limitations of the data particularly for the data about Below Poverty Line. This data is not available for some states during the selected time period. Latest available data for BPL was not available, that is why the study has been restricted for only few years. At J&K level, tourist arrival instead of tourism receipts has been used.
6.4. RESULTS AND DISCUSSIONS:

A) Impact of tourism on poverty in India.

This study resorted to panel data regression techniques as both fixed effect and random effect model are used to measure the influence of tourism on the poverty. This study has also used per capita income as one of the determinant of poverty.

Table 6.1: Estimates of the Impact of Tourism on Poverty in India.

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>FIXED EFFECT MODEL</th>
<th></th>
<th></th>
<th></th>
<th>RANDOM EFFECT MODEL</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coeff.</td>
<td>Std.Err.</td>
<td>t</td>
<td>P&gt;</td>
<td>t</td>
<td></td>
<td>Coeff.</td>
<td>Std.Err.</td>
</tr>
<tr>
<td>PCI(rupees)</td>
<td>-0.0007972</td>
<td>0.0002951</td>
<td>-2.70</td>
<td>0.009</td>
<td>-0.0006667</td>
<td>0.0001734</td>
<td>-3.84</td>
<td>0.000</td>
</tr>
<tr>
<td>TOURISM RECEIPTS (lakhs)</td>
<td>-0.0010882</td>
<td>0.002166</td>
<td>-0.50</td>
<td>0.041</td>
<td>-0.0016583</td>
<td>0.0019066</td>
<td>-0.87</td>
<td>0.382</td>
</tr>
<tr>
<td>_CONS</td>
<td>34.34812</td>
<td>5.758303</td>
<td>5.96</td>
<td>0.000</td>
<td>31.90726</td>
<td>3.708827</td>
<td>8.60</td>
<td>0.000</td>
</tr>
</tbody>
</table>

The estimated results showed that both the tourism receipts and per capita income has an inverse relationship with poverty. As the per capita income and tourism receipts has a negative coefficient which indicates that whenever there was an increase in these two regressors there has been a decrease in the poverty. Thus in this study we are rejecting the null hypothesis that there is not strong association between tourism and poverty and alternatively accepting that tourism has a significant influence on poverty in India.
Table 6.2: Weighted Statistics.

<table>
<thead>
<tr>
<th></th>
<th><strong>FIXED EFFECT</strong></th>
<th><strong>RANDOM EFFECT</strong></th>
<th><strong>HAUSMAN TEST</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>R-squared</strong></td>
<td><strong>Prob &gt; F</strong></td>
<td><strong>R-squared</strong></td>
</tr>
<tr>
<td><strong>R-squared</strong></td>
<td>0.2345</td>
<td>0.0199</td>
<td>0.2386</td>
</tr>
</tbody>
</table>

In table 6.2, the hausman test has been applied to decide between fixed or random effects. Here the null hypothesis is that the preferred model is random effects vs. the alternative the fixed effects. It basically tests whether the unique errors ($u_i$) are correlated with the regressors; the null hypothesis is they are not. In this study the value of 0.7961 is greater than 5% level of significance and thus we are using the results of random effect model only.

**B) Impact of tourism on poverty in Jammu and Kashmir.**

This section focuses on two variables and has studied the relationship of poverty with them such as tourism arrivals, per capita income. This study checked out the relationship between the three variables through the use of time series regression technique by regressing percentage of poverty on percentage of tourist arrivals and per capita income in J&K. The results are presented in the table below;

**Dependant variable: Head Count Ratio (HCR)**

|            | Coef.     | Std. Err. | t     | P>|t| |
|------------|-----------|-----------|-------|-----|
| TA         | -.8144785 | 1.082293  | -0.75 | 0.506 |
| PER CAPITA INCOME | -.0000246 | .0001309 | -0.19 | 0.863 |
| _CONS      | 5.305213  | 2.698389  | 1.97  | 0.144 |

<table>
<thead>
<tr>
<th>No. of obs.</th>
<th>F(2,3)</th>
<th>Prob&gt;F</th>
<th>R-squared</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>1.02</td>
<td>0.4598</td>
<td>0.2750</td>
</tr>
</tbody>
</table>

Generally with the increase in the tourist arrival to the region or country it has proved to be the instrument for the reduction of poverty and increase in per capita income means the living standard or purchasing power of the people has increased and thereby if it is so then there will be of course the reduction in the poverty level. But in the case the Jammu and Kashmir, the results are almost reverse depicting that the tourist arrival is not helpful for the removal of poverty as is evident from the table 6.3. The coefficient for the tourist arrival is negative and is not significant. The per capita income has a positive coefficient and is also not significant. The major reason for these strange results may be the irregular data for Jammu and Kashmir Head Count Ratio’s. For the year 1999 and 2004, the HCR figures for J&K state are very low as compared to the other years selected for the study. Overall it can be interpreted that there is an increase in the number of tourist arrival to the state and with this
increase in arrival the per capita income has also increase. Tourism is also a major factor for the removal of poverty but in J&K state it is showing the reverse, which is not the fact and is only because of the lack of the proper data on Head Count Ratio.

6.5. SUMMARY:

This chapter studied the relationship of poverty with tourism receipts and per capita income at India level. The relationship is studied through the use of panel data regression technique by regressing percentage of poverty on percentage of tourism receipts and per capita income in 22 states of India as we consider the tourism receipts as representative of tourism. It is being assumed that the growth of tourism leads to an increase in per capita income and reduction of poverty in the respective states. At an India level the period analyzed is for four years. This study resorted to panel data regression techniques as both fixed effect and random effect model are used to measure the influence of tourism on the poverty. The estimated results showed that both the tourism receipts and per capita income has an inverse relationship with poverty. As the per capita income and tourism receipts has a negative coefficient, which indicates that whenever there was an increase in these two regressors there has been a decrease in the poverty.

For Jammu and Kashmir the study has used the time series regression technique for analyzing the relations of poverty with tourist arrival and per capita income. The period has been analyzed for six years. Tourism which is being considered the pro-poor growth strategy but with the lack of proper availability of data on the Head Count Ratio the study show the reverse results. On the whole tourism has a great prospectus for the poverty alleviation in any country or region as there is the lot of evidence through the literature available.