CHAPTER-II

LITERATURE REVIEW, THEORETICAL FRAME WORK AND METHODOLOGY

2.1 Introduction

Literature review is a very important component of any research study. It provides invaluable information on what others have done and also helps in tracing the progress in the field of survey. It is a body of text that aims to review the critical points of current knowledge including substantive findings as well as theoretical and methodological contributions relating to a particular topic. Literature reviews are secondary sources and as such, do not report any new or original experimental work. Also, a literature review can be interpreted as a review of an abstract accomplishment. The literature review starts with the selection of a problem for research, continues through various stages of the research process and ends with report writing.

This chapter has three sections. The first section focuses on the review of literature. The various reviews of literatures are classified as follows:

1. Literature Review on Tourism and Economic growth.
2. Literature Review on Tourism and Employment.

The Second section focuses on methodology and data base of the study. The third section focuses on theoretical foundation of Tourism development.

2.2 Literature Review on Tourism and Economic growth

Many theoretical and empirical research works have been undertaken to analyze the relationship between tourism and economic growth. Most relevant studies are presented below.

Bipin N.Bandekar (2014) in his paper “Contribution of Tourism sector to India’s GDP” aims at studying the trends of global tourism, Indian tourism and examining the contribution of tourism sector to India’s GDP. The study brings into light that expenditure is strong and positive, but the relationship between tourism’s contribution
to GDP and employment is found to be negative. According to his study internal consumption, foreign exchange earnings and foreign tourist arrivals are proved as significant influence of tourism on development of Indian economy, whereas visitors export, tourism contribution to employment, capital investment and government expenditure are insignificant.

Harini.K.V et.al (2014) in their paper “Growth and Prospects for service sector in globalised economy: A study of Indian tourism industry” examines the growth and trends in Indian service sector. The paper analyzed the contribution of tourism industry to the growth of service sector and economic contribution of tourism industry in the 21st century. It is observed that international tourism constitutes the invisible export trade. The paper concludes that it is the necessary duty of all wings of central and state governments, private sectors and voluntary organization to become active partners in the endeavour to attain sustainable growth in tourism.

Sirajuddin Chougle(2014) in his paper “Domestic tourism- An engine to propel growth of tourism sector” aims to highlight the importance of domestic tourism, which is the overall scenario of emphases on international tourism gets relegated to the background and seems to be neglected. The paper observes that growth of domestic tourism can help to overcome social conflict that India is prone to because of its diversity. The researcher accepted the fact that it is domestic tourism which propels the sector.

Nellamokkada Mamatha (2014) in her article “The role of Home stays for rural Tourism Development in Kodagu” evaluates the positive and negative impacts of home stay tourism for local communities and tourist arrivals. The paper highlights the idea that home stays are not only for rural tourism or cultural rural tourism product but a strategy for rural development. The study focuses on the development of personalized relationships and genuine contact with the host. The opinion of the author was that the tourists are able to shed light on the way in which one experienced the cultural, lifestyle and values in which Coorg was showcased. The study reveals that the home stay tourism has provided an opportunity to give more importance to nature, social and community values.
Vishwanatha (2014) in his paper “The Economic Impacts of Eco-Tourism” analysis the positive and negative aspects of eco-tourism on economy. The development of eco-tourism would bring considerable amount of economic returns to help stimulate the local economy. It also supports the process of local and regional development. Eco-tourisms are perceived to provide high economic impacts on the increase of employment opportunities. The results indicated that eco-tourism in Kodagu district will not only improve local development, but will also have high positive impacts on conservation activities. The study identified the strength, weakness and opportunities of eco-tourism.

Georgantopoulos (2013) empirically examined the relationship between tourism activity and economic development. The Main aim of the study is to analyze the causality between output growth and expenditure. The study used Philips-Perron and KPSS unit root tests and Johansen co-integration tests. This study has provided aggregated model which indicated that all variables return to their long-run equilibrium relationship. Although this model is failed to support the significance of causal links between tourism expenditure and real output in India.

Sharma (2013) in his paper empirically studied the growth of tourism industry in India. The study reveals that tourism is the largest service industry in India, with the contribution of 6.23 percent to the national GDP, providing 8.7 percent of the total employment and generated about US$100 billion in 2008 at an annual growth rate of 9.4 percent. This paper identified the range of issues and problems which were associated in tourism development and hindered tourism development in India.

Lalnumawia (2012) in his article “Development and Impact of Tourism Industry in India” analyzed the impact of tourism industry on development, the process of development of tourism, present situation and features of tourism in India. This article examined constraints of tourism development in India and analyzed several positive and negative impacts of tourism on economy and society.

Karthik (2012) analyzed the role of tourism sector in economic development in India. He observed that tourism industry in India is growing very rapidly and has potential for generating employment and earning large amount of foreign exchange. This work makes attempts to evaluate the role of tourism as one of the service industries in India.
and its impact on the overall economic development of the country. This paper makes an attempt to provide wide analysis of positive and negative impacts of tourism sector in India.

Leena (2012) analyzed the impact of tourism on Indian economy. This paper examines how India is emerging as a popular tourist destination in the world. This paper observes that there has been a tremendous growth in tourism in India because of the policies of the government and support at all levels. The opinion of the author is that many events like 20/20, IPL Cricket matches, Common wealth games etc., work as a big catalyst for promoting tourism in India.

Nowjee et al. (2012) has observed the relationship between tourism, real exchange rate, economic growth in the context of the Mauritian economy. Based on the annual data of real gross domestic product, tourist arrivals and real effective exchange rate for the period 1981-2010, the analysis was conducted with a multivariate vector error correction model. Simple pair wise Granger Causality test unidirectional causality running from tourist arrival to real effective exchange rate and from economic growth to real effective exchange rate.

Ramakrishna (2012) studied Karnataka Tourism Policy 2009-14. The analysis showed that tourism and travel industry plays a prominent role in improving socio-economic condition. According to the study, state government is required to review existing tourism policy periodically in tune with the National Tourism Policy. India has stepped up efforts to keep new tourism policy with an aim to protect the interest of the stakeholders and strived to become more pro-poor. The major suggestion included strengthening the home stay policy, supporting the artisans to showcase the rural tourism etc.

Parmar Jaysingh (2012) in his article explains tourism as an engine for economic growth. In his study, he basically focuses on Himachal Pradesh to examine the rural economy of that place. In his study he concluded that Himachal Pradesh has emerged as favorite destinations for both the domestic and foreign tourists. The results of the study also showed that the economic stability of the place increases with the growth of tourism sector.
Barna maullick (2012) in his article highlights tourism as a strategy for rural development. His article gives more priority to tourism sector and its contribution to earn foreign exchange. The researcher also aims at examining the accelerating trend of tourism sector towards attracting the foreign tourist arrivals in India from 2001 to 2010.

Jackman and Lorde (2012) examined the supply side hypothesis of tourism demand. The results show that there is a long run relationship between real GDP in Barbados and tourism growth. The study also concluded that 1 % expansion in real GDP is associated with a 1-2 % increase in tourist arrivals. Thus supply side hypothesis is valid for Barbados.

Arslankurk et al. (2011) analyzed the real tourism receipts and real GDP for Turkey. This study mainly used State space, time-varying coefficient and rolling window method for data covering 1963 to 2006 periods. The paper highlights the concept of the economic policies. This paper identified that changes in economic policies worldwide as well as political and social environment could influence tourism receipts and GDP in Turkey.

Mishra (2011) in his study on ‘Causality between Tourism and Economic Growth’ analyzed the growth of tourism in India. He observed that tourism is an efficient tool for promoting economic growth of the host country. The study analyzed tourism industry in India which has been growing at a rapid pace from the past few decades. Tourism has vast potential for generating employment and earning large amount of foreign exchange. The study employed time series data for the period of 1978 to 2009. The study provides evidence of existing causality between tourism sector and economic growth of the country. The study recommended active partnership among Central government, State government, private bodies and voluntary organizations in tourism to attain sustainable growth of tourism sector and overall economy as well.

Samimi (2011) in his study on “Tourism and Economic Growth in Developing Countries” used P-VAR approach and analyzed the growth of tourism as one of the most significant export sector in many developing countries and means to achieve economic growth. The study used the causality and long run relationship between economic growth and tourism development in developing countries using P-VAR
approach during 1995-2009. The study reveals that, there is causality and positive relationship between economic growth and tourism development.

**Suresh et.al (2011)** analyzed the relationship among tourism, trade and economic growth in Indian perspective. This study has made an attempt to test short-run and long run relationship among tourism, trade and real income growth in India for the period of 1996 to 2009. The study used popular time series models for the co-integration analysis. The study reveals the existence of a long run relationship among tourism, trade and real income growth in India.

**Srivatava (2011)** in his study examines the economic benefits due to tourism growth. His study basically focuses on the tourist destination Agra, to evaluate the economic benefits arising to the state by tourist arrivals to Agra. This study used Chi-square technique and evaluated benefits from tourism sector and obstacles faced by the tourists at Agra.

**Patil et.al (2011)** in their paper analyzed the performance of services in tourism sector. The paper also laid emphasis on the contribution of tourism for economic development. This paper reveals that tourism development can be a major engine of economic growth. The researchers concluded that tourism helps to eradicate unemployment and poverty.

**Dutta (2011)** analyzed alleviation of poverty through sustainable tourism in Kolkata. The study reveals the benefits of sustainable tourism for poverty alleviation at the root level. The aim of the research is narrowed down to a significant research area, local cuisine and local handicrafts sold by artisans directly as street vendors to the seasonal tourists. Qualitative and quantitative natures of research methods were followed. The research paper tries to analyze the problems faced by the local vendors and food sellers in the city.

**Spenceley et.al (2010)** have analyzed that tourism is the leading and growing export sector in Rwanda. The paper analyses the information from value chain analysis, complementary research, and stakeholders’ testimonies to reveal the benefits that accrue to people living around the park. It quantifies pro-poor financial and non financial benefits from gorilla tourism. This paper reveals an increase local benefit from gorilla tourism and other tourism activities of the private sector, increasing joint venture
agreements, enhancing opportunities for local employment and improving business are recommended.

Michot (2010) examined the tourism policy of Kerala state. His study was mainly based on the effects of the lifestyle of residents of Kumarakom, a heritage place in Kerala state. The study found that the tourism policy of Kerala state affected the economic and sociological condition of the local community at Kumarakom in a positive manner. The study also highlighted on the financial and non-financial effects of tourism on the local community. His final conclusion was that tourism plays a positive role in eradicating poverty.


Vijay Takoor’s (2010) article ‘Rural Tourism’ examines that rural area, due to lack of shelter, infrastructure facilities and many other aspects could not attract more number of tourist people. Rural tourism market facilitates for the development of art, culture, artisans etc., Rural Tourism begins in India since 2002, with the main objective of exposing cultural richness to world. Rural tourism helps to develop rural areas.

ILO Global Dialogue Forum on New Developments and Challenge (2010) reveals that the travel and tourism industry is the largest and most dynamic industry. Global economy is expected to generate about 9% of total GDP and provides more than 235 million jobs in 2010 representing 8% of Global employment. According to ILO report prepared for the Forum International Tourism was affected by the global economic and social crisis and expecting the tourism sections of global economy to provide 296 million jobs by 2019. Tourism has the potential to become a major generator of job.

Dritsakis (2010) empirically examined the impact of tourism on the long-run economic growth of Greece by using the causality analysis among real gross domestic product, exchange rate and international tourism earning. A multivariate autoregressive VAR model is applied for the period 1960 to 2000. The result of co integration analysis suggested that there is one co integrated vector among real gross domestic product, real
effective exchange rate and international tourism earnings. Granger causality tests based on Error Correction Model indicated that there is a strong Granger Casualty relation between international tourism earning and economic growth, strong causal relation between real exchange rate and economic growth and simple casual relation between real exchange rate and international tourism earnings.

Aliqah (2010) empirically examined in his research to determine the impact of the tourism sector on economic growth in Jordan during the period 1990 to 2008 by using descriptive statistical method. The study reveals that the tourism sector witnessed significant growth in tourism services, tourism infrastructures, institutional framework and tourist arrivals. The study revealed that the contribution of the tourism sector to GDP for the period of 1990 to 2008 has seen variation ranging between 12.3 and 14.6 percent. The contribution of tourism sector in the field of employment is 2.5 percent of the total manpower recruitment.

Katircioglu (2009) has observed that “a growth in real output leads to growth in R & D, advertising and promotion facilities and capacities in tourism sector as well; thus attracts more international tourists from other Countries. On the other hand capital investment in sector increases with the growth in trade sectors especially with imports. Thus, growth in tourism based investment and tourism capacity stimulates growth in international tourist arrivals too. Business travels also are important part of tourism sector in every country”.

Fayissa et.al (2009) has analyzed the contribution of tourism to economic growth and development of Latin American Countries. This study used a panel data of 17 Latin American countries for the period of 1995 to 2004. This study reveals the economic impact of tourism industry on economic growth and development of Latin American Countries. This study also analyzed that revenue from the tourism sector positively contribute to both the Gross Domestic Product and economic growth of Latin American countries through investments on physical and human capital.

Jagmohan Negi (2008) in his book “International tourism and travel, concept and principles” discussed about various tourism related concepts. The book lays emphasis on the scope and composition of tourism and travel. The book also gives scope for types and characteristics of tourism. The study highlights the various tourism marketing
policies, job structures in travel and trade, tourist accommodation and tourism transportation facilities.

Khalil et al. (2007) in their article have observed the role of tourism in Pakistan. The paper explains the short run economic development in the case of Pakistan due to travel and tourism sector. The researchers used Error Correction Models (ECM). It also evaluates the casual relationship between tourism receipts and economic expansions. The result is that there is a strong relationship between tourism receipts and economic expansion.

Tourism finance corporation of India Ltd. (2007) in its Report on ‘Evaluation of the Schemes Incentives to Accommodation Infrastructure in India’, reveals that Ministry of Tourism, Govt. of India introduced a scheme of capital investment subsidy in the year 2002, which was available during the 10th Plan period till 2007, for setting up hotels in 1, 2, 3 star category and heritage hotels with an objective to increase the supply of hotels in the budget category in the country. The Report found that the financial incentives play a partial role only in the augmentation, compared to the other issues related to overall tourism developments, land prices, availability of good location and taxation.

Wodeyar’s (2007) study on tourism industry of Karnataka from a planning perspective explores that the tourism as a social and economic phenomenon which has become a fast growing industry. The study mainly focused on tourism attraction of Karnataka which include natural scenery, river, wild life sanctuaries, waterfall, green mountains, traditional art, customs and festivals.

Kim et al (2006) study examines the casual relationship between tourism expansion and economic development. This study reveals that tourism expansion and economic development have a reciprocal relationship in Taiwan.

Ivano (2006) analyzed the impact of tourism on economic growth. The study reveals the problem of measuring the economic impact of tourism which requires a broader view of the interaction between tourism and Gross Domestic Product. This research work provides a methodology for measuring the contribution of tourism to economic growth and is tested with data for Cyprus, Greece and Spain. This study revealed the overall impact of tourism on Goss Domestic Product.
Lim and McAleer study (2005) critically examined the management practice, problems and challenges faced by two eco-tourism attractions located in the Gold Coast and Brisbane in Queensland, Australia. The study focused on two case studies of best practices of eco-tourism management, proactive sustainable tourism stance of an eco resort and wetland reserve. It concludes that sustainable tourism could make significant contribution to the quality of environment, economic development and well being experience for the visitors and tourists. The study shows that both resorts have demonstrated a commitment to environment of the communities apart from generating several employment opportunities.

Dhariwal (2005) analyzed the determination of international tourist arrivals in India using annual data from 1966-2000. The study reveals socio-political factors, communalism, terrorism and disputes with Pakistan constitute serious threats to the development of tourism sector and limiting the gains of tourism.

Mckercher et.al (2005) their study examines the nature of relationship between tourism and cultural heritage management in Hong Kong. Some relationships have been found to be stable and unlikely to change much over time while others were fluid and could evolve rapidly into productive or destructive relationships. The study also reveals that self-resolution may not be feasible. The study analysis that true partnerships are rare and likely to occurs in purpose-built cultural or heritage attractions, where quality is maintained.

Lawton’s (2005) study aims to examine the perceived impacts of tourism on urban destinations. The study is carried out in tourist attractions in the Gold Coast of Australia to examine the social impacts. The study results show that tourism has a positive effect on the quality of life of the residents. The study concluded that the nature based attractions were not all that natural and man-made attractions were commercialized. The study which was based on the opinion of various residents of Gold Coast experienced varied conclusions.

Kumar V and Chandrasekhar, S. K (2004) in their paper ‘Sustainable development and Tourism’ reveals tourism has tremendous potentials of earning foreign exchange. Tourism has high potential in yielding tax revenue and generating employment. The
study mainly focused on the contribution of travel and tourism towards stable economic growth of the country.

**Biju (2003)** in his paper “Eco-Tourism: Tourism of the New Millennium” reveals Indian religious tourism has grown for many years without causing much negative environmental, cultural and social impacts. Pilgrims have had fewer burdens on environment, benefited local communities, were seasonal and provided economic benefits to the local community. Eco-tourism is nature based and ecologically sustainable. It entails minimum impact on environment as it requires less infrastructure facilities and services when compared with conventional tourism.

**Balaguer & Balaguer.L (2002)** in their paper “Tourism as a Long run Economic Growth Factor: the Spanish Case Applied Economics” analyzed Tourist spending, as an alternative form of exports, provides foreign exchange earnings. Subsequently, it is used to import capital goods to produce goods and services, which in turn leads to economic growth in the host countries.

**Gossling (2002)** conducted a study on human-environmental relations with tourism. The main objective of the study is to characterize the social, ecological and economic changes initiated by tourism. It aims at evaluating the human-environment relation involved in Zanzibar. The study concludes that natural and built environment have undergone changes induced by the construction of buildings, restaurants, lodges and swimming pools.

**Tosun (2001)** has conducted a study on “Challenges of Sustainability of Tourism Development in Developing World”. This study reveals that in developing world government does not have many alternatives other than supporting current tourism development even though it may not be compatible with the principles of long term sustainable development. The tourism development models are meant for developed countries and not necessarily meet the needs of the developing nation.

**Andriotis (2001)** his study focuses on the Island of Crete. The study is based on a reorganization of the importance of tourism for the economy owing to extreme resource utilization by mass tourism developments. The study addressed problems facing tourism industry in Crete Island like insufficient planning and co-ordination of activities. Suggestions are given for the review of the development law plans, policies
and reinforcement of positive outcomes. The study concludes that Crete Island is the ideal tourist spot with great potential for development of tourism sector.

Chen (2001) aims to study urban resident’s perceptions to tourism impact and tourism development. The study area was drawn from South-eastern Virginia. The study evaluates the connection between economic benefits, social expenditure and cultural enrichment to support for tourism development. The researcher uses path analysis and concludes that the economic benefits and social costs play a prominent role in influencing total perceived impacts.

Carolin et. al. (2000) in their paper analyzed the effect of tourism on livelihood of poor. The paper lays emphasis on the significance of travel and tourism to eradicate poverty. The study also focuses on the enlargement of economic opportunities for the poor. The researchers suggest for the inducement of private investment and development of pro-poor strategies in tourist destinations.

Kulenndran and Kenneth (2000) investigated the relationship between international trade and international travel flows using time series econometric techniques. They used the data for Australia with its four trading partners such as UK, USA, New Zealand, Japan and tested three specific hypotheses: international trade leads to international travel; business travel leads to international trade; and international travel other then business travel leads to international trade. They found evidence for prior beliefs that international trade and travel are interrelated variables.

Up Church and Teivane (2000) examines the stage of development of tourism in Latvia. It evaluated the positive and negative impacts of tourism development in Riga, Latvia. The study observes that tourism does not generally increase local revenues, nor does it improve the standard of living. The study also observes that tourism does not increase employment opportunities for the locals. The study also reflects a negative impact on local art and architecture. The researchers conclude that tourism industry in the study area is at the initial stage of development.

Simpson and Wall’s (1999) research focuses on the consequences of Paradise and the Santika hotel and resort at North-Sulawesi and Indonesia. The study uses environment impact assessment. The differences found in the consequences for the residents are associated with varied developmental and managerial styles. The study also brings into
light the quality of air due to population by dust and noise during the construction phase. Economic consequences constitute a negative factor as they create obstacles for the local communities to get access to housing land and affect employment opportunities too.

**Hampton’s (1998)** study was experimented on backpacker tourists and economic development. The study used semi-structured informal interviews, direct observations and questionnaire method. The study lays emphasis on the benefits that can contribute to local economy and poor people in the study area. The study concludes that small-scale development reduces foreign exchange linkage, creates linkage to local population and increases local participation. The potential of backpacker tourism is considered as a tool for economic development.

**Yashodhara Jain (1998)** in her book ‘Development of Tourism in India’ examines the development of tourism sector in India and analyzed determinants of the growth of tourism industry such as science and technology, economic abundance and revolutionary change in the field of transport and communication.

**Revised Master Plan for Development of Tourism in Karnataka (1997)** published by Dept of Tourism, Govt. of Karnataka has identified 5 circuits-Northern, Southern, Coastal, Wildlife and hill station circuits. In the development of tourism Private Public Partnership is recommended for the promotion of tourism in the State. The revised master plan envisages the improvement of infrastructure facilities in these circuits with the help of private Sector.

**Nichola Ramchurjee (1997)** in his paper examines the importance of women in the tourism sector. The paper analysis and evaluates the reasons for the limitations of ability of women and addresses the issue of affects of tourism on women activities. The paper aims at investigating the issues concerning the access to natural resources by women. The study discusses the new opportunities for income generation that the tourist market might provide for women, both in formal and informal sector activities.

**Prentice (1993)** conducted a survey of an area of Northern England. The result of the study was that the residents were willing to consider economic benefit as the most vital factor. The study witnessed support for tourism as means of general economic benefits was extensive. The study also shows variation in levels of support for tourism by
beneficiaries and non-beneficiaries. The researcher concludes that the ability to reach consensus may depend on the extent to which views of the pertinence of tourism as a form of economic development regardless of expenses to environment are held by different segments of the community.

Cohen (1993) examined that in less developed countries; one percent of GDP allocated to debt repayment reduces investment by 0 to 3 percent of GDP, which inhibits investment. It means additional receipts from international tourism as a proportion of national income increases investment by 0.3 percent, as well as saving foreign currency expenses.

2.3. Literature Review on Tourism and Employment

Many theoretical and empirical research works have been undertaken to analyze the relationship between tourism and employment. Most relevant studies are presented below.

Pawan et.al (2013) in their paper “Role of Tourism industry in employment generation in Gujarat: A geographic assessment” analyzed that tourism is one of the most diverse product in Gujarat. Tourism sector is an engine of economic growth and ensures high level of employment. Tourism is growing very rapidly; hence, there is good chance to generate employment. The employment and tourism is intrinsically co-related to each other as it has long-term socio-economic impacts on host and community. This paper highlights that there is plentiful opportunity for young, dynamic and professional in the tourism industry.

Aguayo Eva (2011) in his paper ‘Impact of Tourism on Employment: An Econometric Model of 50 Central and East European regions’ analyzed the economic impact of tourism development. He employed an econometric model to show that there is positive impact of tourism on employment and market services. In this paper the model shows the positive impact of tourism on the service sector. Tourism could fasten both employment growth and regional development through the sectoral linkages within the region.

Sandeep Das (2011) in his paper “Tourism Contribution towards Employment Generation” analyzed that tourism industry has high potential in generating
employment opportunities and forces to achieve higher economic growth. Hence, tourism industry should be provided with incentives for sustainable and overall economic growth along with the creation of jobs. In the 11th five year plan period number of programmes and incentives has been taken by the Govt. to develop tourism industry under Incredible India Revolution scheme.

Manjula Chowdari (2010) in her paper “Tourism: Human Resources Development” analyzed that tourism is a very important force for the overall development and is mainly a labour intensive industry. Tourism sector provides large scale employment especially for women, youths and minorities. She identified some obstacles in tourism sector such as scarcity of experts, technological backwardness and challenges in employment diversification etc.

Dives Chathurvedi (2010) in his work ‘Tourism in India- A bird view’ analyzed that tourism is the largest sector in terms of generating employment. The study highlights that tourism sector helps to maintain balance between demand for and supply of human capital. The results of the paper shows the result that tourism industry has tremendous potential for employment generation.

Uma.H.R’s (2010) work on ‘Tourism in Karnataka Home stay concept’ reveals that tourism industry attracts large number of tourist people to Karnataka from across the world and Karnataka consist of 50% protected monuments. Decline in coffee production since 1990s in Kodagu district, led to the development of tourism industry along with the initiation of home stays. Coffee estate owners started using their spacious and beautiful bungalows, vehicles and estates for the purpose of tourism.

Srivastava (2010) in his paper “Ecotourism means for Community Development” examined that tourism is not only complementary for the economic development but also it improves quality of internal environment, goods, transport and hotels. It provides large scale employment opportunities to youths and also encourages cultural development. Tourism industry also helps to maintain good relationship between host and home countries citizens.

Cheong (2010) in his paper on “Employment characteristics and trends of Tourism-related industries” analyzed that tourism is a leading economic sector and largest employer in Macao. This paper analyzed employment characteristics and trends in
tourism related industry of Macao on the basis of accessibility, flexibility, remuneration, working condition, mobility and enterprise size. This paper reveals that employment in the tourism related industry, especially in non-gaming tourism related industry, still evinces of part time workers and working condition of workers in tourism related industry has generally improved.

**Fifth UN-WTO International conference (2009)** On Tourism Statistics at Bali, Indonesia, considered Tourism as an engine for employment generation. The Conference report states that the rate of growth of employment opportunities for youth and women is the highest in service sector, especially tourism. However, seasonal fluctuations in tourism destinations create situation of irregular use of potential workforce, causing seasonal unemployment. In fact, this creates an additional burden on unemployment insurances.

**Eugenio Yunis (2009)** in his paper “Employment in the tourism industries, main challenges and policy issues” stated that people constitute a key element in the successful development and management of tourism. Main objective of developing tourism sector in any location, whether in a rich industrial nations or in the most remote region of developing country is employment generation. Tourism provides jobs to local people in order to improve their standard of living. He analyzed that little and insufficient attention has been paid to examine the complex issues regarding employment in the tourism industry and suggested that employment creation objective more explicitly and in quantitative term in the national and local tourism development strategies and programme.

**Ajala.O.A. (2008)** in his work on “Employment and Income Potentiality of Tourism Development in Amhara region Ethiopia” examined the role of tourism development in socio-economic development of the region, generating foreign exchange, reducing unemployment and improving the living standard of the people. The author has focused on hotel industry, souvenir, tour guide and water transport business.

**Nafees A Khan (2008)** in his work on “Human Resource Development in Tourism Industry in India, A Case Study of Air India Ltd” made an attempt to analyze the HRD initiatives of tourism industry with special reference to Air India Ltd. The main work is to build the capacity of the employees. The study also identifies the need of the Air
India to incorporate the spirit of HRD in day-to-day functioning. He identified the role of HR Manager in selecting and recruiting the right kind of people, who can be an asset for the tourism sector.

Chandrakanta Sahoo’s (2008) article on “Insight into Indian Tourism Sector” observed that Indian tourism is a potential source of employment which will help in sustainable development of the country. India exploits around 0.6% from the world tourism sector and contributes around 6.23% to the country’s GDP presently. Tourism sector in India not only adds to country’s GDP but also has the potential to generate employment to a large extent. Its growth automatically can be moved towards a sustainable development. In India 25 million people were employed in the field of tourism sector and India emerged as the second largest employment generator in tourism industry.

Ishwari Acharya (2007) in her paper “Women in Tourism industry of Nepal” examined that tourism industry is one of the major sources of Nepalese economy. Economic benefits of tourism sector is achieved through direct, indirect and induced income, improvement of standard of living, generating employment opportunities, expansion of infrastructure facilities and development of local enterprises in Nepal. Women have greater employment potential in different tourism sectors like rural tourism, village and agro tourism, medical tourism, health care tourism and eco-tourism in Nepal.

Stephen J page, Joanne Connell (2006) in his book “Tourism a Modern Synthesis” identified the potential of tourism industry in Employment generation. He examined the various determinants of employment creation in tourism. The book also examined the employment creation in different types of tourism sector. The author concluded that the development of resorts may create a wide variety of jobs but may not always benefit the local communities.

Jesim Pais’s (2006) paper on ‘Tourism Employment: An Analysis of Foreign Tourism in India’ reveals that foreign tourism is one of the largest industries in the world today. While foreign tourism has been growing steadily in India, it still has large unexploited potential for future growth. Tourism growth generates employment at all skill levels. The paper attempts to estimate total direct employment generated in India by the
tourism sector. This paper uses a simple and innovative method of employment co-efficient to estimate the employment generated from foreign tourism in India. The employment co-efficient are computed for such sectors and sub sectors that provide goods and services to foreign tourists as hotels, restaurants, transport and travel services, cultural and recreational services trade and manufacture.

2.4 Theoretical foundation

Theory is a set of assumptions, propositions or accepted facts that attempts to provide a possible or rational explanation of cause and effect relationship among a group of observed phenomenon. An economic theory is a theory of commercial activities such as production of goods and services. The theoretical frame work is the foundation from which all knowledge is constructed for a research study. It serves as the structure and pillar of support for the rationale of the study, problem statement, the purpose, the significance and research questions. It also provides a grounding base for the literature review and the methods of analysis. Theoretical foundation concerning the present work can be classified as follows.

1. Theories of Tourism development
2. Employment Theories and Tourism development
3. Development Theories in a nutshell

2.4.1 Theories of Tourism Development

Multiplier effect - Tourism industry is very much affected by the laws of economics. For the last 40 years, economists dealing with tourism have developed a doctrine known as “Multiplier Effect” of tourism. The multiplier theory was enunciated in 1939 by Prof. Paul A Samuelson and the simple equation is

\[ K = \frac{1}{\Delta C} \]

\( K \) - Multiplier
\( \Delta C \) - Change in consumption.
\( \Delta Y \) - Change in income.
According to this theory the multiplier ‘K’ is dependent on the relationship between a change in consumption ‘C’ and change in income ‘Y’. This theory can also be applied to tourism. When a tourist visits a place and spends his money in that particular region, part of this money becomes income for the people living in that region. A part of this income is again spent for consumption, saving, production etc., Thus money changes from hand to hand a number of times and is spent and re spent. The impact of this expenditure in nation’s economic activities will be multiplying continuously.

**Butler Theory (1980)**-Butler theory is based on business marketing concepts of the product life cycle. Butler suggests that resorts or destinations develop and change over time according to linked stages. According to this theory, the initial stage of tourism area cycle is considered as exploration stage. In these stages tourists start visiting destination and are attracted by natural features. There is maximum contact between tourist and community. Second stage is the involvement stage. In this stage a number of tourist arrivals start visiting the destination and local people involve themselves in providing services to tourists which includes development of necessary infrastructure. The third stage is the development stage. In this stage the tourist market becomes defined and tourist season starts to develop. Fourth stage is the consolidation stage, where tourism continuous to increase. Final stage is the stagnation stage, where tourism reaches its full capacity.

**Irritation index theory (1975)** - was developed by Doxey and is known as Irridex Doxey’s theory. It is built upon the premise that any destination will be developed over a period of time as the number of tourist increases and locals show hospitality towards tourist arrivals. Doxey suggest that over time local residents become more hostile to tourists. This theory considers the relationship between tourist and residents of tourist destination and also gives us an understanding of tourism impact and tourism development.

**Plog theory on psychology of tourist (1973)** - Plog developed theory on psychology of tourists. Plog’s important contribution was the notion of types of tourists. According to him there are psychological types of tourists who do not like unfamiliar environments or cultures. So when they plan for a holiday they will seek familiar places. The other group of tourists prefers adventure activities and risks in their journey.
Cohen’s theory of tourism (1972) - Cohen developed a typology of tourists in which he classified the tourist as organized mass tourists, individual mass tourists, explorers and drifters. Cohen revealed that relatively few tourists would come into contact with more distant and different cultures and tourism destination would be developed relatively close to tourism generating regions.

2.4.2 Employment Theories and Tourism Development

The best way of understanding the determinants of employment growth and the nature of state intervention in stimulating employment generation is to review the major employment theories which are as follows.

Classical perspective:

The classical Model assumes full employment and believed Laissez faire state policy. Free play of the market forces, Price wage flexibility and Says law of market ensures full employment. Classical economist and their followers believed that if invisible hands of the market are allowed to operate freely, it would automatically bring about full employment. Unemployment is only temporary in nature and free play market forces take care of long term unemployment.

The Neo-Classical and Keynesian perspective:

Technological unemployment created by the process of capitalist development and the resulting Reserve Army of the labour formed an essential part of the Marxian analysis of capitalist development. But the Classical tradition and Say’s law sidelined the significance of unemployment, considering it to be a short lived phenomenon arising out of friction of market imperfection in the economy.

J.M.Keynes criticizing classical approach, through macro economic theory of income and employment asserted that underemployment is a normal feature, role of government in pumping the purchasing power is essential and wage are rigid downwards but flexible upwards. He ruled out the possibility of achieving full employment through wage reductions. It is the level of aggregate demand that determines the level of full employment at less than full employment equilibrium in the Keynesian system and not the level of wage rate.
Domar (1947) formulated a model that postulated the rate of growth productive capacity at which the growth of income generated by the investment would exactly keep in step with growth in the stock of capital brought about through this investment. Expansion in the level of employment is a function of the growing stock of capital, its magnitude depending upon the existing Capital labour ratio.

The supply side Economists argued that the fiscal, especially tax policy, influences significantly the growth of employment. The RATEX Model identifies the future expectation, risks and uncertainties that determine employment growth.

A brief analyses of various theories of employment reveal that the role of private sector as well as public policy intervention are crucial in promoting investment in tourism industry and thereby contributing to the growth of employment opportunities.

### 2.4.3 Development Theories as Supplements to tourism development and Employment growth

The employment problem of developing countries assumes the character of invisible underemployment or low productive employment. Employment generated in the rural areas and to a certain extent over in the urban areas, does not confirm to the job patterns in organized industry or service sector activates. The lack of employment opportunities arise essentially on account of inadequate stock of physical capital and infrastructural facilities which could provide avenues of fruitful employment, although inadequate aggregate demand could be dependent upon the pace at which the requisite stock of physical and human capital could be expanded. Rosenstein Rodan (1943), Nurkse (1953) and Lewis (1954) focused on the growth of aggregate capital stock as the key factor determining the pace at which surplus labour could be absorbed in productive activities.

Economists have put forward models of development that show how a country with abundant labour can bring about rapid economic development through the use of its labour measures. The Two sector models developed by Lewis (1954), Eckaus (1955), Ranis and fei (1964) and Todaro (1969) on the question of labour transfer from rural to urban areas and its absorption in the modern sector assume that the surplus labour from the subsistence sector through wage price mechanism. Thus, it is held that at a slightly higher wage rate in the capitalist sector that is necessary to cover the higher
cost of living and psychological cost of the tighter industry discipline, the surplus rural agricultural labour gets transformed and absorbed in the urban modern capitalist sector. However, development experience has shown that industrialization has not resulted in rapid reallocation of labour.

Reynold’s (1965) study of Puerto Rico showed that repeated rises in real wages consequent to government wage regulations stimulated management responses in terms of labour saving innovations giving rise to steeply rising rates than horizontally moving wage employment locus as envisaged in the two sector model. Moreover according to Baer and Harve (1966), there has been a decline in the labour absorption capacity of the modern sector in selected developing countries.

According to Randhawa (1987) Lewisian concept of ever increasing demand for labour in urban industrial centers seems to be rudely shattered by empirical realities. The reason is that the growth of wage employment opportunity in the modern urban sector has been more sluggish than was once assumed as argued by Hirschmen (1982).

J.M.Keynes criticizing classical approach, through macro economic theory of income and employment asserted that underemployment is a normal feature, role of government in pumping the purchasing power is essential and wage are rigid downwards but flexible upwards.

Harrod - Domar Model, an extension of Keynesian model, argues that both investments autonomous and induced are important determinants of employment growth.

The Price incentive model reveals that technology is a major determinant of employment growth. Similarly, the Harris –Todaro Model explains that Rural –Urban migration, determines the nature of employment growth. In this theoretical background the proposed work aims at capturing the role of tourism development in creating employment opportunities.

Regional development theories have become an integral part of development theory. Kodagu district is not just an administrative entity but a unique region in terms of natural resources and cultural practice. This region has additional natural advantage in developing its commerce base in terms of tourism development. In traditional
development theory, the spatial dimension has been ignored. However, with the growth of spatial economics, the regional dimension of development began to receive a lot of importance. The inter-regional conversion hypothesis, various location theories, theories of external and internal economies, models of spatial competition and a good number of alternate theories of regional economic development help to identify the potential of tourism industry in contributing to regional development and employment growth. The Cumulative causation theory ‘Gunner Myrdal’, Growth poll theory ‘Perroux’ and various theories of regional economic convergence like Export base theory ‘Charles Tiebout’ help in identifying the growth potential of tourism industry in the process of regional economic development.

Various development theories discussed above, provide a strong theoretical foundation for the growth of tourism industry, highlighting certain critical dimension of development inherent in the tourism related activities.

2.5. Data base and Methodology

The present study on employment in tourism sector is based on both primary data and secondary data. The primary sources consist of personal interview, field survey and questionnaires.

Personal interview mainly comprised of discussion with operators and workers of home-stay operators, workers of hotels, resorts, lodges, restaurants, vehicle owners, tour operators or travel agencies, tour guides, experts of adventure activities etc., This personnel interview provided complete information regarding the employment opportunities, quality of employment, positive aspects and negative aspects of tourism industry.

The field survey is comprised of visit to tourist destinations, travel agencies, places of adventure activities, eco-tourism tourism spots, spices shops, home stays, hotels, lodges, resorts, restaurants, guest houses, street vendors etc., The survey provided data regarding the income generated due to tourism sector, employment opportunities, investments in tourism sector, loopholes of tourism sector, growth of tourism industry etc., The field survey captured the differences in the opinion of people based on their nature of work. Similarly, through questionnaires for employees of
tourism related activities in order to know the quality of employment in tourism industry.

The secondary sources of data consists of Annual reports of Karnataka State Tourism Department, Reports of Information and Broadcasting department, Statistics of Kodagu district, Statistical Department, Reports of Kannada and Cultural Department, International Tourism Agency, UNWTO Report on Tourism, Ministry of Tourism, GOI, Reports on tourism, Ministry of Tourism, GOK, Economic survey of India, Karnataka Economic Survey, Reports provided by RTO, Human development Report of Kodagu, internet, news papers, magazines, books, broachers, articles, theses etc.,

Kodagu district consists of three taluks namely Madikeri, Somwarpet and Virajpet. Madikeri is the district headquarters of Kodagu. There are 98 Grama Panchayats in various taluks of Kodagu. All the Grama panchayats were visited and after discussion with the staff members, proper records regarding various employment opportunities provided in tourism sector in panchayat level was collected.

Kodagu district consists of one town municipal corporation situated at Madikeri and three pattana panchayat namely Somwarpet, Virajpet and Kushalnagar. The town municipal corporation, Madikeri provided information about the income generated and employment opportunities in home stays, hotels, lodges, resorts, restaurants, petty shops, bar and wines, travel agencies, provisional stores etc., The three pattana panchayat of the district provided information about different employment opportunities in various fields of tourism in the pattana panchayat level.

The District Statistics office and District Planning office situated at Madikeri provided various data regarding socio-economic aspects of Kodagu which include income generated, employment opportunities, contribution of various sectors to district GDP and employment. Information of registered vehicles was accurately provided by the RTO for the study of transportation facilities available at Kodagu.

District Tourism Department provided various records regarding, information of number of registered home stays at Kodagu, information of State budget allocation for district tourism sector, information of projects undertaken by the Tourism Department, data on the tourist taxies provided at subsidized rate to scheduled caste and
scheduled tribes by the Tourism Department, information of Karnataka darshana programme of tourism department, information of grants regarding development of infrastructure facilities in tourism spots, data on hotels and resorts in Kodagu district, information of domestic and foreign tourist arrivals to Kodagu.

To support the study, various department concerned about tourism industry provided information about the accommodation units and employment opportunities provided in hotels, lodges, resorts, restaurants, home stays, guest houses, petty shops, provisional stores, mess, canteens, textiles, tailoring shops, wine and bar, beauty parlor, travel agencies, adventure activities, spices shops, stationary shops, cold storage, bakery, medical stores, fast food centers etc.,

Employment elasticity of tourism industry in India, Karnataka and case study area is estimated for the period 2000 to 2015 by using below mentioned formula.

\[
e = \frac{\Delta L}{L} / \frac{\Delta Y}{Y}
\]

‘e’ denotes employment elasticity in tourism industry
‘L’ denotes employment in tourism sector
‘Y’ denotes share of tourism industry in GDP

The Granger Causality tests are used to identify the causality between Tourism Development and Economic Growth in India, Karnataka and Case study district.

The Pearson Correlation test is used to analyze the relationship between Tourism development and Employment growth in Karnataka and Case study district.

Analysis of demand side tourism is based on the responses and reaction of the tourists in the case study district. To understand demand side determinants of tourism in Kodagu district, a sample of 95 domestic and 5 foreign tourists from each taluks, namely Madikeri, Somwarpet and Virajpet are selected.

The Regression with Newey-West standard errors is used to analyze determinants of tourism development in Kodagu District.

To analyze the quality of employment in tourism related activities in Kodagu district, 10 per cent of workers of tourism related activities are randomly selected for
the sample study. Qualitative analysis of opinion poll method is used to analyze quality of employment in Tourism related activities in Kodagu district.

This research work is mainly concerned with tourism development and employment growth in Kodagu district for the period 2000-2015.

2.6. Summary

The various literature reviews of tourism examine the close relationship between tourism development, economic growth and employment generation at Global, National and State level. It also reveals the chain value of tourism sector with other sectors of an economy. Tourism sector in India adds value to the country’s GDP and also has the potential to generate employment to a large extent. It contributes to social, political and cultural development of a Nation. Tourism industry has good theoretical and empirical background, which reveals the importance of tourism in generation of employment, income and economic progress of an economy. The theoretical foundation of tourism development serves as a back bone for the study.