CHAPTER-3

OBJECTIVES, SCOPE AND LIMITATIONS

A view of Tea plantation in Assam
Source, Purvi Discovery Pvt. ltd.
3.0 Introduction:

Tourism offers an unmatched economic opportunity to the host countries. This economic opportunity propels each destination worldwide into a competitive situation. Therefore, it is necessary that the tourism providers including the destination marketers maximise their efforts to provide the best tourism experiences to the visitors. Maneuverability is the key issue with the tourism planners. But a well planned scheme requires tourists' information, particularly their choice, preferences and spending behaviours. Ironically, expenditure related information can be regarded as vital input for strategic planning. Because of the discretionary nature of expenditure on vacations, it is crucial to understand tourist spending behavior, the underlying factors affecting such behavior and the extent and composition of such expenditure. Understanding the expenditure patterns and activities of tourists during their visit to a particular destination is a key issue with the destination marketers. Tourism planners take into consideration a wide range of activities tourists engage in during the process of developing sustainable and profitable tourist products. In today's competitive business environment, destination marketers are trying to expand their market share by seeking the travellers who will spend money on their tourism products and not just time. It is felt necessary that data relating to tourists' expenditure, its composition and extent are made available to agencies engaged in the promotion of the destinations. Expenditure related information can be regarded as inevitable input for strategic planning of facilities and amenities warranted by the tourists.

3.1 Economic Status of North East India:

The economic condition of the North East part of India has remained underdeveloped, malnourished and handicapped. Lack of big industries, underdeveloped road and communication system, outdated agrarian economy, natural calamities and terrorism activities are the few reasons often cited for such backwardness. Although attempt has been made since the country's independence to improve the economic condition, it does not seem to have delivered desired result.

Economically and industrially, the North East India represents one of the least developed regions of the country. The per capita income of the people of this region is almost equal to other poorest regions of the country. As per an official estimate (NER databank), the per capita income of the people of this region for the year 2001-02 was
calculated as Rs. 12,407. The figure is against the national per capita income of Rs. 17,978 of the country. Similarly, the Net State Domestic Product (NSDP) of the North East India including Sikkim is found to be below the national average. The NSDP of the North East India in the year 2002-03 is found to be only Rs. 56082 crore which is far below the national average of NSDP of Rs. 2008770 crore.

The economy of the region is agriculture based. But the matter of concern is that the contribution of the agricultural sector to the local economy is not adequate. Further, the pattern of agricultural growth has remained uneven across regions and crops. The North Eastern Region (NER) continues to be a net importer of food grains even for its own consumption. Inspite of coverage of 7.7% total land of the country, NER produces only 1.5% of the country’s total food grain production. But agriculture provides livelihood support to 70% of the population of NER (NEDFi databank).

On the other hand, the region is also backward industrially. Except the state Assam, the industrial base of the region is very weak. The figure released by NEDFi data bank shows that by the year 2003 there were 213 numbers of large and medium size industries in the region. Out of this, 120 units are located in the state Assam. Poor infrastructure, inadequate supply of electricity, poor road and transportation system, violence and extortion etc. further stood as barrier to industrial development of the

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<th>Year</th>
<th>Arunachal</th>
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<th>Manipur</th>
<th>Meghalaya</th>
<th>Mizoram</th>
<th>Nagaland</th>
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Source: NEDFi Databank
region. Similarly, the region has a large numbers of Small Scale Industries (SSIs) but the employment generated by these units is low. As per report set out by NEDFi, the region had 70579 Small industries in the year 2002-03. But compared to national level, the performance of these SSI in terms of employment generation is dismal. The report of NEDFi shows that the share of SSIs of North East India to national average in terms of employment generation is only 3.11% (775016 persons). A total of 24932763 persons were employed by SSIs in India during the year 2002-03. Thus, it is seen that the performances of the Small Scale Industries in redressing the regional economic problem is not satisfactory.

The North East India is also lagging behind in educational sector. Presence of general and technical educational institutions is one of the pre-requisites of the development of trained man power. Every year a large number of the students go out of the region for study. This is due to absence of educational institutions which can meet the growing needs of the students. The rate of literacy serves as an important barometer in measuring the educational standard of a state or territory. In 1991 the literacy rate of the region was as 58.09 %. However, in 2001 the rate of literacy has increased to 68.5% which is against the all India literacy rate of 64.8% during the same period. Mizoram has the second highest literacy rate in the country. Thus, the educational standard of the people of this region is not unsatisfactory. Rather, it shows the inhabitants of the region are one step ahead in terms of literacy rate.

However, the number of population living below the poverty line is relatively higher in this region. All the states in North East India has much higher levels of population living below poverty line (35.13%). The national average was 26.1% during the year 2000-01.

Again, the presence of well developed banking system is the backbone of any economic system. Presence of adequate number of banks and other financial institutions are also as an indispensable part of the economic development of an area. Unfortunately, there are inadequate numbers of bank offices in the North East India. The number of commercial bank branch stood at 1920 in the year 2003-04. At the same time the total numbers of bank offices in India stood at 66970. It is also seen that many of the newly set up private banks have yet to open branches in this region. The credit-deposit (C.D.) ratio of the banks operating in the region is far below the national average. It is only 29.52% as against the national average of 58.72 %.
From the above discussion it is seen that North East India is lagging behind in economic aspects. This is inspite of the fact that there are ample resources sufficient for economic development of the region. The region has is endowed with resources like forest, sufficient water flows for hydro-power projects, coal and oil mines etc. Particularly, the region is rich in natural resources. Social and culture bondage of the region is too rich. Region has many things to offer from mythological point of view also. Further, the region has also territorial advantage over many states of the country. All these can make the North East India a perfect destination for many discerning tourists.

3.2 Relevance of the Study:

There are adequate scopes for growth of service sectors in the North East part of India. Tourism is one of such sectors which can play a crucial role in re-engineering the pace of economic development of the region. As the region has abundance tourism resources, therefore, it is realized that the tourism industry can be utilized as machinery in accelerating the pace of economic progress. It is already pointed out that tourism has been contributing to a great extent to world economy in terms business receipts, foreign exchange earnings, employment generation and also as prime contributor to Gross Domestic Product. This is a very interesting economic opportunity which is one of the prime motivations for the destination managers.

However, all tourists don’t contribute equally for economic development of the destination region. Certain tourists don’t spend much, or spend on articles that do not help the economy in further growth. Some other might spend more. Thus, Economic benefits derived from tourists’ visit may vary from tourists to tourists. Identification of such groups of tourists and the commodity, activity or/and product on which tourists spend most in a destination is of prime importance for strategic planning for destination tourism activities. Obviously, economic benefits to be derived from tourism are generally regarded as the prime reason to become involved in tourism. Tourism planners take into consideration the wide range of activities tourists engage in during the process of developing sustainable and profitable tourist products. For many countries tourism expenditure has become an important source of business activity, income, employment and foreign exchange. Realizing the growing significance of tourism governments, local authorities and private sectors in many countries, regions and communities have begun to funnel their resources into tourism
development. An increased awareness of this issue could improve the availability of such data to researchers, planners and other parties interested in assessing the economic impacts of tourism.

This demonstrates the need of information regarding tourists, their choice, behaviours and spending habits etc. It is felt necessary that information on tourist spending be made available to various stakeholder groups like the tourism players, researchers etc. Surprisingly, not much study has been reported on tourists' expenditure. Unfortunately enough, this study could refer to any other study on tourists' expenditure in the entire North-eastern region. In this sense this is a pioneering region specific study.

Tourists' expenditure can usually be broken down as 'Common' (Lleave, 2005; Wellner, 2000) or 'Prepaid' (Mok and Iverson, 2000) and 'Other' (Wall and Woodley, 1993). Accordingly, prepaid (or common) expenditure included airfare, hotel, meals, airport transfers, and transportation. This type of expenditure is normally incurred by all travellers while on tour to a place outside the usual place of stay. On the other hand, Other expenditure is a kind of expenditure which is not common to all types of tourists and the extent of which may vary from person to person or even a person may escape from incurring such expenditure. This category of expenditures includes meals outside the place of stay, shopping, local transportation, entertainment, souvenir purchase etc.

Both the type of expenditure is very vital for the economy. Particularly, the 'Other' type of expenditure, although not common to all type of tourists, carries a greater significance. It is believed that 'Other' expenditure is supposed to have high multiplier effect in the local economy. In this study, the 'Common' and 'Other' expenditures are renamed as the Categorized and Uncategorized expenditure respectively.

It is felt that the components sharing 'Uncategorized' expenditure are very vital to the destinations as almost all such expenditures are supposed to remain in the local economy and is subject to high multiplier potential. Further, it has been put forwarded by the scholars (e.g., Wall and Woodley, 1993) that there is unrealized potential to increase local economic impacts from this type of expenditure. Hence, it is strongly felt that if potentialities are to be realized, there should be greater
understanding about the spending behaviours of tourists'. However, one must be well acquainted with many queries that may arise while formulating and designing policies and programmes. Some of the queries that came to our mind are as follows;

Does the North East India able to woo tourists?
If yes, then where from they originate?
What inspires the tourist to visit North East India?
What are the various sources from which they gather information about the destinations?
How much is their daily budgeted expenditure?
What type of transportation they usually prefer?
What type of accommodation they want?
What type of foods they usually take while on vacation trip?
Do they prefer packaged tour?
To what extent tourists spend for categorized purposes?
Do they incur expenditure for 'Other' purposes at the destinations they visit?
To what extent tourists spend for uncategorized purposes?
Which category of tourist spends more?
Are the variables like age, occupation, education, previous experience of travelling, sex daily budget, and marital status exercise influence on the extent of tourists' expenditure?

3.3 Research Gap:

It is realised that tourists' information particularly those are related to expenditure are very vital to destination planners and marketers. As mentioned it is felt that there is a lack of supporting empirical work in tourism consumer behavior literature (as cited Mok and Iverson, 2000). This demonstrates the need for work in this field of tourism. Inspite of all efforts evidences could not be found about empirical work in the area of tourists' expenditure in India in general and in North East India in particular.

A good number of researches were conducted in the International level and most these were focused on common expenditure (Suosheng 2004; Lleave, 2005; Wellner, 2000; WREP, 1994). Similarly, researches conducted in 'other' expenditures include tourists' expenditures (Snepenger et all, 2003), cruise passengers'
expenditure analysis (Henthore, 2000), shopping activity (Jansen-Verbeke; 2000; Kent et al, 1983; Timothy and Butler, 1995), Cross border shopping (Timothy and Butler, 1995), Shopping preferences and expenditure behaviour of tourists (Moscardo, 2004; Xinran et al, 2004; Oh et al, 2004), motivation for shopping (Dholakia, 1999), souvenir buying intention (Kim and Littrel, 2001), gift giving and taking (Yin, 2003), retailers knowledge of tourists' souvenirs and purchase behaviour (Swanson, 2004), souvenirs purchase (De, 1995; Wall and Woodley, 1993), perception of tourist shoppers about fashion, quality, price, event or logo (Kincade and Woodard, 2001; Keown, 1989), understanding features of shopping experience (Moscardo, 2004), involvement of tourist in leisure activities with reference to expenditures (Gursoy and Gavcar, 2003), purchasing handicrafts (Littrel, 1993; Sarma, 2004); meals outside hotels, local tour and entertainments, domestic fares, sightseeing (Keown, 1989; Business Times, 1996), purchase of local arts and crafts, clothing & jewelry (Jung, et al, 2004) and miscellaneous purchases like purchase of cigarette, lighters, newspaper & journals, perfumes, cosmetics & skin care products, fishing equipments, sports materials (Business Times, 2003) etc.

A large number of works has also been reported in India in general and North East India in particular. However, it is seen that most of the researches conducted are confined to the area of accommodation, tourism entrepreneurs, travel agents, tourism marketing, eco-tourism, bio-diversity etc. For example, Bisht (2003) studied the marketing practices of tourism industries. Similarly, the perception and travel related behaviour of foreign tourists was measured by Mitta (2006). The scope and development of tourism industry in Madhya Pradesh was studied by Pareek (2002). Ahmed (2003) did his research on marketing strategies in respect of tourism development in Agra. The financial performance of selected five star hotel in India was measured by Lal (2007). Another study was carried out by Shukla (2004) on the tourism products in Agra and Fatehpur Sikri. The research objective of Nikam (2004) was to evaluate the potential and prospects for tourism development in Nasik district. The objective of the research carried out by Sarma (2000) was to test the preferences and perceptions of tourist of North-East India with respect to destination positioning. Another research was carried out by Panda (1999) on hotel industry of Nagaland. Similarly, Nazir (2002) carried out studies on the management appraisal of the wild life sanctuaries in Assam. The basic aim of the research carried out by Bhattacharjee
(2003) was to study the promotional strategy and marketing practices of the state level tourism promotional organizations in Assam. Sarma (2004) conducted study on the demand pattern of tourist oriented cottage industry products in the North-East India. Again, in another study conducted by Sarma (2007) examined the preferences of handicraft buyers in terms of four Ps (Product, Price, Place and Promotion). The development of tourism in Manipur was evaluated by Sing (2004).

This shows that the area of tourists’ expenditure has remained untouched by the researchers. It is particularly true in case of North East India. It is realized that understanding the importance of tourist expenditure is of immense use to market players. Studies can be carried out region wise to obtain the tourists expenditure related information.

However, it will not be feasible rather it will be cumbersome to carry out a study covering the whole country. The area of the study can, therefore, be restricted within a particular region of the country. Since the North East India is an important part of the country and the number of tourists of tourists flow is encouraging, research can be carried out in this part of India.

Some of the questions on expenditure of tourists that are raised in section 3.2 above can be answered through this study. These questions are what inspire the tourist to visit North East India? What are the various sources from which they gather information about the destinations? How much is their daily budgeted expenditure? What type of transportation they usually prefer? What type of accommodation they want? What type of foods they usually take while on vacation trip? Do they prefer packaged tour? To what extent tourists spend for categorized purposes? Do they incur expenditure for ‘Other’ purposes at the destinations they visit? To what extent tourists spend for uncategorized purposes? What are the factors that influence tourists’ expenditure for a particular purpose? Which category of tourist spends more?

An attempt to answer those questions will bridge the gap of knowledge in this area. No study is reported in the Northeast India encompassing these questions. It is believed that the present study might be a path finder.
Therefore, this research was undertaken with the objective of filling up this gap. It is believed that any empirical research measuring the extent and composition of uncategorized expenditure will benefit all the tourism service providers.

3.4 Objectives of the Study:
The main objective of the study has been set to find out the extent and composition of uncategorized expenditure of tourists in North East India. In order to achieve this main objective, following sub-objectives are also considered necessary to achieve.

1) To find out the expenditure pattern of the tourists visiting North East India.

2) To arrive at some broad expenditure components which are 'Uncategorized.'

3) To determine the extent of 'Uncategorized' expenditure.

4) To explain relationship, if any, between 'different demographics and travelling behaviours' of tourists and their uncategorized expenditure.

3.5 Scope of the Study:
The geographical area of the study is confined to North East India covering the seven sister states which include Assam, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Nagaland and Tripura. The state Sikkim is excluded from the geographical parameter of the study even though the state is officially inducted into the fold of the N.E. Region.

Again, the academic field of the research is confined to tourist expenditure. It is tried to get familiarity with the extent and composition of tourists' uncategorized expenditure.

An effort was made to identify the most suitable factor for segmentation. The variables used include the age, origin, education, occupations, frequency of travel, sex daily budget and marital status of the tourists.
Various purposes for which tourists incur expenditure have been studied. Altogether 24 variables are examined in this context. Then these variables are boiled down using factor analysis to find out the principal components. The spending behaviours of the tourists for these factors are also found out different segments of tourists.

The sources of information used by the tourist relating to destination are also measured through cross tabulation. Other variables tested include the purposes of visit, mode of transportation used, type of accommodation preferred and attitude towards packaged tour.
References:


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