ABSTRACT

A Study on the Extent and Composition of Uncategorized Expenditure of Tourists in N.E. India

1.0 Introduction:

Tourism is a smokeless industry that contributes to a large extent to the economy of a country. It is world’s largest creator of jobs (Bezbaruah, 1999). It creates 1.5 times more jobs than any other sector. Every million Rupee pumped into tourism industry creates 85 new jobs as against 13 new jobs in the manufacturing sector and 45 in agricultural sector (Sharma, 2007). It is also one of the top five export sectors for 83 percent of countries and a leading source of foreign exchange for at least one in three developing countries (Narayan, 2005). Global tourism as an industry is worth well over US$4 trillion when all expenditures (international and domestic) have been taken into account (Hall & Kearsley, 2001). Global tourism activity has also registered a growth rate of 7.1 percent a year (Suh and McAvoy, 2005). It is also expected that international tourist arrivals will reach 1.6 billion in 2020 (WTO, 1997a).

Tourism industry also plays a leading role in Indian economy. It is estimated that Indian tourism sector was able to create 25 million jobs in the year 2006. Out of it, 21 million jobs are directly created. Its’ share to the Gross Domestic Product is also found to be 6.1% (Sharma, 2007).

Thus, tourism provides a very interesting economic opportunity that propels the tourism providers including the destination marketers to maximise their efforts in providing 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 behaviour. Ironically, expenditure related information is regarded as vital input for strategic planning. But it is a matter of concern that information related to tourists’ expenditure is seldom readily available.
Tourists' expenditure can usually be broken down as 'Common' (Lleave, 2005; Wellner, 2000) or 'Prepaid' (Mok and Iverson, 2000) and 'Other' (Wall and Woody, 1993).

Expenditure incurred on transportation, accommodation and foods in the place of stay can often be regarded as 'Common' expenditure. It basically includes the expenditures that can be purchased as package tour. On the contrary, the expenditures on the items that can't be purchased as a package beforehand are the 'Other' expenditure. For example, expenditures on shopping, gifts, local tour, sightseeing, food outside the place of stay etc are 'Other' expenditures. The Common/Prepaid expenditure and 'Other' expenditures can also be respectively called as Categorized and Uncategorized expenditures.

It is believed that uncategorized expenditure of the tourist is very important for the local economy as such expenditures are subject to high multiplier potential.

1.1 Relevance of the study:

The North East India has abundant resources for development of tourism industry. Besides having famous temples and shrines, the region is fortunate to have a number of magnificent places of scenic beauty, a wide variety of flora & fauna and avian biodiversity with potential to attract domestic and foreign tourists in large numbers. Well-planned policy is the need of the hour. It is felt necessary that information on tourist spending be made available to various interested groups like the tourism planners, policy makers, industry professionals, researchers etc.

1.2 Research gap:

A good number of studies have been carried out on tourists' expenditure in the international level (Suosheng & Qu, 2004; Lleave, 2005; Wellner, 2000; Snepenger et al, 2003; Henthore, 2000; Jansen-Verbeke, 2000; Kent et al, 1983; Timothy and Butler, 1995; Xinran et al, 2004; Moscardo, 2004; Lehto et al 2004; Dholakia, 1999; Kim and Littrel, 2001; Yin, 2003; Swasion, 2004; De Vidas, 1995; Wall and Woody, 1993; Kincade and Woodard, 2001; Keown, 1989; Moscardo, 2004; Gursoy and Gavear, 2003;
Similarly, a large number of studies have also been reported in India conducted under the profound initiatives of educational institutions and other research oriented organisations. However, it is seen that most of the researches conducted are confined to the area of accommodation, tourism entrepreneurs, travelling agents, tourism marketing etc. Reference may be made to a few studies like Bisht, 2003; Kebia, 2004; Mitta, 2006; Pareek, 2002; Ahmed, 2003; Lal, 2007; Shukla, 2004; Nikam, 2004; Sarma, 2000, 2004, 2007; Panda, 1999; Nazir, 2002; Bhattacharjee, 2003; Singh, 2004; Sing, 2000, Shukla, 2004).

Evidences show that the area of tourists’ expenditure has remained untouched by the researchers. It is particularly true in case of North East India. This demonstrates the need for work in this field of tourism.

1.3 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 segments of tourists and their uncategorized expenditure.
1.4 Scope of the Study:

The study is confined to North East India covering the seven sister states, namely, Assam, Arunachal Pradesh, Meghalaya, Manipur, Mizoram, Nagaland and Tripura. Again, the academic field of the research is confined within the tourist expenditure. It is tried to generate familiarity with the extent and composition of tourists' uncategorized expenditure.

1.5 Limitation of the Study:

There is no evidence of carrying out a similar study in India. Therefore, the outcomes of this study could not be compared. The expenditures for different purposes are measured with help of intervally scaled statements of expenditure. This may not truly reflect the actual spending of the tourists. Although, proper care was exercised in the survey, the sample may not represent the community they come from. The rejection of 192 questionnaires for various reasons may also affect the ultimate result of the study. The questionnaire is prepared in English and this may also lead to some sampling bias as well.

1.6 Methodology used:

A Research Plan is designed to arrive at the objectives of this research. The plan includes the Literature survey, Pilot survey, Main survey, Application of data reduction process and analytical tools. The first objective of the study is fulfilled by a comprehensive literature survey and with the input from a Pilot Survey. However, for achieving the remaining objectives, a sample survey had to be conducted. The methodology followed is stated below.

1.6.1 Pilot Survey:

A pilot survey is conducted among forty (N=40) tourists visiting the North East India. The respondents include 15 each of 'Regional' and 'National' origin and 10 'Foreign' tourists.

1.6.2 The Survey:

As the basic objective of the study is exploratory and inductive in nature, a sample survey is conducted amongst the tourist in North East India. A questionnaire
consisting of 25 major questions was administered personally. The research design is
finalised after consulting similar studies. A total of 800 questionnaires were distributed.
Out of these 727 were received from the respondents and finally 535 questionnaires were
considered usable. The geographical distribution of the sample consists of 124 (23.2%) from Guwahati, 87(16.3%) from Kaziranga, 167(29.3%) from Shillong, and 157(29.3%)
from Tezpur. Various elements of the survey are as follows:

1.6.2.a Sampling Units: The units in the population are the ‘Tourist’ as defined by
the WTO (1991-92) which says any person traveling to a place other than that of his/her
usual environment for less than 12 months and whose main purpose of trip is other than
the exercise of an activity remunerated from within the place visited is a tourist.

The survey is based on exit interviews. This method of interview was adopted by
Suh and McAvoy (2003) to analyse international visitors’ trip expenditures to South
Korea. The survey was conducted during October 2005 to May 2006. A combination of
Convenience and Judgment Sampling was used to select the sample.

1.6.2.b Sampling Size: It is seen in most of the valid studies that the sample size
was found to be around 500 (N=500). The sample size for this study is confined to 535
(N=535).

1.6.2.c The Questionnaire: The questionnaire is designed by consulting the
previous studies of similar nature and final shape to it is given on the basis of pilot survey
report. Except four, all other questions are basically closed ended. Only four questions
are open-ended. There are 15 (60%) questions using Nominal scale, 2 (8%) using Ratio
scale, and 4 (16%) each of Ordinal and Interval scale.

16.2. d Variables measured: A total of 24 statements of expenditure are
measured. Eight classification variables such as Age, Origin, Education, Occupation, Past
Travelling Expenditure, Gender, Daily Budget and Marital Status are used to measure the
extent of uncategorized expenditure incurred by the tourist in the destination area. The
variables measured are selected on the basis of extant literature and pilot survey.

1.6.3 Analytical Method:
The extent of expenditure incurred is measured by drawing the frequency
table as factors. For reduction of raw variables into some macro level groups, a factor
analysis is conducted on the 24 raw variables. The Principal Component Analysis is done
by Varimax rotation with Kaiser Normalization. The principal factors are drawn with eigenvalues of more than 1. Five principal factors are, thus, extracted and the drawn factors are renamed based on salient themes. These are Shopping, Personal Expenditure, Travelling Expenditure, Local Expenditure and Beverages.

The reliability value of the factor Beverages is found to be below the acceptable parameter (Cronbach’s alpha value of 0.50). Therefore, the factor Beverages is excluded from analysis as factor. However, the two heads of expenditures included in the factor Beverage are analysed separately. The analytical instruments used for exploring relationship and significant differences include the ANOVA, Independent Sample T-test and Cross Tabulation. If relationships are established then further tools like multiple comparison table using Bonferroni as well as Games-Howell methods are used. The appropriateness of application of the factors for further analysis is determined by conducting Reliability test (Cronbach’s alpha), KMO test, Hotelling’s T-squared test and Bartlett’s test.

1.7 Major Findings:

1.7.1 24 expenditures related variables are identified and measured with the help of literature survey and pilot survey. This fulfills the first objective of the study.

1.7.2 Two broad ‘Categorized’ expenditures (Travel Expenditure and Local Expenditure) and three broad ‘Uncategorized’ expenditures (Shopping, Personal Expenditure and Beverage) components are arrived at through the factor analysis. This fulfills the second objective of the study.

1.7.3 The third objective of this study is to examine the extent of expenditure incurred for uncategorized purposes.

It is seen from the analysis that the means of comprehensive scores (Factors scores) are relatively higher for the factor Travel Expenditure (3.60) and Local Expenditure (5.39).

On the other hand, the mean of comprehensive scores for the factors Shopping, Personal Expenditure and Beverages are found to be 2.57, 3.63 and 2.89 respectively. It shows that 50 percent of the tourists’ expenditures are meant for uncategorized purposes.
1.7.4 The fourth objective of the research is to explain the relationship between different segments of tourists and their uncategorized expenditures. The segmentation of the variables will help to arriving at this objective. Null hypotheses of equality of means are tested with the help of ANOVA.

It is found from the analysis of collected data that tourists can be segmented based on classification variables.

The important segmentations are mentioned below:

1.7.4.a Shopping and Classification Variables: The classification variables Origin, Previous Travelling Experience, Daily Budget and Marital Status of the tourist have got significantly different effects on the extent of expenditure incurred for the factor Shopping. However, expenditure on Shopping is not sensitive to the variables Age, Education, Occupation and Gender.

1.7.4.b Personal Expenditure and Classification Variables: The extent of expenditure incurred for the factor Personal Expenditure is sensitive to the variables Age, Origin, Past Travelling Experience and Daily Budget but not sensitive to Education, Occupation, Gender and Marital Status.

1.7.4.c Travel Expenditure and Classification Variables: The assumption of equality of expenditure on the factor Travelling Expenditure is rejected with respect to Age, Origin, Education, Occupation, Previous traveling experience, Gender, Daily budget and Marital status.

1.7.4.d Local Expenditure and Classification Variables: The respondents can't be segmented for extent of expenditure incurred on the factor Local Expenditure based on the variables Age, Origin, Education, Occupation, Past Traveling Experience, Gender and Marital Status. On the other hand, respondents can be segmented on the basis of the variable Daily Budget.

Since the factor Beverages has an unacceptably low reliability statistics, the raw variables comprising Beverages are analysed separately.

1.7.4.e Mineral Water and Classification Variables: The population mean score (extent of expenditure) is found to be sensitive in respect of the variables of Age, Origin, Education, Occupation, Past Traveling Experience and Daily Budget. However, population mean is not sensitive to the variables Gender and Marital status.
1.7.4.f Tobacco/Liquor and Classification Variables: The Null hypothesis of equality of mean scores (extent of expenditure) for the item Tobacco/liquor is rejected in respect of the variables of Age, Origin, Education, Occupation, Past Traveling Experience, Daily Budget and Gender. However, equality mean value couldn't be rejected in case of the variable Marital Status.

1.8 Uncategorized Expenditure and Significant Segment-wise Results:

Now a brief note is given in the following section about the effect of classification variables on the extent of uncategorized expenditures.

1.8.1 Tourists of age '60 and above' incur comparatively less amount for the factor Shopping, Personal Expenditure and also on the item Tobacco/liquor.

1.8.2 Tourists of age 'Less than 25 years' spend less on Shopping and also on the items Mineral water & Tobacco/liquor.

1.8.3 Tourists of age '25-40 years' spend more for the factor Personal Expenditure and Mineral Water.

1.8.4 'Regional' tourist spends more than Foreign and National tourists for the factor Shopping and Personal Expenditure. But they spend less on the item Mineral Water.

1.8.5 'Foreign tourist' incurs more for the item Mineral water and tobacco/liquor. But they spent less for the factor Shopping and Personal Expenditure.

1.8.6 'Post-graduate' tourists incur maximum amount for the item Mineral Water and Tobacco/liquor.

1.8.7 Tourists having 'Professional' qualifications incur more expenditure for the item Mineral Water and Tobacco/liquor.

1.8.8 Tourists having visited '20-30 places' spend more for the factors Shopping, Personal Expenditure and also on the item Mineral Water and Tobacco/liquor. On the other hand, Tourist having visited '30 and above' places incur less for the factor Shopping and Personal Expenditure.

1.8.9 'Female' tourists spend comparatively more for the factor Shopping. But they incur less on the item Tobacco/liquor.
1.8.10 Tourists having per day per person budget of 'Rs. 1500 and above' spent comparatively less for the factor Shopping and Personal Expenditure. But this category of tourists spent more on the Mineral Water and Tobacco/liquor.

1.8.11 It is seen that 'Married' tourists spent more amount on the factor Shopping.

1.9 Other findings:

The study also provides some other insights, which are very interesting and important to the stakeholders. These findings are described at appropriate place in the thesis.

2.0 Conclusion:

The extent of expenditure incurred by the tourists in North East India for uncategorized purposes is not negligible. This is evident from the comprehensive scores measured for underlying factors of Shopping, Personal Expenditure and Beverage. The factors scores imply that tourist's spending for uncategorized items is substantial and therefore, carry significant importance for the local economy.

Further, the classifications variables like Age, Origin, Education, Occupation, Previous Travelling Experience, Gender, Daily Budget and Marital Status have got significant effect on the extent of expenditures incurred by tourists on uncategorized items.

It is, therefore, realized that the tourism planner, entrepreneurs, authorities and other stakeholders must take into the account the extent and nature of uncategorized expenditure of tourists in North East India while drafting marketing strategies for tourism products of the region.

2.1 Recommendations:

2.1.a.

Tourism planners and policy makers have to notice that 'Regional' tourists spend more on the items belonging to factors Shopping and Personal
Expenditures. Therefore, the preferences and choice of the 'Regional tourists' should be given due importance while planning and promoting the destinations.

2.1.b.

The tour operators and entrepreneurs should note that 'Foreign' tourists spend more on transportation to the destination, porter, tour operators, tips, mineral water and tobacco/liquor. These elements should be considered while targeting the foreign tourists. There should be additional thrust on the part of the policy makers for attracting more foreign tourists to this region.