



THE IMPORTANCE OF TOURISM IN ECONOMY

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ABSTARCT

In this article I will discuss the importance of understanding the economic impacts of tourism and what the economic impacts of tourism might be. A range of positive and negative impacts are discussed and case studies are provided.

Keywords: Economy, Transportation, Inbound Tourism, Accommodation, Safety
Many argue that the tourism industry is the largest industry in the world. While its actual value is difficult to accurately determine, the economic potential of the tourism industry is indisputable. In fact, it is because of the positive economic impacts that most destinations embark on their tourism journey.

People have many reasons or purposes to travel or engage themselves in tourism process, there are large number of travellers and explorers who are participating in tourism activities for diverse reasons. Apparently, each reason arises with a different kind of demand. One of the major demands in tourism is for accommodation. Whatever is the reason to travel a tourist needs a place to stay at different places where he/she is visiting.

There are many economic impacts of tourism, and it is important that we understand what they are and how we can maximise the positive economic impacts of tourism and minimise the negative economic impacts of tourism.

There is, however, more than meets the eye in most cases. The positive economic impacts of tourism are often not as significant as anticipated. Furthermore, tourism activity tends to bring with it unwanted and often unexpected negative economic impacts of tourism.

In this article I will discuss the importance of understanding the economic impacts of tourism and what the economic impacts of tourism might be. A range of positive and negative impacts are discussed and case studies are provided.

Tourism brings with it huge economic potential for a destination that wishes to develop their tourism industry. Employment, currency exchange, imports and taxes are just a few of the ways that tourism can bring money into a destination. In recent years, tourism numbers have increased globally at exponential rates, as shown in the World Tourism Organization data below. There are a number of reasons for this growth including improvements in technology, increases in





disposable income, the growth of budget airlines and consumer desires to travel further, to new destinations and more often.

Tourism demand and its elasticity depends on several issues such as income, population, flow of tourists, the accommodation facilities, accessibility, price etc. The elasticity calculates the alteration in tourism demand due to price or income. Income elasticity and price are very helpful to contemplate as compared to pricing, exchange and taxation. A large array of products are present in tourism and it is hard to obtain appropriate measures of prices to estimate the price elasticity of demand. Whenever we are considering the prices of tourism, we have to at least contemplate two prices such as the expense of transport to reach the destination and the price of staying at the destination. According to some studies, the price elasticity of demand in case of global tourism is influenced by tourist's place of residence or origination, tourist destination, and the purpose of travel which can be both elastic & inelastic. If, you talk about tourists, then also the leisure travel is more sensitive to price change as opposed to business travel. And, the leisure travel has more flexibility to cancel their trips in wake of price rise than the business travel.

Tourism Management is a complicated segment containing an extensive variety of economic actions. Tourism supply is unique of the processes. It is extremely dependable on the artificial or man-made, operating, natural, as well as the controlling factors engaged in making the tourism product. The supply components are geographically controlled to a permanent place thus, the stake holding companies wants to offer service and products by adding costs and foreseeing marketing of their single products. It effects a whole tour right from beginning the tour till the end it graciously and pleasingly. The tourism Supply of a business is originated by calculating the price of tourism products offered by the tourism business to the visitors. It includes various components like transport, food, accommodation services and other trade sales. In simple terms Tourism Supply can be defined as the different services offered to the tourists by the stakeholders in the tourism industry such as accommodation, food, transport, Guide services, Insurance etc.

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So what are the positive economic impacts of tourism? As I explained, most destinations choose to invest their time and money into tourism because of the positive economic impacts that they hope to achieve. There are a range of possible positive economic impacts. I will explain the most common economic benefits of tourism below.

One of the biggest benefits of tourism is the ability to make money through foreign exchange earnings. Tourism expenditures generate income to the host economy. The money that the country makes from tourism can then be reinvested in the economy. How a destination manages their finances differs around the world; some destinations may spend this money on growing their tourism industry further, some may spend this money on public services such as education or healthcare and some destinations suffer extreme corruption so nobody really knows where the money ends up!

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