

THE ROLE OF TOURISM IN ECONOMIC DEVELOPMENT OF J&K: AN EMPIRICAL STUDY

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ABSTRACT

Tourism is the key sector of Jammu and Kashmir's economy and accounts for 6.98 per cent of the state's GDP. The Valley of Kashmir, also known as the "Paradise on Earth" is among the most important tourist destinations of the globe. The growth in the tourism industry in the region is due to the rise in tourist arrivals and diversification of tourism product. The present paper highlights the role of tourism industry on economic development in J&K by examining the different parameters such as development of infrastructure and State Gross Domestic Product (SGDP). It found that despite being a leading industry of J&K, tourism industry has not developed optimally to harness its economic benefits. Emphasis needs to be put on the rich heritage and culture, great hospitality and beautiful landscape, which provide a unique tourism product in the State.

Keywords: Tourism, Jammu, Economy, Revenue, Kashmir.

INTRODUCTION

Over the past six decades, tourism has experienced continued expansion and diversification, becoming one of the largest and fastest-growing economic sectors in the world. As per the estimates of World Travel and Tourism Council, calculated that tourism generated INR 6.4 trillion (6.6% of the nation's GDP) in 2012. In Jammu and Kashmir, the northern most state of India, tourism has been identified as an industry with potential of development next to agriculture and horticulture. Jammu and Kashmir's tourism industry now brings billions of dollars into the economy each year. The growth in the tourism industry is due to the rise in the arrival of more and more foreign tourists and the increase in the number of domestic tourists. Jammu and Kashmir (J&K) also known as, "Paradise on Earth" because of its unmatched scenic beauty, attractive landscapes, is among the most important tourist destinations of the world. J&K is to the Himalayas what Switzerland is to the Alps. It is also called as the,

“Switzerland of East”. J&K consists of three regions viz. Jammu, Kashmir and Ladakh. All these regions are well known for tourism potential all around the world. Jammu, also known as, “City of Temples” is an important destination for pilgrimage tourism. Some of the famous pilgrimage sites located here are Vaishno Devi Temple, Raghunath Temple and Bahu Fort which attract tourists from across the world. Kashmir, known for its enormous natural beauty and landscape, pleasant weather and rich heritage has been one of the most preferred tourist destinations for over centuries now. Travelers’ from every nuke and corner of the world are visiting Kashmir. It is the main route of cultural and commercial intercourse between India and East. It provides opportunities for Eco-tourism, Adventure tourism, Pilgrimage tourism and medical tourism. Important sites here are Pahalgam, Gulmarg, Sonmarg, Dallake, Wularlake, Amaranth cave and Mughal gardens. Ladakh, also known as, “Moon on Earth” with its naked peaks and barren lands is a famous destination for adventure tourism, known across the world. Tourism holds a strategic place in J&K economy by providing economic benefits like Employment, Foreign, Exchange, Infrastructure development and development of local industries like Handicrafts and Handlooms which has placed J&K always in the limelight at the national as well as international. As per the estimates of United Nations World Tourism Organism (UNWTO), global tourism receipts hit a record by earning US \$ 1159 billion in 2013.

LITERATURE REVIEW

Sustainability is a most important factor for the success of any tourism destination and for the tourism industry as a whole. However, the increasing importance of residents as key stakeholders in the process of tourism development has prompted several descriptive and empirical studies for assessing its role and significance in managing tourism development to address the fundamental issue of sustainability. But there is much literature and research indicating the inadequacy of application of principles of sustainability in the process tourism Development. This has attracted the attention of planners, developers and the stakeholders. Whereas there is little research work done especially in Indian contexts, therefore through this study an effort has been made to provide a comprehensive account of findings of the various studies related to the theme of the present study so as to provide a basis for the formulation of objectives and hypothesis of the study and also an outline the research procedure to adopted for the study.

Jimenez et al,2010; Balagure et al, 2002; Connely, 2011; Vaugeois, 2000; Khatik & Nag, 2012 are prominent studies which assert that tourism has a significant contribution in the economic growth have been analyzed by several studies in recent literature.

Tange et al, 2009; Lee & Chang, 2007; Wang et al, 2012 are the well known studies that examine the relationship between tourism and economic growth. All these studies contend that there exists unidirectional relationship between tourism and economic growth in various

countries and thus tourism has significant and positive role on the economic growth of various countries.

OBJECTIVES OF THE STUDY

1. To study the Growth of tourism in the economic development of J&K.
2. To analyze the role of tourism in income generation.

METHODOLOGY

The present study is based on secondary sources. Information has been collected from various official sources like Ministry of Tourism Government of India, Jammu and Kashmir Tourism Development Corporation and Directorate of Tourism, Annual Economic Survey of J&K, United Nations World Tourism Organization, World Travel and Tourism Council. In Addition to this, data have also been collected from other reliable online sources like articles, journals and newspapers.

TOURISM AND ECONOMIC DEVELOPMENT IN J&K

Jammu & Kashmir has a tremendous potential to become a major global tourist destination. Importance of tourism in J&K economy is known for decades now and its role in economic development has been an area of great interest from policy perspective. It is estimated that almost 13 million tourists visited J&K in 2012 which placed J&K on 17th position where as Andhra Pradesh has ranked.

TOURISM AND INCOME GENERATION

The contribution of tourism in overall GSDP and services GSDP of Jammu and Kashmir in terms of value and relative share during the period from 2007-08 to 2012-13 is shown in table 1. The importance of tourism sector has been highlighted using Hotels, trade & Restaurant (In Rs. Millions) as proxy because this indicator constitutes the income of various stakeholders working in tourism sector especially. Contribution of tourism to GSDP in value terms has increased from Rs. 249482 million in 2007-08 to Rs. 299924 million in 2012-13 with an average increase of Rs. 281590 million. Growth of tourism has found to be of 6.34% during the study period which is termed to be the lowest in comparison with other sectors of the state economy. However relative share of tourism in GSDP remained fluctuating from 6.5% to 8.04% during the study period, but it constitutes significant portion of on an average of 6.24% (approximately) of state GSDP. Relative share of tourism in service sector also declined from 12.9% in 2007 - 08 to 7.66% in 2012-13. Besides deceleration in terms of declining share, this sector constitutes significant part (11.50%) of service sector GSDP on an average during the study period. Hence, it is concluded

that tourism both in terms of value and share constitutes significant portion in overall GSDP and services sector GSDP, however contribution has been declining continuously. Some natural disaster in State and unrest may be some of the reason for disappointing performance of this sector especially during later two years. In overall, results make a strong case for serious attention at policy level by centre and state governments so as to improve its performance.

ANALYSIS AND DISCUSSION

Table 1: Growth and contribution of Tourism in Jammu and Kashmir during the period from 2007-08 to 2012-13: Comparative view

Year	GSDP(in Rs. Millions)	Agriculture(in Rs. Millions)	Industry (in Rs millions)	Services(in Rs. Millions)	Tourism(in Rs. Millions)	Share of Tourism in Overall GSDP
2007-08	3709680	706320	1116500	1698610	249482	7.66
2008-09	4231480	742910	1261350	2017440	278736	8.04
2009-10	4838450	815460	1435300	2365770	272839	7.53
2010-11	5697590	938760	1662400	2863970	293727	7.23
2011-12	6597870	1068830	1856860	3426380	293727	7.23
2012-13	7611530	1208000	2017410	4126240	299924	6.95
	5364400	913380	1558300	2749735	281590	6.24

Source: Centre for Monitoring India Economy, New Delhi and India stat Database

The analysis of 2 highlights the revenue generated by different departments/organizations from tourism (in Rs. millions) in Jammu and Kashmir from 2007-08 to 2012-13. The total revenue generated from the different departments/ organizations has increased from Rs. 291.69 million to Rs. 469.29 million from 2007 -08 to 2012 - 13. All the departments/ organizations realized an increase in their revenue except Sonamarg Development Authority (SDA) and Patnitop Development Authority (PDA) during the period. Among departments/ organizations, the revenue generated is found to be higher in case of Royal Spring Golf Course (RSGC) and Jammu and Kashmir Tourist Development Corporation (JKTDC). The growth of the revenue earned by the different departments/ organizations from 2007-08 to 2011 - 12 is 10.56%. Growth of revenue earned by different departments/ organizations was found to be 59.93% in case of DTK/J, 12.61% of SKICC, 50.50% of GDA, 40.6% of PDA*, -2.44% of SDA, 10.62% of PDA, 1.21% of RSGC, 46.89% of CCC, and 3.65% of J&K TDC during concerned period. Therefore, it is held that all the departments and organisation have registered manifold increase in revenue

earned from tourism during concerned period and the growth of the revenue earned by the departments from tourism was found to be quite higher.

Table 2: Revenue generated by J&K Tourism Development Authorities (In Million).

Deppt./ Organization	DTK/J	SKICC	GDA	PDA*	SDA##	PDA**	RSGC	CCC	J&K TDC	Total
2007-08	6.20	6.40	4.45	1.90	3.25	7.90	5.00	79.88	176.3	291.6
2008-09	5.40	7.12	5.11	1.27	4.50	2.00	4.56	83.91	196.3	310.1
2009-10	5.66	6.50	3.43	0.66	3.90	1.95	4.42	111.6	189.4	327.5
2010-11	7.26	1.10	3.73	0.23	7.94	3.00	6.43	124.8	269.7	436.2
2011-12	9.63	11.45	1.45	0.31	1.00	2.60	6.31	195.7	225.0	469.2
Average	6.83	6.514	3.634	0.874	4.118	3.49	5.34	119.1	211.3	366.9

Source: India Database

TOURISM INCOME AND ECONOMIC GROWTH IN JAMMU AND KASHMIR: AN ECONOMETRIC ESTIMATION

Empirical evidences on relation and causality between tourism and economic growth in various developing and developed economies of world state that there is a strong bi-directional causality between these two. Similar relation has been examined in case of Jammu and Kashmir economy through Ordinary Least Square Regression (OLS) equations.

Table 3: Role of economic Growth on Tourism Expansion in Jammu and Kashmir.

Dependent variable: Tourism Expansion (in Rs. Millions) Independent Variable: State GSDP as proxy of Economic Growth (in Rs. Millions).

Constant	Coefficient	p-value	R2	Adjusted R2	D-W Statistics	F-test	Standard Error of estimate
2.504 [5.679] (0.001)	0.437 [6.578] (0.000)	0.000	0.861	0.841	0.695	43.272	0.0292

Note: Figures in large brackets [] are t-statistics and in () Level of significance.

Source: Authors' calculations.

Table 3 shows the role of economic growth on income from tourism in case of Jammu and Kashmir. Results relating to model fit show that there is no auto-correlation in data as value of D-W statistics (0.695) is less than two. The value of R-square (0.861%) signifies ideal model fit

and also indicates that 79% variation in income from tourism is explained by economic the single variable namely economic growth in this analysis. The p-value (0.000) reveals the significance of results at 0% level. Value of Regression Coefficient has found to be 0.437 which is statistically significant at 0% level. This confirms positive elasticity of income from tourism with economic growth in Jammu and Kashmir. Moreover high value of r-square (0.861) also indicates towards strong positive correlation between tourism expansion and economic growth. Therefore, it is concluded that economic growth has significant role on tourism expansion in Jammu and Kashmir during the study period.

Table 4: Role of Income from Tourism on Economic Growth in Jammu and Kashmir.

Dependent Variable: State GSDP as proxy of Economic growth (In Rs. Millions) Independent Variable: Income from Tourism (In Rs. Million).

Constant	Coefficient	P-value	R2	Adjusted R2	D-W Statistics	F-test	Standard Error
-4.01 [-2.477] (0.042)	1.971 [6.578] (0.000)	0.000	0.861	0.841	0.634	42.272	0.06

Note: Figures in large brackets [] are t-test and in () level of significance.

Source: Author's Calculation

Table 4 shows the role of Income from tourism (In millions) on Economic growth (in Rs. millions). Results of estimations assert that value of D-W statistics (i.e.0.634) is less than the two (2) and confirm that problem of auto-correlation in given data has been checked. High values of R-square (0.861) and adjusted r-square (0.841) claims that more than 80% of total variation is explained by tourism expansion. The p-value is found to be of 0.00 and highlights that regression coefficient is significant at 0% level. In overall, statistics show ideal model fit. Value of Regression Coefficient has found to be 1.971 which is statistically significant at 0% level. This confirms positive elasticity of economic growth with tourism expansion in Jammu and Kashmir. Moreover high value of r-square (0.861) also indicates towards positive correlation between economic growth and tourism expansion. Therefore, it is concluded that tourism expansion has significant role on economic growth in Jammu and Kashmir during the study period.

CONCLUSION

Tourism is the leading industry in J&K and has great potential for generate state revenue. The revenue generation is expected to increase manifold provided the situation remains normal and the tourist influx increase in a desired manner.

Econometric analysis reveals bi-directional causality between economic growth and tourism and confirms that economic growth has significant role on tourism expansion in J&K during the study period and vice-versa. Tourism industry has vast potential for generating employment and earning large of foreign exchange besides given a stimulus to the country's overall economic growth. Having potentialities and capabilities of tourism activities to expand, study makes a strong case to give appropriate attention at state policy so that it can contribute more significantly in J&K economy in terms of income.

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Note: DTK/J denotes "Director Tourism Kashmir/ Jammu", SKICC denotes "Sher-i-kashmir international convention centre", GDA represents "Gulmarg development Authority", PDA denotes "Pahalgam development Authority", SDA denotes "Sonamarg development Authority", PDA** denotes "Patnitop development Authority", RSGC denotes "Royal Spring Golf Course", CCC denotes "Cable Car Corporation", J & K TDC denotes "Jammu & Kashmir Tourism Development Corporation"*