FYUGP

University of Calicut

BTTM Hons.

TTM1FM105 – ECONOMICS OF TOURISM (MDC)

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Module 1
Tourism Economics

Unit: 1

Definition and Concept of Tourism Economics:

Tourism economics is a field of study that examines the economic impact of tourism on local, regional, national, and global economies. It involves analyzing how tourism activities contribute to economic growth, job creation, and overall economic development.

Key Components:

- **Tourism Demand**: The desire and willingness of tourists to purchase goods and services associated with travel and tourism.
  Example: A family planning a vacation to Goa represents tourism demand.

- **Tourism Supply**: The availability of attractions, facilities, and services that cater to tourists' needs and preferences.
  Example: Hotels, restaurants, and tour guides in Jaipur that serve tourists.

Significance of Tourism Economics:

- **Economic Growth**: Tourism is a significant driver of economic growth. It generates revenue through tourist spending on accommodation, food, transportation, entertainment, and other services.
  Example: Tourism in Kerala, contributing significantly to the state's GDP through spending on houseboats, Ayurvedic treatments, and cultural experiences.

- **Job Creation**: The tourism industry is a major employer, creating jobs in various sectors such as hospitality, transportation, travel agencies, and tour operations.
  Example: Tour guides in Agra, hotel staff in Goa, and airline employees in Mumbai

- **Foreign Exchange Earnings**: Tourism contributes to a country's foreign exchange reserves as international tourists spend money on local goods and services.
  Example: European tourists spending money on handicrafts and heritage hotels in Rajasthan.

- **Infrastructure Development**: Tourism often leads to the development of infrastructure, such as roads, airports, and public facilities, which can benefit local communities.

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Example: The construction of new airports and improved road networks in the North-East region of India to accommodate increasing tourist arrivals.

- **Regional Development**: Tourism can promote the development of less economically developed regions by attracting tourists to these areas.
  Example: Eco-tourism initiatives in the Sundarbans and rural parts of Madhya Pradesh.

- **Cultural Exchange**: Tourism fosters cultural exchange and understanding between people from different backgrounds, promoting global harmony and peace.
  Example: Foreign tourists learning about and participating in traditional Indian festivals like Diwali and Holi.

Unit: 2

Demand

Definition: Demand refers to the quantity of a good or service that consumers are willing and able to purchase at various price levels during a specific period.

Determinants of Demand:

- **Price of the good or service**: Generally, as the price decreases, demand increases, and vice versa.
  Example: Lower airline ticket prices during off-peak seasons increase travel demand to popular destinations like Shimla and Manali.

- **Income of consumers**: Higher income levels usually increase demand.
  Example: As people's incomes rise, they are more likely to take vacations to international destinations or luxury resorts in India.

- **Preferences and tastes**: Changes in consumer preferences can increase or decrease demand.
  Example: Growing interest in wellness tourism leads to higher demand for yoga retreats in Rishikesh.

- **Prices of related goods**: Substitutes and complements affect demand.
  Example: A decrease in the price of train tickets might increase demand for travel to hill stations.

- **Expectations**: Future price expectations can influence current demand.
  Example: Anticipation of a fuel price hike may increase current travel bookings.

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- **Number of buyers**: An increase in the number of buyers typically increases demand.
  Example: The rise of middle-class tourists in India boosting demand for domestic travel.

Supply

Definition: Supply refers to the quantity of a good or service that producers are willing and able to offer for sale at various price levels during a specific period.

Determinants of Supply:

- **Price of the good or service**: Higher prices generally increase the quantity supplied.
  Example: High room rates during the peak season in Goa encourage hotels to increase their number of available rooms.

- **Production costs**: Higher production costs can reduce supply.
  Example: Increased food prices may lead restaurants in tourist areas to reduce portion sizes or raise prices.

- **Technology**: Advances in technology can increase supply.
  Example: Online booking platforms making it easier for hotels to manage reservations and increase room availability.

- **Prices of related goods**: Changes in the prices of substitutes or complements in production can affect supply.
  Example: Higher fuel prices may decrease the number of flights airlines can offer.

- **Expectations**: Future price expectations can influence current supply.
  Example: Anticipation of a high tourist season may lead hotels to renovate and increase room supply.

- **Number of sellers**: An increase in the number of sellers typically increases supply.
  Example: More tour operators entering the market increases the variety of tour packages available.

Elasticity:

1. **Price Elasticity of Demand (PED)**:
   PED measures the responsiveness of the quantity demanded to a change in price.

   Formula: PED = % Change in Quantity Demanded / % Change in Price

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Types:

- Elastic Demand (PED > 1)
  Example: Luxury train tours like the Palace on Wheels, where a small price increase can lead to a large drop in bookings.

- Inelastic Demand (PED < 1)
  Example: Essential travel, such as trips during religious festivals like Kumbh Mela, where price changes have little effect on demand.

- Unitary Elastic Demand (PED = 1)
  Example: A scenario where a 10% price decrease leads to a 10% increase in demand for entry tickets to historical monuments like the Taj Mahal.

2. Price Elasticity of Supply (PES):

PES measures the responsiveness of the quantity supplied to a change in price.

Formula: PES = % Change in Quantity Supplied / % Change in Price

Types:

- Elastic Supply (PES > 1)
  Example: Seasonal hotel rooms in hill stations that can be quickly adjusted based on demand.

- Inelastic Supply (PES < 1)
  Example: Limited number of heritage properties that cannot be increased easily.

- Unitary Elastic Supply (PES = 1)
  Example: An increase in hotel room rates by 10% leads to a 10% increase in the number of rooms available.

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Characteristics of Tourism as an Economic Activity

- **Seasonality**: Tourism demand often fluctuates based on seasons, holidays, and climatic conditions.
  Example: Hill stations like Shimla and Manali experience high demand during summer but low demand in winter.

- **Intangibility**: Tourism services cannot be touched or stored; they are experienced.
  Example: The experience of a guided tour through the historic streets of Varanasi.

- **Heterogeneity**: Tourism services vary greatly based on location, service providers, and individual experiences.
  Example: The same chain hotel may provide different experiences in Delhi and Mumbai.

- **Inseparability**: Production and consumption of tourism services occur simultaneously.
  Example: A live performance of Kathakali in Kerala is produced and consumed at the same time.

- **Perishability**: Tourism services cannot be stored for future use; unsold services (e.g., empty hotel rooms) represent lost revenue.
  Example: An empty seat on a train cannot be sold after the train has departed.

- **Interdependence**: Tourism relies on various interconnected sectors such as transportation, accommodation, food and beverage, and entertainment.
  Example: A heritage tour in Rajasthan depends on transportation to the forts, the forts themselves, and local guides.

Unit: 4

Microeconomics:

Definition: Microeconomics studies individual economic units such as consumers, firms, and markets. It focuses on the behavior and decision-making processes of these entities.

Key Concepts:

- **Consumer Behavior**: How individuals make decisions to allocate their resources (income) among various goods and services.
  Example: A tourist deciding whether to spend more on accommodation or dining in a luxury hotel in Mumbai.

- **Production and Costs**: How firms decide on the optimal combination of inputs to produce goods and services.

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Example: A hotel in Kerala determining the most cost-effective way to provide high-quality Ayurvedic treatments.

- **Market Structures**: Different types of markets, including perfect competition, monopolistic competition, oligopoly, and monopoly.
Example: The airline industry in India, which often operates as an oligopoly with a few major carriers like Air India, Indigo, and SpiceJet dominating the market.

- **Price Determination**: How prices are determined through the interaction of supply and demand in various market structures.
Example: The price of a hotel room in a competitive market like Goa where multiple hotels offer similar amenities.

Macroeconomics:

Definition: Macroeconomics studies the economy as a whole, focusing on aggregate economic variables and how they interact.

Key Concepts:

- **Gross Domestic Product (GDP)**: The total value of all goods and services produced within a country over a specific period.
Example: The contribution of tourism to India's GDP through spending on hotels, restaurants, and attractions in states like Kerala, Rajasthan, and Himachal Pradesh.

- **Inflation**: The rate at which the general level of prices for goods and services rises, eroding purchasing power.
Example: Rising costs of hotel rooms and flights due to inflation affecting travel expenses for both domestic and international tourists.

- **Unemployment**: The percentage of the labor force that is jobless and actively seeking employment.
Example: Seasonal unemployment in tourist destinations like Goa during the off-peak monsoon season.

- **Fiscal Policy**: Government policies regarding taxation and spending to influence the economy.
Example: Tax incentives provided by the Indian government for developing tourist infrastructure, such as the construction of hotels and improvement of local attractions.

- **Monetary Policy**: Actions taken by the Reserve Bank of India (RBI) to control the money supply and interest rates to influence the economy.
Example: Lower interest rates making it cheaper for businesses in the tourism sector to borrow money for expansion and development.

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- **Balance of Payments (BOP)**: The difference in total value between payments into and out of a country over a period.
  Example: The impact of international tourism on India's BOP, with foreign tourists bringing in foreign currency that contributes positively to the country's foreign exchange reserves.

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Module 2
Tourism Demand and Supply

Unit: 5

Definition of Tourism Demand:

Tourism Demand refers to the total number of people who travel or wish to travel to use tourist facilities and services at places away from their places of work or residence.

The number of people who want to travel and use tourist services, like hotels and attractions, away from their usual place.

According to Mathieson and Wall, 1982, "Tourism demand is the total number of persons who travel or wish to travel to use the tourist facilities away from their places of work and residence."

According to IGI Global Dictionary, "Tourism demand is defined as the number of people that plan to buy **tourism** products supported by sufficient purchasing power and spare time in order to meet **tourism** needs of people."

According to Song et al. 2010, "Demand is made of all those travelling to some place (**tourists** and destination). It can be **measured** by taking into account four elements: people (tourists), money (expenditure, receipts), time (stays and travels durations) and space (distances, lengths of trips).

Tourism demand: Requirement of variety of tourism products (Goods and services) at a particular place / market in a given time on a given price is known as tourism demand. In short, requirement of tourism products is called as tourism demand. Tourism demand involves following requirements by the tourist / consumer:
1) Transport services (Hotel transfers and local sight-seeing)
2) Accommodation facilities (Stay in hotels, residential hotels, resorts, camp sites, tree houses, house boats, luxury trains and cruises etc.)
3) Ancillary services /amenities (Banking services, medical aids, security services, escort and guide facilities, foreign currency exchange and entry tickets to variety of events and cultural performances etc.).
4) Tour components together as tour packages.

Characteristics of Tourism Demand

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Tourism demand exhibits various characteristics enlisted as follows:
- Tourism demand depends upon requirements of variety of tourism products in a particular market.
- Tourism demand depends upon supply of tourism products.
- Tourism demand is generally continuous except upon certain situations like global lockdowns and administrative failures of countries across the world.
- Tourism demand varies at different markets.
- Tourism demand is flexible.
- Tourism demand is sensitive to different internal and external factors.
- Tourism demand exhibit variations due to numerous dependent and independent variables.
- Tourism demand depends upon numerous factors i.e. Socio-cultural, psychological, geographical, climatic, seasonal, political and international factors.

Types of tourism demand
Tourism demand is of following types depending upon its existence:

1) **Active demand:** It refers to total number of people, who are actually utilizing different tourism products in current time at a particular place / market.
2) **Potential demand:** It refers to total number of people, who are currently not utilising any tourism product but may utilise or undergo any tour in near future at a particular place / market.
3) **Deferred demand:** It refers to all those individuals, who have potential to undergo any tour but they have delayed their plan due to some reasons. These reasons may be lack of leisure / free time, health issue or any family problem etc.
4) **Suppressed demand:** It refers to all those people, who can undergo tours but are not utilising any tourism product because of lack of motivation and sufficient information. This demand can be converted into active demand through variety of motivational efforts.
5) **Future demand:** It refers to requirement of different tourism products in near future / coming days. It may increase or decrease depending upon changes in lifestyles of people.
6) **Creative demand:** It refers to requirement of new types of tourism products with lots of creative aspects. It may involve new tourism trends and exploration and development of new tourism destinations.

Measurement of Tourism Demand:

- **Visitor Numbers**: Counting the number of visitors to a destination over a specific period.
  Example: The number of international tourists visiting Agra to see the Taj Mahal annually.
  Counting how many people visit a place. Counting tourists who visit the Taj Mahal each year.

- **Tourist Expenditure**: Measuring the amount of money spent by tourists during their visit.
  Example: Total spending by tourists in Goa on accommodation, food, and entertainment.

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- **Tourist Nights**: The total number of nights tourists stay in a destination.
  Example: The total number of nights spent by tourists in Kerala's houseboats.

- **Tourist Arrivals**: The number of tourists arriving at a destination.
  Example: The number of international tourists arriving at Delhi's Indira Gandhi International Airport.

Unit: 6

Determinants of Tourism Demand

The determinants of tourism demand are the factors that determine the nature and type of tourism products required at a place / market. These are of following two types broadly:
1) **Long term determinants.**
2) **Short term determinants.**

1) **Long term determinants of tourism demand:** These are the factors that affect the tourism demand in a long run. Long term determinants are enlisted as follows:

- Economic status.
- Availability of leisure time.
- Demographic factors.
- Legislative scenario.
- Availability of trained manpower.
- Sources of financial support.
- Extent of local involvement.
- Development level of people.
- Status of communication development.
- Status of fundamental and basic education.
- Status of language barriers.
- Infusion of business planning skills.
- Status of trained tourist escorts and guides.
- Status of communication skills in employed tourism man-power.

2) **Short-Term Determinants of Tourism Demand:** Short term determinants affect the tourism demand in small proportions and in short run. These are enlisted as follows:
- Decreasing income level of tourists leading towards less disposable income.
- Opportunities of employment especially in developed countries.
- Changing rates of currency exchange across the world.

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- Absence of developing business limiting the level of earnings, thereby decreasing the confidence of consumers.
- Uncertainty on the future dimension of viruses like H1N1 influenza virus, Corona virus and their spread. It is indeed a cause for concern as still there are cases of infection being reported across the world. Advanced booking in proportions to numbers of seats available with the airlines.

Other Determinants of Tourism Demand

- **Income Levels**: Higher income levels lead to increased tourism demand.
  Example: Rising middle-class incomes in India resulting in more domestic travel to places like Manali and Ooty.

- **Price of Tourism Products**: Higher prices can deter tourists, while lower prices can attract more tourists.
  Example: Discounts on flight tickets and hotel stays during the off-peak season in Rajasthan.

- **Alternative Destinations**: Availability and attractiveness of alternative destinations.
  Example: Choosing Kerala over Bali for a beach vacation due to lower costs.

- **Preferences and Tastes**: Changes in consumer preferences can impact tourism demand.
  Example: Growing interest in cultural and heritage tourism increasing visits to Hampi.

- **Political Stability and Safety**: Tourists prefer destinations that are politically stable and safe.
  Example: Increased tourism in Ladakh after the region was opened up to tourists.

- **Promotional Activities**: Effective marketing and promotional activities can boost tourism demand.
  Example: Incredible India campaign promoting various Indian states internationally.

- **Seasonality**: Certain destinations have peak and off-peak seasons affecting demand.
  Example: High demand for travel to Himachal Pradesh during the summer months to escape the heat.

Unit: 7

Indicators and Methods for Measuring Demand

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Indicators:

1) **Economic indicators:** The financial status of people in a market is a major indicator of tourism demand. If the economic condition of people in a market is in growing phase then the demand for tourism products will increase most probably. On the other hand, if the economic condition of people in a market is poor, then the demand for tourism products will decrease at large. The economic indicators are:
   - Employment of people, who are part of a market.
   - Income of people, who are part of a market.
   - Local entrepreneurship in a market.
   - Local investment in different ventures.

2) **Socio-cultural indicators:** There are certain social factors that affect the\ movement of local people for tourism activities. However, the social effect may be positive or negative depending upon multiple aspects (Financial structure of people, lifestyles etc.). The cultural factors that involve exploration and provide ample space for creativity enhance local movement to new places, thereby increase the tourism demand. Contrary to this, cultural restrictions lead to decrease in tourism demand. The socio-cultural indicators are:
   - Beliefs and lifestyles of people.
   - Social freedom.
   - Availability of holidays / leisure time.
   - Cultural exploration.
   - Cultural exchange.
   - Educational tours to different states.
   - Research assignments to different destinations.

3) **Psychological indicators:** Psychological aspects of people at any place / market constitute tourism demand in a given time. Educated and motivated people indicate increase in tourism demand and contrary to this less educated and least motivated people indicate decrease in tourism demand. Various psychological indicators are:
   - Awareness level of people for tourism activities.
   - Motivational atmosphere for tourism activities.
   - Family structure and support.
   - Marital status.
   - Working environment.
   - Social status.

4) **Geographical indicators:** Geography of any place / market also indicates demand for tourism products. The places that are well connected through variety of modes of transportation and are easily accessible, generally receive better services and are up to date with current tourism trends. Thus, such places show an effective demand for tourism. Contrary to this, the places located in remote areas lacking multiple modes of accessibility or are not easily accessible, generally receive selective services and are

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lesser up to date with current tourism trends, show lesser demand for tourism products. Various geographical indicators are:

- Terrain of place / market (Plain region, mountain region, desert or coastal region).
- Ease of accessibility up to or within the place / market.
- Distance of the place from a bigger market.
- Availability of multiple modes of transportation (Roadways, railways, airways and waterways).

5) **Climatic indicators:** Climate of any place or market is also an important indicator of tourism demand. The place having better climatic conditions shall lead towards better inflow of tourists to the place and least outflow of people to other destinations, thereby decreasing the demand of local people for tourism products. Contrary to this, the place having harsh / adverse climatic conditions shall lead towards less inflow of tourists to the place and more outflow of people to other destinations, thereby increasing the demand of local people for tourism products. Various climatic indicators are:

- Seasons (Summer, winter, monsoon and spring season).
- Calamities like cloudbursts, hot winds, landslides and floods etc.

6) **Technological indicators:** Technological development of a place / market is important indicator of demand for tourism products. Technological empowerment of local people helps them to utilise available tourism products and new tourism trends in the market, thereby increasing the tourism demand. Contrary to this, lack of technological support, prohibit people from availing tourism products, thereby leading towards decrease in demand for tourism products. Various technological indicators are:

- Availability of smart mobile phones.
- Availability of internet facility.
- Availability of mobile applications.
- Availability of online service providers like MMT, YATRA, OYO rooms, Go ibibo, Taj hotels, Oberoi hotels, Indigo airlines, Air India etc.

Methods:

- **Surveys and Questionnaires**: Collecting data directly from tourists.
  Example: Surveying visitors at Jaipur's Amber Fort to understand their spending patterns.

- **Visitor Counts**: Counting the number of visitors at tourist attractions.
  Example: Using electronic counters at the entrance of the Ajanta and Ellora Caves.

- **Statistical Data**: Using secondary data from tourism boards and government agencies.
  Example: Data from the Ministry of Tourism on annual tourist arrivals in India.

- **Economic Models**: Using economic models to estimate demand based on various factors.
  Example: Predicting future demand for Goa based on trends in income levels and travel costs.

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Measuring Demand For Tourism

Tourism demand is a continuous phenomenon and it must be measured properly in order to craft tourism infrastructure and thereby providing world class tourism services at various destinations. Tourism demand can also be referred to as travel propensity (*measure of percentage of population engaged in tourism activities*). You might have gone with the basic concept of tourism demand that it is requirement of variety of tourism services at a destination / place / market in a given time. The people who are currently utilising tourism services constitute active tourism demand. Those, who may travel in near future constitute potential tourism demand. Likewise tourism demand can be easily categorised into different types enlisted as follows:

1) On the basis of its origin, the tourism demand can be broadly categorized as:
- Inbound tourism demand.
- Outbound tourism demand.
- Domestic tourism demand.

2) Further, on the basis of status (*Actual position*) of tourism demand, it can be categorised as follows:
- Actual tourism demand.
- Potential tourism demand.
- Deferred tourism demand.
- Suppressed tourism demand.
- Creative tourism demand,
- Future tourism demand.

Unit: 8

Challenges in Measuring Tourism Demand

- **Data Accuracy**: Ensuring accurate and reliable data collection can be difficult.
  Example: Inconsistent reporting of tourist numbers across different states in India.

- **Seasonality**: Tourism demand fluctuates seasonally, making it hard to get a consistent measure.
  Example: Significant differences in tourist arrivals in Kerala during monsoon and peak season.

- **Changing Trends**: Rapid changes in tourist preferences and behaviors can affect demand measurement.
  Example: Shift towards eco-tourism and adventure tourism impacting traditional tourist destinations.

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- **Informal Sector**: A large portion of tourism activity happens in the informal sector, which is hard to track.
  Example: Unregistered homestays and local guides in rural tourism areas.

- **Political and Economic Factors**: Political instability and economic changes can impact tourism demand unpredictably.
  Example: Decrease in foreign tourists during periods of political unrest or economic downturn.

Unit: 9

Definition of Tourism Supply:

Tourism Supply refers to the provision of goods and services to meet the demands of tourists. It includes accommodation, transportation, attractions, activities, and other related services.

1) **According to Cooper et al, 1993,** Tourism supply has been defined as, "The supply of all assets, services and goods to be enjoyed or bought by visitors and occasioned by the journeys of visitors."

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   "Tourism supply consists of an amalgamation or mix of attractions. Tourism supply shapes the demand for tourism in a country."

2) **According to Sinclair &Stabler (1997),** "Tourism supply is a complex phenomenon because of both the nature of the product and the process of delivery."

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   "Principally, it cannot be stored (i.e. it is perishable product), it is intangible in that it cannot be examined prior to purchase, it is necessary to travel to consume it, heavy reliance is placed on both natural and human made resources and a number of components are required, which may be separately or jointly purchased and which are consumed in sequence."

   &

   "It is a composite product involving transport, accommodation, catering, natural resources, entertainment and other facilities and services such as shops and banks, travel agents and tour operators."

Tourism supply: The provision of variety of tourism products (*Goods and services*) to tourists / consumers at a particular market / destination in a given time is called as tourism supply. Tourism supply also refers to variety of supply channels. These channels may be wholesale, retail on the basis of distribution. These may also be direct or indirect channels on the basis of interaction between the seller and buyer. Tourism supply can also be online and offline depending upon the mode of purchase of tourism products. Tourism supply involves following provisions:

1) Tour packages.

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2) Tour components.
3) Supplementary services including visa facility.
4) Creative tourism products.

Characteristics of Tourism Supply
Tourism supply has various characteristics stated as follows:

- Tourism supply depends upon provision of variety of tourism products in a particular market.
- Tourism supply is directly related to tourism demand.
- Tourism supply is generally continuous except upon certain situations like global lockdowns and administrative failures of countries across the world.
- Tourism supply varies across different markets.
- Tourism supply is flexible.
- Tourism supply is sensitive to different internal and external factors.
- Tourism supply varies due to numerous dependent and independent variables.
- Tourism supply depends upon numerous factors i.e. geographical, climatic, seasonal, political and international factors.

Supply in tourism
Supply in tourism refers to provision of different tourism products (*Goods and services*) at a particular place / market in a given time at a given price. The supply of tourism products includes provision of tour packages, individual tour components, variety of services like escort and guide services, catering services insurance services, security services, FOREX services and passport as well as visa services etc.

Suppliers in tourism: There is following types of supply in tourism sector depending upon supplier:
1) **Wholesale (*Tour Operator*).**
2) **Retail (*Travel agent*).**

1) **Wholesale (*Tour Operator*):** Here, the supplier supplies tourism products (*Tour packages and tour components*) in large quantity at a particular market / place in a given time. The bulk selling is common practice with comparatively less prices of tourism products.
2) **Retail (*Travel Agent*):** Here, the supplier supplies tourism products (*Tour packages and tour components*) in small quantities as per demand of the customers. The retailer works as middleman and remains in contact of both, the wholesaler as well as customer.

Other modes of supply include following:
1) **Direct selling**- (*Online sale by parent organization or through wholesale and retail stores*).
2) **Indirect selling -** through affiliates, resellers, independent sales representatives and system integrators (*Different sellers both online stores- Amazon and Flipkart etc. and offline stores other than the parent organisation*).

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3) **Personal selling -** (*Door to door selling*), can also be considered as part of direct as well as indirect selling.

Unit: 10

Determinants of Tourism Supply

- **Natural and Cultural Resources**: Availability of natural and cultural attractions.
  Example: The presence of the Himalayas, historical monuments like the Taj Mahal, and cultural festivals in India.

- **Infrastructure**: Quality and availability of infrastructure such as roads, airports, and public services.
  Example: The development of new airports in smaller cities to boost tourism.

- **Investment and Funding**: Level of investment in tourism facilities and services.
  Example: Government and private investment in creating luxury resorts in Kerala.

- **Government Policies**: Regulations and policies affecting the tourism industry.
  Example: Visa facilitation and tourism promotion initiatives by the Indian government.

- **Human Resources**: Availability of trained and skilled personnel in the tourism sector.
  Example: Training programs for tour guides and hospitality staff in Rajasthan.

- **Technological Advances**: Adoption of technology in the tourism sector.
  Example: Online booking systems and digital marketing strategies for promoting destinations.

- **Economic Conditions**: Overall economic environment affecting supply capabilities.
  Example: Economic growth leading to increased investment in tourism infrastructure in India.

Indicators of tourism supply

1) **Geographical indicators:** Geography of any place / market also affects the supply of tourism products. The places that are well connected through variety of modes of transportation and are easily accessible, generally provide better services and are up to date with current tourism trends. Thus, such places show an effective tourism supply. Contrary to this, the places located in remote areas lacking multiple modes of accessibility or are not easily accessible, generally receive selective services and are lesser up to date with current tourism trends, show less effective tourism supply. Various geographical indicators are:

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- Terrain of place / market (Plain region, mountain region, desert or coastal region).
- Ease of accessibility up to or within the place / market.
- Distance of the place from a bigger market.
- Availability of multiple modes of transportation (Roadways, railways, airways and waterways).

2) **Technological indicators:** Technological development of a place / market is an important indicator of supply of tourism products. Technological empowerment of local people helps them to utilise available tourism products and new tourism trends in the market, thereby leading towards effective tourism supply. Contrary to this, lack of technological support, prohibit people from availing tourism products, thereby leading towards decrease ineffective tourism supply. Various technological indicators are:
- Availability of smart mobile phones.
- Availability of internet facility.
- Availability of mobile applications.
- Availability of online service providers like MMT, YATRA, OYO rooms, Go ibibo, Taj hotels, Oberoi hotels, Indigo airlines, Air India etc.

3) **Infrastructural indicators:** Status of basic infrastructure at a place / market is an important indicator for supply of tourism products. Developed infrastructure helps in easy provision of tour packages and hotel room etc., thereby facilitating better tourism supply. Contrary to this, least developed infrastructure affects easy provision of tourism products, thereby deteriorating the tourism supply. Various infrastructural indicators are:
- Hotels and resorts.
- Restaurants.
- Roads.
- Recreational parks.

4) **Service provider indicators:** Service providers at a place / market are important indicators of tourism supply. Service providers maintain better supply of tourism products in a market, thereby leading towards effective supply of tourism products. Contrary to this, lack of service providers or limited service providers, provide only limited tourism supply, thereby leading towards poor supply of tourism products. Various service indicators are:
- Tour operators.
- Travel agents.
- Transporters.
- Hoteliers.
- Escorts and guides.
- FOREX (Foreign currency exchange) providers.
- Travel insurance companies.

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Unit: 11

Law of Supply

Definition:

The Law of Supply states that, other things being equal, an increase in the price of a good or service will lead to an increase in the quantity supplied, and vice versa.

The Law of Supply states that as the price of a good or service increases, suppliers will offer more of it, and vice versa.

Application in Tourism:

High Demand Periods: During peak tourist seasons, prices of hotel rooms, flight tickets, and other services tend to rise, encouraging suppliers to increase the availability of these services. *Example*: Increased room rates in Goa during the tourist season leading to more hotels offering rooms.

Unit: 12

Elasticity of Supply

Definition:

Elasticity of Supply measures the responsiveness of the quantity supplied of a good or service to a change in its price.*ie, how much the quantity supplied changes in response to a change in price.*

Types:

- **Elastic Supply**: Supply is highly responsive to price changes. *Supply changes a lot with price changes.*
  Example: Hotel rooms in tourist destinations where additional rooms can be quickly added.

- **Inelastic Supply**: Supply is not very responsive to price changes. *Supply changes little with price changes*
  Example: Limited number of heritage properties that cannot be easily increased.

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Unit: 13

Methods of Forecasting:

- **Time Series Analysis**: Using historical data to predict future supply trends.
  Example: Analyzing past tourist arrival data to forecast hotel room demand in Rajasthan.

- **Market Surveys**: Collecting data from market participants about future supply expectations.
  Example: Surveying hotel operators in Kerala about their future capacity plans.

- **Economic Indicators**: Using economic indicators such as GDP growth, income levels, and consumer confidence to forecast tourism supply.
  Example: Predicting an increase in tourism supply in India based on projected economic growth.

- **Scenario Analysis**: Considering different future scenarios based on potential changes in the market.
  Example: Assessing the impact of potential new international flight routes on tourism supply in Goa.

- **Expert Opinion**: Consulting industry experts and stakeholders for their insights on future supply trends.
  Example: Seeking opinions from tourism industry leaders on future trends in the North-East tourism market.

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Module 3
Economic Impacts of Tourism

Unit: 14

Definition and significance of economic impacts in tourism

Economic impacts in tourism refer to the effects that tourism activities have on the economic conditions of a region or country. These impacts can be direct, such as income generated from tourism-related services (hotels, restaurants, transport), or indirect, such as the benefits seen in related industries that supply goods and services to tourism sectors. Economic impacts can also be induced, meaning the wider economic effects that occur as tourism-related employees and businesses spend their income in the economy.

Significance of Economic Impacts of Tourism

1. **Revenue Generation and GDP Contribution**: Tourism is a key driver of India's economy, contributing significantly to the Gross Domestic Product (GDP). In 2022, tourism accounted for nearly 5.19% of India's GDP. The sector is vital for generating foreign exchange, with international tourists contributing substantially through travel expenditures.
2. **Employment Creation**: Tourism provides direct and indirect employment opportunities. In India, the sector supports millions of jobs in sectors like hospitality, transport, travel agencies, and tour operations. It also contributes to informal employment, such as handicraft sellers and street vendors.
3. **Infrastructure Development**: Tourism catalyzes infrastructure development, especially in transportation, communication, and public facilities. Government and private investments in airports, highways, hotels, and tourism destinations improve accessibility and attract more tourists, further boosting the economy.
4. **Regional Development**: In India, tourism plays a critical role in developing remote or underdeveloped areas, particularly places with cultural or natural attractions. States like Rajasthan, Kerala, and Himachal Pradesh have seen economic growth due to tourism. This helps in reducing regional economic disparities.
5. **Boosting Local Businesses**: Tourism promotes local entrepreneurship by creating demand for local goods and services. Artisans, shopkeepers, and small businesses benefit from tourist spending, particularly in areas with cultural or heritage tourism like Jaipur or Varanasi.
6. **Cultural Preservation**: Tourism can also have an economic role in cultural preservation. Many heritage sites and traditional practices in India are preserved through tourism revenues, creating economic incentives for communities to maintain their cultural assets.

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7. **Foreign Direct Investment (FDI)**: Tourism opens the doors for foreign direct investment, particularly in the hospitality and infrastructure sectors. Many international hotel chains and tourism companies invest in India, stimulating economic growth.

Unit: 15

Positive Economic Contributions of Tourism

The tourism development at a destination induces both positive and negative impacts in that area. The positive or negative impacts depend largely on the nature of planning of the tourism development at the destination. Some of the positive impacts of tourism development at conceptual level include the multiplier effects of rising income and employment, higher GDP growth, reduction of balance of payment deficits, and poverty alleviation.

1. **Contribution of Tourism to GDP (Direct, Indirect, and Induced Effects)**

   - **Direct Effects**: This refers to the immediate financial contributions of tourism, such as spending by tourists on goods and services directly associated with tourism (hotels, restaurants, travel agencies, airlines, attractions, etc.). These direct expenditures contribute directly to the country's Gross Domestic Product (GDP). For example, when tourists book a hotel room, the revenue generated contributes to the GDP.
   - **Indirect Effects**: Indirect effects are the ripple effects generated when tourism-related businesses purchase goods and services from other industries. This could include the supply of food to restaurants, fuel for airlines, or cleaning services for hotels. The expenditure by tourism businesses on inputs from other sectors creates a chain of economic activity, increasing the overall contribution of tourism to GDP.
   - **Induced Effects**: Induced effects are the broader impacts caused by the wages earned by employees in the tourism sector and related industries. When workers in tourism and supporting industries spend their income on goods and services (housing, groceries, etc.), it circulates within the economy, further boosting GDP. This spending increases demand in other sectors of the economy, creating a multiplier effect.

2. **Employment Generation (Direct, Indirect, Skilled, Unskilled, and Semi-Skilled)**

   - **Direct Employment**: These are jobs directly created by tourism-related businesses such as hotels, airlines, tour operators, travel agents, restaurants, and attractions. These jobs can include roles like hotel staff, tour guides, travel consultants, and restaurant workers.
   - **Indirect Employment**: Indirect jobs are those created in industries that support tourism, such as agriculture (providing food for tourists), construction (building hotels and airports), and manufacturing (producing souvenirs and goods for tourists). For example, a local farmer supplying food to a tourist restaurant benefits indirectly from tourism.
   - **Skilled Employment**: These are positions that require a higher level of expertise or education, such as hotel managers, airline pilots, travel consultants, and chefs. Skilled employment tends to be in higher-paying roles within the tourism and hospitality sectors.

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- **Unskilled Employment**: These jobs do not require advanced training or education and typically include roles like porters, housekeeping staff, and street vendors selling items to tourists. In countries like India, unskilled labor benefits significantly from tourism, especially in developing rural areas.
- **Semi-Skilled Employment**: These roles require some degree of training or education but are not as specialized as skilled jobs. Examples include taxi drivers, tour guides, and receptionists. Semi-skilled jobs in tourism provide a bridge for workers to gain experience and potentially move into skilled roles over time.

3. Foreign Exchange Earnings

Tourism is one of the largest sources of foreign exchange for many countries, including India. Foreign tourists spend money in the host country, paying for accommodations, transportation, meals, shopping, and other tourism-related services. These transactions often involve foreign currencies, which boost a country's foreign exchange reserves.

- **Importance**: Foreign exchange earnings from tourism help balance trade deficits, stabilize the national currency, and improve a country's ability to purchase imports and pay off international debts. In India, for example, tourism significantly contributes to foreign exchange earnings, providing a valuable revenue stream to the country's economy.
- **Growth Potential**: As India's tourism sector expands, especially with initiatives like "Incredible India" promoting the country globally, foreign exchange earnings are poised to grow further. Increased foreign tourist arrivals bring more hard currency into the economy, improving overall economic stability.

4. Stimulation of Infrastructure Development

Tourism acts as a catalyst for infrastructure development in many regions. To attract tourists, both the government and private sector invest heavily in improving facilities and services, which benefits the broader economy.

- **Transportation**: Tourism stimulates the development of transportation infrastructure, such as airports, highways, railways, and ports, improving accessibility for both tourists and local residents. In India, the development of airports and rail networks has been critical in promoting tourism to remote destinations like the Himalayas or Kerala's backwaters.
- **Public Services**: Tourism often leads to improvements in public services like water supply, electricity, and waste management systems in tourist destinations. For example, in cities like Agra and Jaipur, improvements to public utilities and cleanliness standards have been driven by the need to cater to tourists.
- **Urban and Rural Development**: Tourism encourages the development of both urban areas (through improved accommodations and entertainment facilities) and rural areas (by promoting ecotourism and cultural tourism). The creation of new facilities benefits

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local communities and businesses, making regions more attractive for both residents and tourists alike.

Unit: 16

Negative Economic Impacts of Tourism

1. Leakage of Tourism Revenues

Definition: Revenue leakage occurs when a significant portion of the money spent by tourists does not stay in the local economy. Instead, it "leaks" out, often to international companies, foreign-owned businesses, or the importation of goods and services used to support tourism.

Causes of Leakage:

- **Foreign Ownership**: Many hotels, resorts, and tourism services in developing countries are owned by foreign companies. When tourists spend money on accommodations or services provided by these foreign-owned businesses, much of the revenue goes back to the company's home country rather than benefiting the local economy.
- **Imports**: In many tourist destinations, especially in developing countries, local businesses rely on imported goods to meet the demands of tourists. This includes food, beverages, luxury items, and even construction materials. The profits from selling these imported goods flow back to the countries of origin, reducing the positive economic impact on the destination.
- **Package Tours**: Many tourists purchase all-inclusive package tours from foreign tour operators. These packages often include transportation, accommodations, and meals, meaning that a large portion of the payment is made to foreign companies before the tourist even arrives at the destination, leaving little to be spent in the local economy.

2. Seasonality (Fluctuating Employment Opportunity and Revenue)

Definition: Tourism demand is often seasonal, with certain periods attracting more tourists than others. This seasonality leads to fluctuations in both employment and revenue generation throughout the year.

Employment Fluctuation:

- **Temporary Jobs**: During peak tourist seasons, the demand for tourism services increases, leading to the creation of many temporary jobs in hotels, restaurants, and tour operations. However, these jobs often disappear during the off-season, leaving workers unemployed or underemployed for several months. This is especially challenging for unskilled and semi-skilled workers who may not find alternative employment during the off-season.

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- **Income Instability**: For many workers and businesses dependent on tourism, income can be unpredictable. The high earnings during peak season are often insufficient to cover expenses during the low season, leading to financial instability.

Revenue Fluctuation:

- **Business Volatility**: Businesses that rely heavily on tourism (hotels, restaurants, travel agencies) may face severe financial strain during off-peak months. They still have to cover fixed costs (rent, utilities, maintenance) while experiencing a drop in revenue.
- **Destination Impact**: Entire destinations that depend on tourism can experience economic hardship during the off-season. Local economies may contract, leading to a decrease in spending and investment in the region, creating a cyclical effect of reduced growth.

3. Inflation

Definition: Tourism can drive inflation, particularly in popular tourist destinations where demand for goods and services outstrips supply. This can lead to price increases for basic goods, services, and real estate, making them unaffordable for local residents.

How Tourism Causes Inflation:

- **Increased Demand for Goods and Services**: Tourists, especially those from wealthier countries, often have higher purchasing power than locals. As they flock to a destination, their demand for goods (food, clothing, souvenirs) and services (transport, accommodations, entertainment) can drive up prices. This is especially problematic in small or rural communities where supply is limited, and the local economy is not equipped to handle surges in demand.
- **Real Estate Inflation**: As tourism develops, demand for real estate in popular tourist areas often increases. Investors (often foreign) buy up land or property to build hotels, resorts, or vacation homes, which drives up real estate prices. Local residents, especially in developing countries, may find it increasingly difficult to afford housing due to these inflated prices.
- **Cost of Living Increases**: The increased cost of goods, services, and real estate can significantly raise the cost of living in tourism-dependent areas. While the tourism industry benefits from higher prices, local residents often face financial hardship, as their wages do not increase in line with inflation. In some cases, tourism can exacerbate wealth inequality in these regions.

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Unit: 17

Multiplier Effect and its types

The spending of tourists pass through the different hands in the economy and people and agencies involved in the process benefit directly or indirectly. The tourist spending changes hands through the economy, thus becoming income for many. The expenditures made by the tourists in the destination locality such as at hotels, restaurants and taxis leaks into the entire economy at three different levels; direct, indirect and induced. This cascading effect is known as the 'multiplier effect'.

Direct Travel & Tourism Contribution
- Accommodation
- Transportation
- Attractions
- Entertainment

Indirect Travel & Tourism Contribution
- Travel & Tourism spending
- Government spending
- Impact of purchases from suppliers

Induced Travel & Tourism Contribution
- Food & Beverage
- Recreation
- Housing
- Clothing

Total Travel & Tourism Contribution
- Employment
- GDP

- **Sales and Output Multiplier:**

Sales and output multiplier measure the volume or value of sales and compute changes in the level of production. For instance, tourists spending in the hotel, restaurant or taxi do not stop at this level. These sales at the subsequent level increases the sales of allied sectors such as power, retail, or automobile sectors for instance. The additional business revenue generated for tourism spending can be termed as Sales or output multiplier of tourism. The output multiplier works out the total change in local sales that include the sales in outside of the area in the initial stage. The increase in sales of the exporting industry is multiplied by the output multiplier that provides an estimate of the total increase in sales.

- **Employment Multiplier:**

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Tourism brings in investment by different stakeholders. Investment at a destination creates economic buzz and several people get engaged in such commercial activities, thus giving them occasional, seasonal, or round the year employment. Thus every investment generates employment and does it at different levels. The employment multiplier measures the total change in employment resulting from an initial investment in the economy. The additional employment is also created at subsequent level of economic activity thus creating employment multiplier for the tourism industry. For instance, tourists spending in hotels employ hotel staff. Employed hotel staff requires residential quarters, grocery and vegetable for daily sustenance. Thus their needs give rise to growth of real estate and retail sector employment. Tourism is a labour and income intensive industry. Tourists' spending on varieties of services, create, opportunities for employment in the primary sectors of tourism such as; transportation, lodging, restaurant, entertainment and retail trade. Tourism is understood to have the ability of creating opportunities for skilled, semi-skilled and unskilled manpower.

- **Income Multiplier:**

The change in the total income of residents as a result of tourism development is considered income multiplier. The income of the people is determined by the total of business transactions in a day or month or a year. Income multiplier is further calculated by including additional incomes such as wages, salaries, rent, and interest in the economy. Conceptually, the income multiplier takes into account the change in total income resulting from one rupee rise in income of staff engaged directly in tourism.

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Module 4
Tourism Statistics

Unit: 18

Tourism Statistics: Types of Tourist Statistics (Volume, Value, Visitor Profiles)

The word 'statistics' is used both as singular and plural nouns. In the plural sense, it refers to numerical facts pertaining to a body of objects or people. As a singular noun, it stands for the science that deals with the methods of collection of data and of the ways of analysing them and drawing inferences.

Tourism statistics are essential for understanding the dynamics of the tourism industry and planning for its development. These statistics provide valuable insights into tourist behavior, economic contributions, and trends in tourism. The three main types of tourism statistics are **Volume**, **Value**, and **Visitor Profiles**.

1. Tourism Volume Statistics

Tourism volume statistics refer to the number of tourists visiting a destination or engaging in specific tourism activities over a particular period. These statistics measure the flow of tourists, often on a national, regional, or local scale. Volume statistics can be further categorized into different types:

- **Number of Arrivals**: This measures the total number of tourists (domestic or international) arriving at a destination within a set period (daily, monthly, or annually). It is a key indicator of the popularity of a destination and helps authorities and businesses gauge the demand for tourism services.
- **Number of Departures**: This refers to the number of tourists leaving a destination after their visit. It is particularly useful for understanding outbound tourism and can help governments or businesses plan resources accordingly.
- **Number of Overnight Stays**: Also known as "tourist nights," this metric tracks the number of nights tourists spend at a destination. It helps provide insights into the average length of stay, which can influence the demand for accommodations and other services.
- **Visitor Count at Attractions**: This tracks how many tourists visit specific attractions, such as museums, parks, heritage sites, or entertainment venues. It helps understand the popularity of individual sites within a destination.
- **Seasonal and Monthly Variations**: Volume statistics often include data on seasonal patterns or fluctuations, which help identify peak and off-peak periods in tourism activity. This can assist businesses and governments in managing resources and infrastructure during high or low tourism seasons.

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2. Tourism Value Statistics

Tourism value statistics focus on the economic impact of tourism by measuring the financial contributions made by tourists. These statistics provide insight into how much money tourism generates for a destination and the overall value it adds to the economy. Key types of tourism value statistics include:

- **Tourism Expenditure**: This tracks the amount of money tourists spend during their visit. It includes spending on accommodations, food and beverages, transportation, entertainment, shopping, and other services. Expenditure data can be broken down by category, helping stakeholders understand where tourists spend the most.
- **Revenue from Tourism**: This refers to the total income generated from tourism, including money spent by tourists, taxes collected from tourism activities, and other tourism-related earnings. For governments, this data is crucial for assessing the contribution of tourism to the national or local economy.
- **Contribution to GDP**: This measures the share of tourism in the Gross Domestic Product (GDP) of a country or region. It includes both direct contributions (spending on tourism-related services) and indirect contributions (through industries that supply goods and services to the tourism sector). Countries with strong tourism industries often have a significant portion of their GDP tied to tourism activities.
- **Tourism Investment**: This tracks the amount of money invested in tourism-related infrastructure and development, such as hotels, resorts, airports, and attractions. High levels of investment can indicate a growing or thriving tourism industry.
- **Foreign Exchange Earnings**: This measures the income earned from international tourists, often contributing to a country's foreign currency reserves. It helps balance trade deficits and strengthens the overall economy.

3. Visitor Profile Statistics

Visitor profile statistics provide detailed information about the demographics, preferences, and behaviors of tourists. Understanding visitor profiles helps tourism authorities, businesses, and marketers tailor their services and products to meet the needs of different types of tourists. Visitor profiles typically include:

- **Demographics**: This includes age, gender, nationality, marital status, and income level of tourists. For example, if a destination sees a high volume of young travelers, businesses might focus on offering affordable accommodations and adventure activities.
- **Purpose of Visit**: Tourists may travel for various reasons, such as leisure, business, education, or health tourism. Visitor profile statistics help understand the primary motivations behind tourists' trips, which can guide the development of tourism products and services. For instance, destinations known for cultural tourism may develop more museums, cultural festivals, or heritage tours.
- **Travel Patterns and Behavior**: This includes details such as the length of stay, travel group size (solo, family, group), types of accommodation used (hotels, hostels, Airbnb), and activities engaged in (sightseeing, shopping, dining). This data helps stakeholders

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better understand what tourists are looking for during their trip and how to cater to their needs.

- **Expenditure Habits**: Knowing how much tourists spend, and on which categories (accommodation, food, shopping, etc.), helps businesses and policymakers design tourism strategies that maximize revenue. For example, destinations targeting high-spending tourists may focus on luxury tourism products.
- **Satisfaction Levels**: Visitor profiles often include data on how satisfied tourists are with their experiences at a destination. This is typically collected through surveys and feedback mechanisms. High satisfaction levels can lead to repeat visitors and positive word-of-mouth, whereas low satisfaction might highlight areas that need improvement.
- **Mode of Transport**: This includes data on how tourists arrive at their destination (air, road, rail, or sea), which is crucial for transportation infrastructure planning. It also helps businesses tailor their services based on the accessibility of the destination.
- **Source Markets**: This tracks the countries or regions where tourists come from. Understanding source markets helps destinations target marketing efforts more effectively. For example, if a destination receives most of its tourists from Europe, it might focus on promoting European-friendly services and products.

Unit: 19

Statistical Analysis of Spending and Earning in Tourism

Tourism is a significant economic driver in many countries, contributing directly and indirectly to revenue and job creation. Analyzing the **spending** by tourists and the **earnings** generated from tourism provides insights into its economic impact, helps identify trends, and informs policy decisions. Here's an outline of the key elements involved in the statistical analysis of spending and earning in tourism:

1. Tourism Spending (Expenditure) Analysis

Tourism spending refers to the money spent by visitors on goods and services during their trip. This spending contributes to the local economy, benefiting a wide range of sectors, from hospitality to retail. Analyzing tourism spending helps identify patterns of tourist behavior and areas where tourism policies or infrastructure investments can enhance economic benefits.

Key Metrics and Factors in Spending Analysis:

Average Spending per Visitor:

Measures the amount each tourist spends on average during their trip. This can vary based on nationality, purpose of visit (leisure, business), and duration of stay.

Spending Categories:

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Breaking down spending by categories (accommodation, food and beverages, transport, entertainment, shopping) provides detailed insights into how tourists allocate their budgets. For example, luxury tourists may spend more on high-end hotels and shopping, while budget travelers might spend less on accommodations but more on local experiences.

Length of Stay:

Tourists who stay longer tend to spend more overall. By analyzing the correlation between the length of stay and spending, destinations can develop strategies to encourage longer visits, thereby increasing total spending.

Spending by Visitor Type:

- **Domestic vs. International Tourists**: Domestic tourists may spend differently than international tourists. International tourists often spend more due to higher travel costs and a greater willingness to spend on unique experiences.
- **Business vs. Leisure Tourists**: Business tourists often have higher spending power, as expenses are often covered by their employers, and they may choose more premium services. Leisure tourists' spending may fluctuate based on their interests (adventure, relaxation, etc.).

Seasonal Variations:

Spending patterns can fluctuate depending on the time of year. High seasons generally attract more tourists and higher spending, while off-peak seasons might see lower spending. Understanding these variations helps destinations optimize resources.

Data Collection Methods for Spending:

- **Tourism Surveys**: Surveys conducted at airports, hotels, attractions, or online provide direct information about tourists' spending patterns.
- **Credit Card Transactions**: Analyzing credit card data can offer insights into tourists' spending on accommodations, dining, and shopping.
- **Business Revenue Reports**: Hotels, restaurants, and tourist attractions often report revenue data, which can be aggregated to assess overall tourism spending.
- **National Statistics and Customs Data**: Governments may track spending through visa data, customs declarations, or national tourism boards.

2. Tourism Earnings (Revenue) Analysis

Tourism earnings refer to the total income generated by a destination from tourists. This income is crucial for the economic development of the region and supports various industries. Earnings are typically measured in terms of **direct**, **indirect**, and **induced** contributions.

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Key Metrics and Factors in Earnings Analysis:

Direct Earnings:

- These are the immediate revenues generated from tourism services, such as hotel stays, dining at restaurants, transportation, and entry fees to attractions.
Example: A hotel booking or a guided tour payment would count as direct earnings.

Indirect Earnings:

- This refers to the revenues generated in sectors that support the tourism industry. These include the supply of goods and services to hotels, restaurants, and attractions. For example, a local bakery that supplies bread to hotels is earning indirectly from tourism.
Example: Earnings from local businesses that provide food, textiles, or construction materials to the tourism industry.

Induced Earnings:

- Induced earnings come from the spending of employees in the tourism sector. For example, a hotel employee's salary, which is then spent on local goods and services, contributes to the local economy.
Example: A tourism worker using their wages to buy groceries, pay rent, or invest in education.

Foreign Exchange Earnings:

- Earnings from foreign tourists are significant for a country's balance of payments. These earnings boost a nation's foreign currency reserves, helping to stabilize the economy.
Example: Tourists from abroad spending on services (hotels, transport, souvenirs) that bring foreign currency into the local economy.

Tourism Contribution to GDP:

- A key metric is tourism's contribution to a nation's Gross Domestic Product (GDP). This metric captures the economic impact of tourism, both directly and indirectly, and is a critical indicator for policymakers.
Example: In some countries like Thailand or the Maldives, tourism contributes a significant percentage to the overall GDP.

Data Collection Methods for Earnings:

- **National Accounts and GDP Reports**: Governments often report on the contribution of tourism to the national economy, including its impact on GDP.

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- **Tourism Satellite Accounts (TSA)**: TSAs are a framework used to measure the economic impact of tourism on a national economy, including employment, investment, and consumption.
- **Business Revenue Data**: Aggregated data from tourism-related businesses such as hotels, airlines, and restaurants provide insights into direct earnings.
- **Tax Revenues from Tourism**: Governments may analyze tax revenues from sectors linked to tourism (hotel taxes, airport fees, tourism licenses) to assess earnings.

3. Analytical Techniques for Tourism Spending and Earnings

Descriptive Statistics:

- **Mean, Median, Mode**: These statistics summarize central tendencies in tourist spending or earnings. For example, average spending per tourist or median income generated from tourism.

Regression Analysis:

- Used to understand the relationship between various factors (e.g., length of stay, tourist type, destination attributes) and tourist spending. Regression can help predict future spending trends based on current data.

Seasonal Trend Analysis:

- Time series analysis helps identify seasonal fluctuations in tourism spending and earnings. Destinations can use this data to manage resources more efficiently during peak and off-peak periods.

Comparative Analysis:

- This involves comparing spending and earning statistics across different regions, time periods, or tourist demographics. For example, comparing the spending habits of tourists from different countries or analyzing how earnings vary between coastal and urban destinations.

Multiplier Effect Calculation:

- The multiplier effect estimates how money spent by tourists circulates within the local economy. For example, how many times a dollar spent by a tourist is re-spent by local businesses and workers before leaving the economy.

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Unit: 20

Tourism Trend Analysis

Tourism trend analysis is the study of changes and patterns in tourism activity over time, helping stakeholders understand how the industry evolves and what factors influence traveler behavior, preferences, and destinations. It enables governments, businesses, and tourism authorities to anticipate changes, adapt strategies, and capitalize on emerging opportunities. Below is an overview of the key elements involved in tourism trend analysis.

1. Types of Tourism Trends

1.1 Market Trends

Market trends focus on how tourist demand, preferences, and demographics are changing, helping destinations and businesses adjust their offerings.

- **Growing Middle Class and Rising Disposable Income**:

In many emerging economies, rising income levels lead to increased domestic and international travel. This trend is prominent in countries like India and China, where the middle class is expanding rapidly, resulting in more frequent travel and higher spending.

- **Experiential Travel**:

Modern travelers, especially millennials and Gen Z, are seeking unique, authentic experiences over traditional sightseeing. Adventure tourism, cultural immersion, culinary tourism, and eco-tourism have gained popularity as tourists prefer meaningful experiences over luxury and comfort.

- **Sustainable and Responsible Tourism**:

With increasing awareness of environmental issues, more tourists are opting for eco-friendly travel options. Sustainable tourism involves minimizing the environmental impact of travel and promoting the conservation of natural resources. Many travelers prefer destinations that emphasize green practices, eco-friendly accommodations, and ethical treatment of local communities.

- **Digitalization and Smart Tourism**:

The rise of digital technologies, such as mobile apps, online booking platforms, and virtual reality, has transformed the way tourists plan and experience their trips. Destinations are increasingly adopting "smart tourism" concepts, integrating technology to enhance tourist experiences with real-time information, navigation assistance, and personalized services.

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- **Rise of Solo Travel**:

Solo travel has become a significant trend, especially among women and younger travelers. This trend reflects changing social dynamics, with more people valuing independence, personal growth, and freedom to explore destinations at their own pace.

- **Health and Wellness Tourism**:

There is increasing interest in travel focused on well-being, including spa retreats, yoga camps, detox programs, and medical tourism. The COVID-19 pandemic has further accelerated demand for wellness-related trips as people prioritize health, relaxation, and mental rejuvenation.

1.2 Destination Trends

Destination trends analyze shifts in the popularity of travel destinations due to factors like political stability, safety, infrastructure, and emerging attractions.

- **Emergence of New Destinations**:

Many lesser-known or emerging destinations are gaining popularity, often driven by government initiatives, marketing campaigns, or travelers' desire for less-crowded, off-the-beaten-path experiences. Countries in Southeast Asia, Eastern Europe, and Africa are capitalizing on this trend.

- **Urban vs. Rural Tourism**:

Traditionally, cities have been the main tourist attractions due to cultural, historical, and business significance. However, there is a growing interest in rural and nature-based tourism, driven by the desire to escape urban life and reconnect with nature.

- **Overtourism**:

Overcrowding in popular destinations has become a major issue. Cities like Venice, Barcelona, and Amsterdam face challenges from too many tourists, leading to environmental degradation, a strain on infrastructure, and local community resentment. This has prompted some destinations to adopt measures like visitor caps or promote alternative destinations.

- **Post-Pandemic Travel Recovery**:

COVID-19 severely impacted the tourism industry, leading to a shift in travel patterns. Destinations that were able to adapt quickly, offering open-air experiences, road trips, and domestic tourism, are seeing faster recovery. Flexible travel policies, such as contactless services and health safety measures, have become vital for attracting tourists in the post-pandemic era.

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1.3 Traveler Behavior Trends

Traveler behavior trends provide insights into how tourists plan, book, and experience their trips, which can inform marketing strategies and service development.

- **Last-Minute Bookings**:

The uncertainty caused by the pandemic has led to a rise in last-minute bookings. Travelers are increasingly seeking flexible bookings, allowing them to cancel or change plans without penalties due to changing travel restrictions.

- **Bleisure Travel**:

The blending of business and leisure travel (bleisure) has gained traction, especially as remote work becomes more widespread. Business travelers often extend their trips to include leisure activities, exploring the destination beyond work commitments.

- **Customizable Travel Packages**:

Travelers are looking for more personalized and customizable travel experiences. Tour operators and online platforms are responding to this demand by offering tailored itineraries, accommodation options, and unique experiences based on individual preferences.

- **Group Travel**:

While solo travel is growing, there's also been a resurgence of group travel among friends, families, and special-interest groups. This trend has been fueled by post-pandemic reunions and the desire to create shared experiences in small, intimate settings.

- **Influence of Social Media**:

Social media platforms like Instagram, YouTube, and TikTok play a significant role in shaping travel decisions. Travelers often seek out "Instagrammable" locations and experiences, using social media to inspire and plan their trips.

1.4 Economic and Political Trends

These trends influence travel patterns based on global economic conditions and political stability.

- **Currency Fluctuations**:

Exchange rate fluctuations impact travel patterns, making certain destinations more affordable while discouraging travel to others. Tourists from countries with stronger currencies may benefit from more affordable travel and increased spending power.

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- **Visa and Travel Restrictions**:

Visa policies and travel restrictions play a crucial role in determining which destinations attract tourists. Countries with more relaxed visa policies or visa-on-arrival services tend to experience higher tourism numbers. In contrast, stringent visa requirements or geopolitical tensions can deter tourists from visiting.

- **Economic Downturns**:

During times of economic crisis or recession, people tend to cut back on travel, especially international trips. Destinations reliant on high-end international tourists may face challenges, while domestic tourism or budget-friendly destinations may gain in popularity.

2. Methods of Analyzing Tourism Trends

2.1 Time-Series Analysis

Time-series analysis involves examining tourism data over a set period to identify patterns, cycles, and trends. This method is crucial for detecting **seasonal variations**, **growth rates**, and **demand fluctuations**.

- **Seasonal Trends**:

Identifying high and low seasons allows businesses to adjust marketing, pricing, and inventory accordingly.

- **Trend Forecasting**:

Using historical data, time-series analysis can forecast future tourism trends, helping destinations prepare for expected increases or decreases in tourist flow.

2.2 SWOT Analysis

SWOC (Strengths, Weaknesses, Opportunities, Challenges) analysis is commonly used in tourism trend analysis to assess the internal and external factors influencing a destination or market.

- **Strengths**: What advantages does the destination or business have (e.g., iconic attractions, cultural significance)?
- **Weaknesses**: What areas need improvement (e.g., infrastructure, safety, environmental impact)?
- **Opportunities**: What trends or untapped markets could be capitalized on (e.g., eco-tourism, new demographics)?
- **Challenges**: What external factors could pose challenges (e.g., political instability, climate change)?

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2.3 Consumer Surveys and Data Collection

Conducting surveys among tourists can provide insights into their behavior, preferences, and satisfaction levels. **Survey data** is used to detect emerging trends in visitor demographics, travel motivations, and spending habits.

2.4 Comparative Market Analysis

This method compares tourism trends across different regions, countries, or market segments to identify competitive advantages and opportunities. For instance, comparing the rise of eco-tourism in one region with the decline in mass tourism in another can reveal potential shifts in market demand.

2.5 Economic Impact Analysis

Tourism trend analysis often includes assessing the economic impact of tourism activities, including spending patterns, employment, and contribution to GDP. Economic impact analysis uses data to track how tourism generates direct and indirect income for a destination.

3. Applications of Tourism Trend Analysis

- **Policy Formulation**: Governments use trend analysis to create policies that support sustainable tourism, allocate resources, and promote economic growth.
- **Business Strategy**: Hotels, airlines, and tour operators use trends to adjust offerings, target new markets, and align pricing strategies with demand fluctuations.
- **Marketing**: Tourism trend analysis helps marketers tailor promotional campaigns to new or emerging traveler segments, such as promoting eco-tourism to sustainability-conscious travelers or targeting younger generations through social media.
- **Sustainability Planning**: Identifying trends in responsible and eco-friendly tourism allows destinations to develop initiatives that preserve natural and cultural resources while promoting responsible tourism.

Unit: 21

Kerala tourism statistics

FOREIGN TOURISTS VISITS-2022

- Foreign Tourist visits to Kerala during the year 2022 are 345549. Foreign Tourist visits¬ to Kerala during the year 2021 are 60,487. The year 2022 shows an increase of 471.28 % over the previous year's figure. But there is a decrease of 70.96% of Foreign Tourists over the figures of the year 2019 .

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- The top Eleven Foreign countries from which highest percentage of visits in¬ Kerala 2022 were USA, Maldives, Oman , Russia, UK, UAE, France, Germany, Saudi Arabia and Australia with their respective shares being 12.98%, 11.04%, 8.54%, 8.07%, 7.67% ,4.82%, 4.05%, 3.69%, 2.82%, and 2.72% .These ten Foreign countries accounted for about 66.4% of the total FTVs in Kerala 2022.

DOMESTIC TOURISTS VISITS-2022

- Domestic Tourist visits to Kerala during the year 2022 are 18867414. Domestic Tourist visits to Kerala during the year 2021 is 75, 37,617. The year 2022 shows an increase of 150.31 % over the previous year's figure. Also the year 2022 records an increase of 2.63% of Domestic Tourists over the figures of the year 2019.
- Kerala tops in DTVs with a share of 71.51% in the year 2022. The top nine states¬ other than Kerala in Domestic Tourist visits in 2022 were Tamilnadu, Karnataka, Maharashtra, Andrapradesh, Delhi, Gujarat, Telengana, Uttarpradesh, and West Bengal with their respective shares being 9% ,6.14%, 3.31%, 1.7%, 1.22%, 1.18%, 0.91% , 0.8% and 0.68%.

REVENUE

- Direct Foreign Exchange Earnings for the year 2022 is 2792.42 Crore. Direct Foreign exchange earnings for the year 2021 were Rs.461.5 Crore. It shows an increase of 505.07 % over the previous year.
- Direct Earnings from Domestic Tourists for the year 2022 is 24588.96 Crore to¬ Rs.9103.93 Crore in 2021. It shows an increase of 170.09 % over the previous year.
- Total Revenue (including direct¬ & indirect) from Tourism during 2022 is Rs.35168.42 Crore, showing an increase of 186.25 % over the last year's figure. Total Revenue (including direct & indirect) from Tourism during 2021 was Rs.12, 285.91 Crore.

Kerala - Foreign and Domestic Tourist visits from 2019 to 2022

Year	DTV	FTV	Annual Growth Rate	
			Domestic	Foreign
2019	1,83,84,233	11,89,771	17.81	8.52
2020	49,88,972	3,40,755	-72.86	-71.36
2021	75,37,617	60,487	51.09	-82.25
2022	1,88,67,414	3,45,549	150.31	471.28

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District wise Foreign and Domestic Tourist visits during the year 2022

#.	District	Foreign	Domestic
1	ALAPPUZHA	11469	770916
2	ERNAKULAM	186290	4048679
3	IDUKKI	27005	2656730
4	KANNUR	1290	811461
5	KASARAGOD	458	291062
6	KOLLAM	1283	420097
7	KOTTAYAM	9682	440759
8	KOZHIKODE	10623	1209088
9	MALAPPURAM	6224	676582
10	PALAKKAD	659	474452
11	PATHANAMTHITTA	506	369103
12	THIRUVANANTHAPURAM	81916	3058858
13	THRISSUR	6177	2130420
14	WAYANAD	1967	1509207
	TOTAL	**345549**	**18867414**

EARNINGS FROM TOURISM

Cal Year	Foreign Exchange Earnings (In Crore)	% variation over the previous year	Total revenue generated from Tourism (Direct & Indirect) (In Crore)	% variation over the previous year
2012	4571.69	8.28	20430.00	7.32
2013	5560.77	21.63	22926.55	12.22
2014	6398.93	15.07	24885.44	8.54
2015	6949.88	8.61	26689.63	7.25
2016	7749.51	11.51	29658.56	11.12
2017	8392.11	8.29	33383.68	12.56
2018	8764.46	4.44	36258.01	8.61
2019	10271.06	17.19	45010.69	24.14
2020	2799.85	-72.74	11335.96	-74.82
2021	**461.5**	**-83.52**	**12285.91**	**8.38**
2022	**2792.42**	**505.07**	**35168.42**	**186.25**

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TRENDS IN DOMESTIC & FOREIGN TOURIST VISITS IN KERALA

CAL YEAR	DOMESTIC TOURISTS	% variation	FOREIGN TOURISTS	% variation
2012	10076854	7.41	793696	8.28
2013	10857811	7.75	858143	8.12
2014	11695411	7.71	923366	7.60
2015	12465571	6.59	977479	5.86
2016	13172535	5.67	1038419	6.23
2017	14673520	11.39	1091870	5.15
2018	15604661	6.35	1096407	0.42
2019	18384233	17.81	1189771	8.52
2020	4988972	-72.86	340755	-71.36
2021	7537617	51.09	60487	-82.25
2022	18867414	150.31	345549	471.28

Distribution of Domestic Tourist Visits in Kerala by State of Origin

#	State	YEAR		% variation over 2021	% share 2022
		DTV 2021	DTV 2022		
1	Kerala	6137243	13492279	119.84	71.51
2	Tamil Nadu	451473	1697541	276	9
3	Karnataka	290096	1159112	299.56	6.14
4	Maharashtra	153912	625403	306.34	3.31
5	Andhra Pradesh	67513	320127	374.17	1.7
6	Delhi	57943	230938	298.56	1.22
7	Gujarat	39112	222405	468.64	1.18
8	Telugana	34314	172540	402.83	0.91
9	Uttar Pradesh	38826	150061	286.5	0.8
10	West Bengal	33803	127851	278.22	0.68
11	Others	233382	669157	186.72	3.55
	Total	7537617	18867414	150.31	100

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Unit: 22

- The number of Foreign Tourist Arrivals (FTAs) in India during 2022 increased to 6.44 million as compared to 1.52 million in 2021, registering a positive growth of 321.54% and achieved 58.9% recovery as compared to pre-pandemic year 2019.
- While Foreign Tourist Arrivals (FTAs) experienced a positive growth rate in 2022, Non Resident Indians(NRIs) and International Tourist Arrivals (ITAs) also experienced positive growth. Arrivals of NRIs have Increased by 43.9% from 2021 to 2022. In comparison to 2021, there was a 104.4% increase in yearly international tourist arrivals in India in 2022.
- For FTAs, air travel is the most chosen mode of transportation. 83.5 % of the FTAs entered India via air routes, 16.2 % via land routes, and 0.3% via sea routes. Around 46.3% of total FTAs in India were arrived at the Delhi and Mumbai airport.
- In 2022, the top 15 source markets for FTAs in India were the United States, Bangladesh, United Kingdom, Australia, Canada, Sri Lanka, Germany, Nepal, Singapore, Malaysia, France, Russian FED, Japan, Thailand & China. In 2022, the top 15 nations accounted for approximately 78.6% of total FTAs in India.

STATE / UT-WISE DOMESTIC AND FOREIGN TOURIST VISITS, 2021 & 2022

(in Lakhs)

S. No.	States/UTs	2021 Domestic	2021 Foreign	2022 Domestic	2022 Foreign	Growth Rate DTV 22/21	Growth Rate FTV 22/21	% Share 2022 DTV	% Share 2022 FTV
1	A&N Island	1.262	0.017	2.351	0.045	86.20	164.43	0.01	0.05
2	Andhra Pradesh	932.776	0.276	1927.67	1.658	106.61	501.96	11.13	1.93
3	Arunachal Pradesh	1.029	0.002	2.224	0.011	116.14	479.67	0.01	0.01
4	Assam	14.092	0.005	83.820	0.090	494.82	1579.29	0.48	0.10
5	Bihar	25.012	0.010	253.304	0.868	912.73	8201.05	1.46	1.01
6	Chandigarh	2.288	0.055	30.272	0.284	1223.01	421.72	0.17	0.33
7	Chhattisgarh	47.474	0.000	236.363	0.002	397.88	2875.00	1.37	0.00
8	UT of Dadra & Nagar Haveli and Daman & Diu	6.612	0.002	7.996	0.018	20.93	868.11	0.05	0.02
9	Delhi *	106.425	1.002	271.862	8.157	155.45	714.26	1.57	9.50
10	Goa	33.081	0.221	70.120	1.748	111.97	689.94	0.41	2.04
11	Gujarat	245.252	0.113	1358.113	17.772	453.76	15601.17	7.85	20.70
12	Haryana	20.255	0.046	21.085	0.024	4.10	-46.72	0.12	0.03
13	Himachal Pradesh	56.323	0.049	150.709	0.293	167.58	494.75	0.87	0.34
14	Jammu & Kashmir	113.149	0.017	184.993	0.200	63.50	1111.21	1.07	0.23
15	Jharkhand	33.836	0.016	382.844	1.923	1031.45	11648.26	2.21	2.24
16	Karnataka	813.337	0.725	1824.132	1.285	124.28	77.30	10.54	1.50
17	Kerala	75.376	0.605	188.674	3.455	150.31	471.28	1.09	4.02
18	Lakshadweep	0.135	0.000	0.228	0.001	69.21	3025.00	0.00	0.00
19	Ladakh	3.030	0.011	5.101	0.213	68.35	1916.98	0.03	0.25

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S. No.	States/UTs	2021 Domestic	2021 Foreign	2022 Domestic	2022 Foreign	Growth Rate DTV 22/21	Growth Rate FTV 22/21	% Share 2022 DTV	% Share 2022 FTV
20	Madhya Pradesh	255.541	0.416	358.488	2.045	40.29	391.46	2.07	2.38
21	Maharashtra*	435.692	1.856	1112.976	15.116	155.45	714.26	6.43	17.60
22	Manipur	0.494	0.006	1.395	0.039	182.59	503.09	0.01	0.05
23	Meghalaya	1.544	0.004	9.371	0.078	506.89	1791.48	0.05	0.09
24	Mizoram	0.872	0.002	2.184	0.026	150.39	1015.81	0.01	0.03
25	Nagaland	0.240	0.003	0.974	0.029	306.50	799.38	0.01	0.03
26	Odisha	37.422	0.023	78.679	0.221	110.25	874.92	0.45	0.26
27	Puducherry	12.532	0.003	17.605	0.009	40.48	168.54	0.10	0.01
28	Punjab	266.404	3.081	260.894	3.295	-2.07	6.92	1.51	3.84
29	Rajasthan	219.887	0.348	1083.282	3.967	392.65	1039.70	6.26	4.62
30	Sikkim	5.117	0.115	16.256	0.686	217.70	496.50	0.09	0.80
31	Tamil Nadu	1153.367	0.576	2185.848	4.071	89.52	606.55	12.63	4.74
32	Telangana	320.006	0.059	607.484	0.684	89.84	1056.01	3.51	0.80
33	Tripura	1.778	0.000	2.356	0.085	32.50	169760.00	0.01	0.10
34	Uttar Pradesh	1097.084	0.447	3179.136	6.490	189.78	1350.67	18.37	7.56
35	Uttarakhand	194.345	0.085	546.426	0.616	181.16	621.53	3.16	0.72
36	West Bengal	243.260	0.348	845.422	10.370	247.54	2877.54	4.88	12.08
	Total	6776.330	10.546	17310.135	85.876	155.45	714.26	100.00	100.00

Source: States/UTs Tourism Department

*2022 data is estimated by applying all India growth rate for 2022/19 on 2019 data

The Table provides the percentage shares of various States/UTs in domestic and foreign tourist visits during 2022. The major 5 States in domestic tourist visits in 2022 were Uttar Pradesh (317.91 million), Tamil Nadu (218.58 million), Andhra Pradesh (192.72 million), Karnataka (182.41 million) and Gujarat (135.81 million) with their respective shares being 18.4%, 12.6%, 11.1%, 10.5% and 7.8%. These 5 States accounted for about 60.4% of the total domestic tourist visits in the country. In respect of foreign tourist visits in 2022, the major 5 States/UTs were Gujrat (1.78 million), Maharashtra (1.51 million), West Bengal (1.04 million), Delhi (0.82 million), and Uttar Pradesh (0.65 million) with their respective shares being 20.7%, 17.6%, 12.1%, 9.5% and 7.6%. These 5 States/UTs accounted for about 67.5% of the total foreign tourist visits to the States/UTs in the country.

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