

Evaluating the Role of Tourism in Economic Development: Evidence from Andhra Pradesh's Regional Tourism Satellite Accounts

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Abstract

This research paper evaluates the role of tourism in the economic development of Andhra Pradesh, utilizing data from the Regional Tourism Satellite Accounts (TSA) for the year 2015-16. The study aims to quantify the contributions of the tourism sector to the state's Gross Value Added (GVA) and employment, providing a comprehensive analysis of tourism's impact on the local economy. Through a detailed examination of tourism statistics, including the number of visitors, types of tourism, and associated economic metrics, the findings reveal that tourism significantly contributes to both direct and indirect economic activities in Andhra Pradesh. The paper discusses the implications of these findings for policymakers and stakeholders, emphasizing the need for strategic initiatives to enhance tourism's potential as a driver of sustainable economic growth. By identifying key challenges and opportunities within the sector, this research contributes to the broader understanding of tourism's role in regional economic development and offers recommendations for future research and policy formulation.

Keywords: Regional Tourism Satellite Accounts (RTSA), Tourism Impact, Economic Contribution, Employment Generation, Growth.

1. INTRODUCTION

Tourism has emerged as a pivotal sector in the global economy, contributing significantly to economic growth, job creation, and cultural exchange. In India, the tourism industry plays a crucial role in enhancing regional development, particularly in states like Andhra Pradesh, which boasts a rich cultural heritage, diverse landscapes, and a growing infrastructure to support tourism activities. The Regional Tourism Satellite Accounts (RTSA) provide a comprehensive framework for measuring the economic impact of tourism at the state level, offering valuable insights into its contributions to Gross Value Added (GVA) and employment.

This research paper aims to evaluate the role of tourism in the economic development of Andhra Pradesh, utilizing data from the RTSA for the year 2015-16. This period marks a significant point in the evolution of the tourism sector in the state, as it reflects the outcomes of various initiatives undertaken by the government and private stakeholders to promote tourism. By analysing the economic

contributions of tourism, including direct and indirect impacts on local economies, this study seeks to provide a nuanced understanding of how tourism can serve as a catalyst for sustainable economic growth.

The objectives of this research include quantifying the contributions of tourism to the state's economy, examining employment trends within the sector, and identifying key challenges and opportunities that may influence future tourism development. Additionally, this paper will contextualize the findings within the broader landscape of economic development in Andhra Pradesh, considering factors such as changing tourist demographics, evolving consumer preferences, and the influence of external factors.

Through this analysis, the paper aims to contribute to the existing body of literature on tourism economics and provide actionable insights for policymakers and stakeholders in the tourism sector. By understanding the historical context and current dynamics of tourism in Andhra Pradesh, this research aspires to inform strategies that enhance the sector's potential to drive economic development in the years to come.

2. LITERATURE REVIEW

The significance of tourism as a driver of economic development has been extensively documented in academic literature. Various studies have highlighted the multifaceted contributions of tourism to local economies, including its role in generating employment, enhancing infrastructure, and fostering cultural exchange (UNWTO, 2019). In the context of India, tourism has been recognized as a vital sector that not only contributes to the national GDP but also plays a crucial role in regional development, particularly in states rich in cultural and natural resources.

The concept of Tourism Satellite Accounts (TSA) has gained prominence as a methodological framework for measuring the economic impact of tourism. The TSA framework, as outlined by the International Recommendations for Tourism Statistics (IRTS, 2008), provides a systematic approach to quantify tourism's contributions to the economy by capturing both direct and indirect effects. Previous studies have utilized TSA data to analyse tourism's economic impact at national and regional levels, revealing significant insights into the sector's role in job creation and economic diversification.

In India, the National Council of Applied Economic Research (NCAER) has been instrumental in developing TSAs for various states, including Andhra Pradesh. The first national-level TSA was prepared for the year 2002-03, followed by subsequent accounts in 2009-10 and 2015-16 (NCAER, 2017). These reports have provided a foundation for understanding the economic dynamics of tourism in India, with a focus on the contributions of tourism to Gross Value Added (GVA) and employment. For instance, the TSA for 2015-16 indicated that tourism accounted for a significant share of both direct and indirect employment in the state, underscoring its importance as an economic driver (NCAER, 2018). Understanding these dynamics is crucial for formulating effective policies that can enhance the resilience and sustainability of the tourism sector.

In summary, the existing literature underscores the critical role of tourism in economic development, particularly through the lens of TSAs. This research paper builds upon this foundation by focusing specifically on the case of Andhra Pradesh, utilizing the 2015-16 RTSA data to analyse the sector's contributions to the state's economy and to identify key challenges and opportunities for future growth.

By situating this analysis within the broader context of tourism economics, this study aims to contribute to the ongoing discourse on sustainable tourism development in India.

3. METHODOLOGY

This study adopts a quantitative research approach, utilizing secondary data from the National Council of Applied Economic Research (NCAER) Report: Regional Tourism Satellite Accounts (RTSA), 2015-16, Andhra Pradesh. The methodology consists of the following steps:

Data Source and Selection: The NCAER's RTSA report for Andhra Pradesh (2015-16) was selected as the secondary data source. This report provides comprehensive data on tourism's contribution to the state's economy, including employment, gross state domestic product (GSDP), and visitor demographics.

Data Extraction: Relevant data points were systematically extracted from the report. These included tourism-related metrics such as direct and indirect contributions to the state's GSDP, employment figures, and sectoral outputs related to tourism.

Data Analysis Framework: A descriptive analysis method was employed to interpret the extracted data. Key indicators of tourism's economic impact were analysed, including the ratio of tourism output to total GSDP, sector-wise employment, and interlinkages with allied industries like transport, accommodation, and food services.

Comparative Analysis: Data specific to Andhra Pradesh was compared with national tourism indicators to contextualize the state's performance within India's broader tourism landscape. This helped identify strengths, weaknesses, and growth opportunities in the region.

Interpretation of Findings: The analysed data was organized to highlight the economic significance of tourism in Andhra Pradesh, focusing on its potential to drive regional development, generate employment, and support ancillary sectors.

Limitations: This study is based solely on secondary data from the RTSA report. While this ensures reliability, the findings may not fully capture post-2015-16 developments or unreported informal sector contributions.

By employing this structured methodology, the article provides a detailed assessment of tourism's economic impact on Andhra Pradesh, supporting evidence-based policy recommendations.

4. FINDINGS

Based on the analysis of the Regional Tourism Satellite Account (RTSA) for Andhra Pradesh for the year 2015-16, the following key findings were identified:

Contribution Type	Value (in Lakh Rs)	Percentage of Total GVA
Total Supply of All Industries	122,081,779	-
Total Supply from Tourism	3,660,140	3.0%
Tourism Direct GVA (TDGVA)	1,273,213	2.29%

Direct Employment Share	-	5.41%
Total Employment Share (Direct + Indirect)	-	12.84%

Source: National Council of Applied Economic Research, 2015-16

- Economic Contributions:** The tourism sector contributed approximately 2.29% to the Gross Value Added (GVA) of Andhra Pradesh as its direct share. This is slightly lower than the all-India direct share of 2.78% for tourism (T2). When considering both direct and indirect contributions, tourism's total impact on the state's economy is significant, reflecting the inter-industry linkages that enhance overall economic activity.
- Employment Generation:** The tourism sector provided a direct employment share of 5.40% in Andhra Pradesh. When including indirect employment, the total contribution of tourism to employment rises to 12.38% (T3). This indicates that tourism is a vital source of jobs in the state, supporting a substantial number of livelihoods.

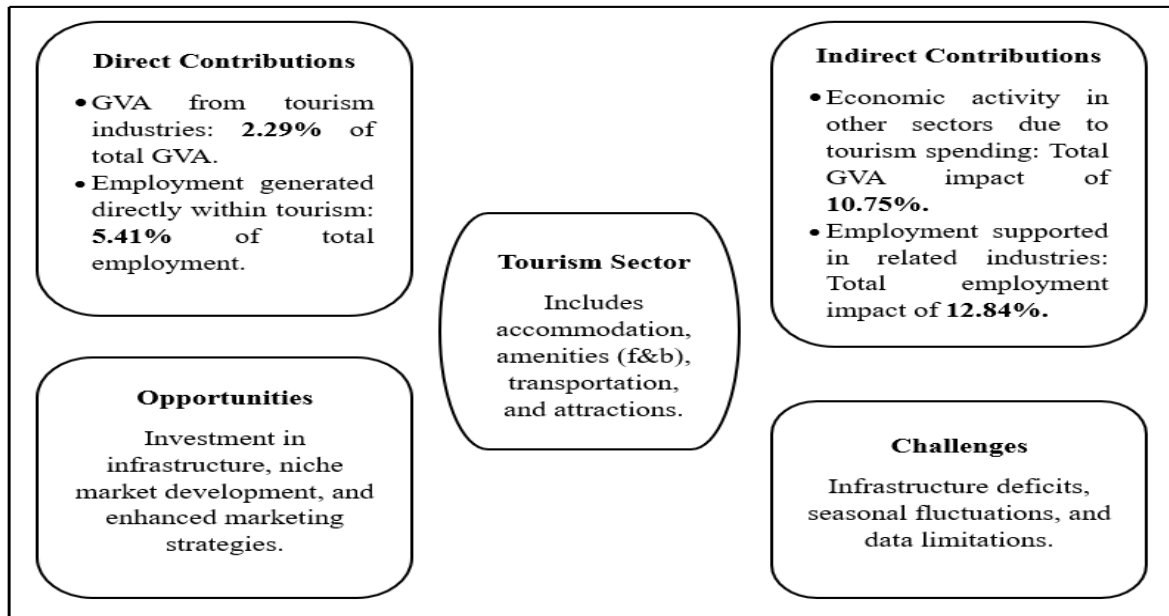
Table 4.2: Employment in Tourism Industries

Employment Type	Number of Jobs (Estimated)	Notes
Direct Employment in Tourism	12,73,213	Jobs directly related to tourism industries
Indirect Employment in Related Sectors	23,72,200 (calculated using employment multiplier)	Jobs supported by tourism spending
Total Employment Impact	36,45,413	Sum of direct and indirect employment

Source: National Council of Applied Economic Research, 2015-16

- Sectoral Contributions:** The analysis revealed that various tourism-related industries, such as accommodation, food services, and transportation, play crucial roles in contributing to the GVA and employment figures. The Gross Value Added of Tourism Industries (GVATI) was a key metric in understanding the sector's performance (T4).

Fig 4.1: Conceptual Framework for the Tourism Economic Impact



Source: From the information from National Council of Applied Economic Research, 2015-16

- **Challenges Identified:** The preparation of the RTSA faced several challenges, including data limitations that necessitated the use of assumptions and proxy indicators. Notably, TSA Table 8 on Gross Fixed Capital Formation for Tourism industries and TSA Table 9 on Gross Collective Consumption could not be prepared due to these limitations (T1). Infrastructure deficits and seasonal fluctuations in tourist arrivals were also highlighted as significant challenges impacting the tourism sector's growth.
- **Opportunities for Growth:** The findings suggest that there are opportunities for enhancing tourism's contribution to the economy through targeted investments in infrastructure, marketing, and the development of niche tourism markets. The report emphasizes the importance of strengthening inter-industry linkages to maximize the indirect contributions of tourism (T2, T4).
- **Future Research Directions:** The report recommends the use of Constrained Optimisation Tools and CGE modelling for future research to conduct impact analyses of the tourism sector, which could provide deeper insights into the economic dynamics at play (T5).

The major findings from the RTSA for Andhra Pradesh underscore the significant role of tourism in contributing to the state's economy, both in terms of GVA and employment. However, addressing the identified challenges and leveraging opportunities for growth will be crucial for sustaining and enhancing the sector's impact in the future.

5. DISCUSSIONS

The findings from the Regional Tourism Satellite Accounts (TSA) for Andhra Pradesh reveal significant insights into the economic impact of tourism on the state's economy. The total supply of all industries in Andhra Pradesh amounts to Rs. 12,20,81,779 lakhs, with tourism contributing Rs. 36,60,140 lakhs, which represents 3.0% of the total supply. This indicates that tourism is a vital sector within the state's economy, underscoring its role in driving economic growth and development.

The direct contribution of tourism to the Gross Value Added (GVA) in Andhra Pradesh is estimated at 2.29%, which is slightly lower than the national average of 2.78%. However, when considering the indirect contributions, the total impact of tourism on GVA rises significantly to 10.75%. This highlights the importance of tourism not only as a standalone sector but also as a catalyst for growth in related industries through inter-industry linkages.

In terms of employment, tourism in Andhra Pradesh accounts for 5.41% of total employment, which is marginally higher than the national average of 5.40%. The total employment impact, including indirect contributions, is estimated at 12.84%. This demonstrates that tourism is a substantial source of job creation in the state, providing livelihoods for a significant portion of the population. However, the sector faces challenges such as seasonality, variability in working conditions, and informality in employment, which complicate the accurate assessment of tourism-related jobs.

The GVA and employment multipliers derived from the input-output model further emphasize the extensive reach of tourism in the economy. The GVA multiplier of 2.0380 and the employment multiplier of 2.3722 indicate that for every unit of GVA generated by tourism, additional economic activity is stimulated in other sectors, and for every job created in tourism, additional jobs are supported in the broader economy.

6. SUGGESTIONS

Here are some suggestions for Policymakers, Stakeholders, and Academicians:

- **Enhance Infrastructure:** Invest in transportation, accommodation, and amenities to improve visitor experiences, increase tourist inflow, and boost economic benefits.
- **Promote Sustainable Tourism:** Adopt eco-friendly practices, responsible waste management, and resource conservation to attract environmentally conscious travelers and ensure long-term viability.
- **Strengthen Data Analysis:** Collaborate on robust data collection to inform policy, improve resource allocation, and analyse trends in tourism.
- **Diversify Offerings:** Expand tourism products like cultural, adventure, wellness, and heritage tourism to attract diverse visitors and mitigate seasonality risks.
- **Capacity Building:** Invest in training programs to enhance skills in hospitality, customer service, and sustainability, ensuring better service quality.
- **Foster Public-Private Partnerships:** Collaborate for innovative solutions, shared resources, and investments in infrastructure and marketing.
- **Implement Marketing Strategies:** Use digital platforms and travel influencers to promote Andhra Pradesh as a premier tourist destination, highlighting unique attractions.
- **Address Informality in Employment:** Establish regulations to formalize jobs, protect workers' rights, and improve service quality.
- **Encourage Research:** Support studies on emerging trends like technology's impact on travel and global events' effects on tourism to guide policies.
- **Engage Local Communities:** Involve communities in tourism planning to ensure equitable benefits, preserve traditions, and foster pride and economic growth.

By implementing these suggestions, policymakers, stakeholders, and academicians can work collaboratively to enhance the tourism sector's contribution to the economy of Andhra Pradesh, ensuring sustainable growth and development for the future.

7. CONCLUSION

The analysis of the Regional Tourism Satellite Accounts for Andhra Pradesh underscores the critical role of tourism in the state's economic landscape. With a direct contribution of 2.29% to GVA and 5.41% to employment, tourism is not only a significant economic driver but also a vital source of employment for many residents. The substantial indirect contributions further illustrate the interconnectedness of tourism with other sectors, enhancing overall economic resilience.

To maximize the benefits of tourism, it is essential for policymakers to address the challenges faced by the sector, such as infrastructure deficits and the need for improved data collection methods. Investments in tourism infrastructure, targeted marketing strategies, and the development of niche markets can enhance the sector's growth potential. Additionally, fostering a more formalized employment structure within the tourism industry can help mitigate the issues of informality and seasonality.

In conclusion, the findings from the TSA for Andhra Pradesh provide a robust framework for understanding the economic impact of tourism. By leveraging the strengths of this sector and addressing its challenges, Andhra Pradesh can enhance its economic development trajectory, ensuring that tourism continues to be a key contributor to the state's prosperity. Future research should focus on longitudinal studies to track the evolving impact of tourism and explore strategies for sustainable growth in this vital sector.

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