

# TOURISM AS A WAY OF ECONOMIC DEVELOPMENT

WALTER, VIRÁG

## SUMMARY

**Tourism is one of the most complex industries of world and national economy. The income of tourism has a substantial direct or indirect influence on the other sectors while its performance depends on the condition of the environment. Tourism can bring positive and negative influences as well for a region.**

**This branch has big impression on financial balance and as an invisible export it creases the incomes of the country. This sector requires live labour that is why it is an important factor in occupation policy and it can help the economy of underdeveloped regions to catch up. In the case of Hungary tourism is the most economic activity of the production of foreign exchange as well.**

## INTRODUCTION

Tourism is one of the most complex industries of world economy and one of the most important quickest developing branch of national economy. It is a special field of national economy which has close relationship to all the sectors of economy. The income of tourism has a substantial direct or indirect influence on the other sectors while its performance depends on the condition of the economic-, social- and natural environment. Economic effects of tourism can be defined as changings in the characteristics of the economy of sender- and host country and in the economic structure happening in consequence of touristical development. Economic effects are differentiated from social-, cultural- and physical effects in the way that it creates revenue in the sender- and also in the host country.

Tourism is very complex. If it is developed in a good way, it can be the motor of the recovery of the economy in a country. If it is not, it can damage the na-

tional environment. Tourism, like other branches of the economy, can bring positive and negative influence as well for a region. It is an essential intension to increase the positive influences and to decrease the negative ones.

Tourism has a favourable impression on financial balance and as an invisible export it increases the incomes of the country. For the last decade this branch has developed very quickly and before the turn of the millennium it became one of the most important branches of world economy.

In the case of Hungary tourism is the most economic activity of the production of foreign exchange as well, which adjusts the financial balance. Tourism lets the economy get foreign exchange 20% cheaper than the export of goods. It brings a possibility to sell the goods and services which otherwise would be difficult to sell.

This sector requires live labour that is why it is an important factor in occupation policy. Tourism can help the economy of underdeveloped regions to catch

up (for example in the case of the Great Plain in Hungary) and it is the most important economic power in some areas (such as at Lake Balaton). Tourism represents a high ratio in GDP.

Hungary has important touristical conditions (geographical location, Budapest, Lake Balaton, thermal baths, national parks, conferences, etc.) which have domestic and foreign demand therefore the potential opportunities in tourism are to be utilized in the ever-growing competition.

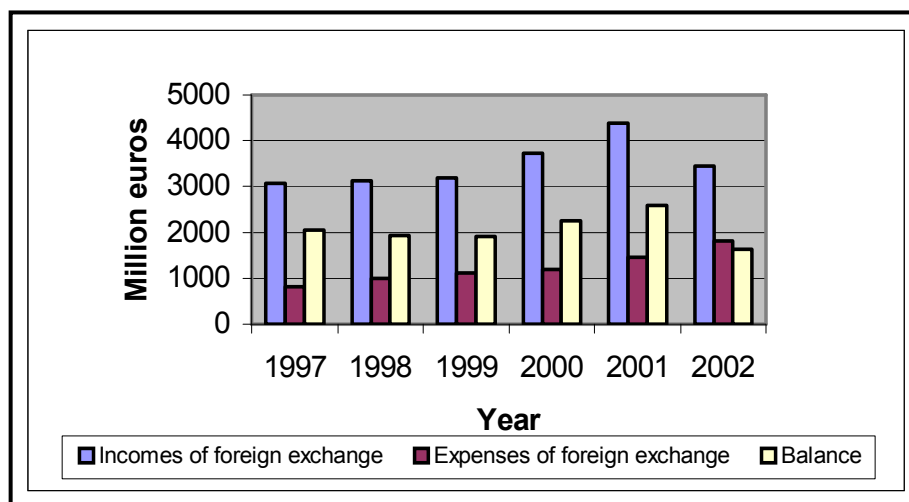
### 1. Classification of the positive economical effects of tourism

#### ❖ Effect on the financial balance

Among the positive economical effects of tourism this is the most evident influence. Foreign tourists bring income of foreign exchange during their visit in a country with their consumption and their spending. This income is called invisible export. Touristical income of foreign exchange is the most important in the case of countries which have limited possibilities in export.

**Figure 1**

**International tourism receipts and expenditures in Hungary**



Source: National Bank of Hungary

On the first figure it can be seen that in Hungary the international tourism receipts have been increasing except in 2002, but the balance between the receipts and expenditures was always positive that is why tourism can become a pulling branch.

In 2003 the financial position of tourism in Hungary was similar to the previous year. Due to the most recent prelimi-

nary data in 2004 international tourism receipts were 3300 million EUR and international tourism expenditures were 2300 million EUR. Therefore it can be pointed out that the situation of the touristical branch is much more better than the balance of current account as it seems on Figure 2.

In 2004 there were 36 635 thousand persons International visitors and 17 558

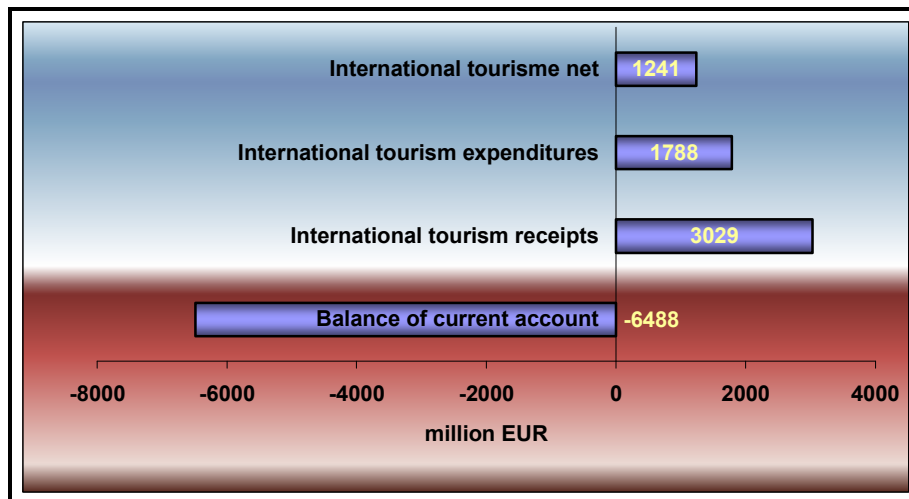
thousand Hungarians travelling abroad by border section. Two-thirds of this more than 30 million international visitors stayed only one tourism night or travelled away without staying. They have given 23% of the incomes of foreign exchange. 55% has come from the four- or more than four tourism nights

stayings. International visitors have spent the most for accommodation, catering services and buying food and presents.

16% of Hungarians travelling abroad have spent for services during one day-stays and 70% of the spendings were gone through on freetime travels.

**Figure 2**

**Current account in Hungary, 2003**



Source: Hungarian Central Statistical Office

Increasing these incomes has a positive influence on the financial balance. Tourists consume in the place of "production" so there is no cost of packaging, transport, customs, etc; like in the case of export of goods. The best way to decrease the deficit of the financial balance is to develop domestic tourism.

❖ Effect on producing profit

At the level of national economy, the effect of tourism to produce income appears as a part of GDP. It depends on the amount the tourists spend, the costs involved in the local population traveling

abroad, the production expenses and investments of the touristical sector and the branches serving it and the costs of touristical infrastructure. In the 1. table can be seen the main variables of economy and tourism of Hungary. GDP and investments have decreased, but the Consumer price index has increased with 4,3%.

Financial balance can be improved by developing domestic tourism. Table 2. shows that in 2003 domestic tourism nights have increased. That can prolong touristical season and gives certain income during all year. Quality tourism is more and more in demand which is showed by increasing tourism nights in

hotels. The occupancy rate of room in hotels in 2004 has increased to 46,6%. The accommodation fee of hotels has not

changed. People prefer to make use of trips of travel organisations in the case of outbound tourism.

Table 1

### I. Main variables of Hungarian economy and tourism, 2003

Denomination	same period of previous year = 100.0
<b>GROSS DOMESTIC PRODUCT</b>	
in the national economy	102,9
in the section H	99,7
<b>INVESTMENTS</b>	
in the national economy	102,4
in the section H	94,8
<b>CONSUMER PRICE INDEX</b>	
in the national economy	104,7
in the section H	109,0

<sup>a</sup> Catering and accommodation services by COICOP classification

Source: National Bank of Hungary

Table 2

### II. Main variables of Hungarian economy and tourism, 2003

Denomination	same period of previous year = 100.0
<b>INTERNATIONAL TOURISM NIGHTS</b> of public accommodation establishments	96,9
of which: hotels	97,6
<b>DOMESTIC TOURISM NIGHTS</b> of public accommodation establishments	106,0
of which: hotels	104,8
<b>INTERNATIONAL AND DOMESTIC TOURISM NIGHTS</b> of public accommodation establishments	100,9
of which: hotels	100,2
<b>OCCUPANCY RATE OF ROOM</b> of public accommodation	36,1
in hotels	43,7
<b>INCOME OF ACCOMMODATION FEE</b> of public accommodation establishments	101,4
of which: hotels	100,0
<b>INCOME OF CATERING AND OTHER SERVICES</b> of public accommodation establishments	105,4
of which: hotels	103,9
<b>CHANGE OF TOURISM NIGHTS</b>	
Outbound tourism	114,0
Inbound tourism	93,8

Source: Hungarian Central Statistical Office

Financial balance can be improved by developing domestic tourism. Table 2. shows that in 2003 domestic tourism nights have increased. That can prolong touristical season and gives certain income during all year. Quality tourism is more and more in demand which is showed by increasing tourism nights in hotels. The occupancy rate of room in hotels in 2004 has increased to 46,6%. The accomodation fee of hotels has not changed. People prefer to make use of trips of travel organisations in the case of outbound tourism.

The most difficult problem is to determine the value of tourism when examining its effects in producing income and its contribution to GDP. In 2003 the direct share of tourism in GDP was more than 4%, while the indirect- more than

10%. The change of Gross domestic product 1997-2003 in Hungary can be seen in Table 3. This includes not only the touristical spendings, but also the services for which the tourists pay nothing or very little, such as asking for information or the local population going on holiday to their own week-end houses. This does not appear anywhere as touristical performance. The visits of friends and relatives can also be mentioned here. Therefore the direct income of tourism represents only a part of the effect of tourism to produce income. The actual profit production can be shown by the multiplier of touristical profit. This multiplier shows how much income is induced by a unit of touristical income (direct or indirect).

**Table 3**

**CHANGE OF GDP IN HUNGARY 1997-2003**

<b>Year</b>	<b>Change compared to the year before (%)</b>
1997	4,6
1998	4,9
1999	4,2
2000	5,2
2001	3,8
2002	3,5
2003	3,6

Source: Central Statistic Office

❖ Effect on employment

Experiences show that the index of employment in relation to the touristical profits is relatively big compared to the other branches. It is able to bring about new places of work with low costs, that

is why this is an important means of employment policy /Table 4./.

Due to its favourable effect on employment it means a widening market for production and service enterprises (also an employment multiplies: one workplace in a hotel creates two more).

Table 4

## Touristical employment of Hungary in 2003

Denomination	Year total	Measure
<b>NUMBER OF EMPLOYED PERSONS</b>		
in the national economy	2 753 047	thousand person
in the section H	79 897	thousand person
<b>AVERAGE GROSS EARNINGS OF EMPLOYEES</b>		
in the national economy	137 193	HUF
in the section H	87 118	HUF
<b>AVERAGE PRICES OF HOTEL ROOMS</b>	11 239	HUF
<b>NUMBER OF TRAVEL ORGANISATIONS</b>	1 096	piece

Source: Institutional labour-statistical data collection system

❖ Change of economic structure, rural development

The development of tourism almost always goes hand-in-hand with economic and technical development. Of these the most important are:

- Tourism inspires the development of infrastructure (public roads, electric network, canal network, airports, etc.),
- Makes the area more attractive to foreign investments (especially hotel investments),
- Inspires technical, technological development, i.e. reservation systems, use of marketing tools, etc.

The intention of rural development is to improve the condition of existence of rural people and to protect rural environment. Among the national economic branches agriculture stands in the nearest to rural development.

In 1992 the reform of *Common Agricultural Policy (CAP)* called the politicians' and the experts' attention to the environmental criterions of agricultural production.

In the document of *Agenda 2000* printed in 1999 European Council worked out reforms. Multifunctional agriculture is defined in this program. In addition to the agricultural production environmental- and social functions have appeared. Rural tourism is attached to the social function.

Allan Buckwell has worked out a study which is called *Towards a Common Agricultural and Rural Policy for Europe (CARPE)*. The author has changed the name of common agricultural policy to common agricultural- and rural policy. His project is composed by four elements:

1. Help for the adjustment to the period of transition,
2. Stabilization of the market,
3. Supports attached to the environment and the cultural land,
4. Money incentives of rural development.

After the second world war most of the people moved to the cities, that is called urbanization. They missed good air, tranquility and quiet, that is why they turned back to the nature and rural places. In Hungary can talk about rural tourism from the change of regime. Rural tourism has basic countries as Germany, Austria and France. They have obtained advantage during the previous decades.

Rural tourism can ensure possibility of acquisition of "alternative" income for rural people. During that way they can sell their products on a higher price.

Hungary has worked out its own *National Development Plan* through can people ask for aiding after joining to the Union European. Part Regional Operative Program supports rural tourism.

❖ Inspiring enterprises

The vast majority of enterprises operating in tourism are so-called small enterprises which serve well the widening the touristic supply. A key to forming a stable, developing tourism is the strengthening of small- and medium-sized enterprises and counterweighting the leading big companies.

**2. The negative effects of of tourism on economy**

Negative effects of tourism on economy can also be observed, of which the most important are:

- Too much dependency on tourism sets back the development of other branches of economy,

- Tourists bring their consuming habits to the place they visit, meaning they require the good they are used to having at their permanent residence. This involves an increase in imports.

- Increasing demands result in increasing prices, which the locals are also subject to. Land and real estate price also go up as a result of touristical developments.

- Most touristical attractions are seasonal. This appears in employment and in the fact that profits must be made in shorter periods. Another negative consequence is that the return of investment is longer (more seasons) compared to other branches.

- Other auxiliary costs.

## REFERENCES

- (1) Aubert, A.: Turizmus tervezés turizmus marketing. Pécs, 1995. – (2) Czeglédi, J.: Az idegenforgalom gazdaságtana. Budapest, 1989. – (3) Czeglédi, J.: Turizmus itthon és külföldön. KJK. Budapest, 1989. – (4) Farkasvölgyi, Fné.: Idegenforgalmi vállalkozók kézikönyve. Novorg. Budapest, 1992. – (5) Hajdú, E.: A turizmus főbb termékei és szolgáltatásai. KKf. Budapest, 1999. – (6) Jandala, Cs.: A turizmus közgazdasági elemzésének módszerei. Budapest, 1992. – (7) C. Kaspar: Turisztikai menedzsment. Budapest, 1992. – (8) Lengyel M.: Magyarország csatlakozása az Európai Unióhoz. Turizmus stratégia. KIT. Budapest, 1999. – (9) Puczkó, L. – Rác, T.: A turizmus hatásai. Aula Kiadó Kft. Székesfehérvár, 1998. – (10) Magyar Statisztikai Évkönyv. KSH. Budapest, 2002. – (11) Gazdasági és piaci stratégiák a vidékfejlesztés szolgálatában. (Szerk.: Sarudi, Cs.) AGROINFORM Kiadó. Kaposvár, 2004. – (12) www.gkm.hu – (13) www.hungarytourism.hu – (14) www.ksh.hu

## ADDRESS:

**Walter, Virág**

Ph.D. hallgató

Kaposvári Egyetem

Gazdaságtudományi Kar

Ökonómiai és Szervezési Intézet

Vállalatgazdasági Tanszék

Gazdálkodás- és Szervezéstudományok Doktori Iskola

7400 Kaposvár, Guba S. u. 40.

Tel: 82/314-155/373, Fax: 82/423-007

E-mail: w.virag@freemail.hu