



## THE ECONOMIC IMPACT OF TOURISM

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**Abstract** *At the end of this century and millennium, the tourism and travel industry represents, at a global scale, the most dynamic activity sector and, at the same time, it is the most important workforce generator. From an economical point of view, tourism represents the main source of redressing the national economies of those countries which possess valuable tourism resources and properly exploits them. Its action manifests at a large scale, from stimulating economic development to perfecting social structure, from a superior resources' valorizing to an improvement of life conditions.*

### Key words:

Tourism' Multiplying Effect, work productivity, accommodation, economic efficiency

### Introduction

Tourism is an economic activity which has highly developed nowadays. Its spectacular dynamics represents a characteristic feature, especially in the last decades' economic and social impact.

This development has determined various economic effects as a result of a high volume of investments used for creating the specific material base and for developing an important sector of complementary services. From a psychological and social point of view, thanks to the solutions it offers when it comes to free time spending, it maintains the modern human being's biological and physiological balance, the development of his personality and creativity.

The economic efficiency expresses the quality of the economic activity when it comes to using the enterprise production factors in a rational manner, being a fundamental request which has to permanently adjust the economic and financial decisions and the actions of economic agents. Therefore, any economic activity is based on three economic principles: the principle of rationality, the efficiency and optimization principle and the ecological principle. The most important principle is the rationality principle and it implies the fact that economic agents should reach their goal with a minimum of effort. Realizing a rational economic activity is constricted because of the fact that resources are limited in comparison to unlimited needs. This is the reason why rationality – in the domain of economic activities – takes the shape of economic efficiency: “minimum effort, maximum of effectiveness”. Under these circumstances, in order to develop and

compete under competition circumstances, economical agents must develop a rentable activity which would bring favorable economic results.

The priority of its efficiency is due to the economic agents' double preoccupation: that of facing the increasing individual and collective needs of ameliorating the life standards and that of facing in optimal conditions the imperfect competition, under its various forms, intensity levels and development tools, both internally and international (Ciucur D., Gavrilă I., Popescu C, 2001).

### Economic efficiency

According to production factors which determine various effects, economic efficiency is composed by: work productivity, capital productivity, soil productivity etc.

Employees' productivity is a very important component of efficiency of any services supply firm and it is measured by means of the services realized by an employee. Keeping constant all the other elements, a company which has a high employees' productivity would normally have an advantage thanks to the production cost. An important issue in this case is identifying the alternatives used in order to increase productivity, hence the company's economic efficiency (Ciucur D., Gavrilă I., Popescu C, 2001).

Under the circumstances in which resources are limited in comparison to unlimited needs, the methods used by an organization to reduce costs, to increase productivity factors or to improve the quality of services represent actual ways of increasing economic

efficiency. Therefore, efficiency equals a rational management of raw materials, energy, workforce, capital etc. in order to increase services production.

The efficiency of economic agents is given by the method of providing the offer on the market and it depends on the relationship between market requests and offers.

However, in order to ameliorate the efficiency and obtain performance, at the same time, the methods which are more likely to be used are those which obtain and offer a variety of qualitatively superior services, permanently renew the services offer and are interested in the clients' needs (Zaharia M., 2005).

Quality products are those products which respond in a very good manner to the need that they have been created for, corresponding to the specifications on which they have been constructed. The impact of superior quality of products over the competitive advantage is huge: on the one hand, thanks to their superior quality, products become more valuable in the consumers' eyes, allowing the companies which provide them to increase the price and, on the other hand, it leads to a high efficiency combined with low costs per product.

A qualitatively superior product is a way of assuring profitability, as it guarantees a higher stability when it comes to prices under the circumstances of a growing competition. At the same time, a quality service represents a source of satisfaction as it builds a culture in that company (Andras D. M., 2005).

Services' efficiency is materialized in a series of effects which can be synthesized in the following manner (Zaharia M., 2005):

- Direct effects which are associated to each of the activity's features or production factor;
- Indirect effects which determine the positive or negative influence of the economic activity;
- Mediate effects which are determined by consumers' contribution and involvement.

Although it is hard to assess the efficiency of services providing activity because of the immaterial features of services, all microeconomic and macroeconomic decisions must be funded on the analysis of the registered results.

The last two decades' spectacular evolution of tourism transformed it into "an inherent dimension of nowadays' life" (Ionescu I., 2003), being considered the most dynamic and complex phenomenon of our era. This fact is due to the variety of effects generated by tourism, from stimulating the economic growth to ameliorating the social structure, or from valorizing the material and natural resources in a superior manner to improving life conditions (Minciu R., 2004).

According to the studies made by the World Tourism Organization, the effects of tourism can be categorized in the following manner:

- The effects on the global development strategy belonging to a country (region) or global effects;
- Partial effects on national economy, or on agents, sectors, variables and fundamental macro-dimensions of economy;
- External effects in the social-cultural, physical and human resources domain, with indirect economic results.

### **The Importance of Tourism in the Growth of the Gross Domestic Product**

Because its specific features, tourism is based on combining a variety of actions which are used for satisfying different needs manifested in the course of the sojourn. As a result, the touristic sojourn is based on requesting and consuming specific goods and services: from informing and trading the product to assuring its transportation, the accommodation and alimentation, reaching those elements destined to respond the basic motivation of the sojourn: recreation, balneary treatment, congress or conferences participation etc.

The diversity of the activities incorporated in the content of the tourism product, as well as the presence of some of them in the structures of other national economy's branches are based on the direct or indirect/permanent or periodical implication of all national economy's components in its development.

Consequently, the development of the tourism product is based on the collaboration of a large number of economic agents coming from various activity fields. When perceived through the lenses of its content and in correlation to the assembly of national economy, tourism acts as a stimulator of the entire global economic system and it can be considered as a *motor of economic growth*.

Therefore, the arrangements of general and tourism infrastructure (road network, airports, railways, the network of water supply units, electric energy supply units, thermal energy supply units, territorial arrangement works, balneary treatment units etc.), also implies the construction materials industry, the construction industry, wood and furniture industry, glass and ceramics industry, chemical industry, clothing industry etc. as well as those elements which sponsor them: banks, financial corporations. At the same time, another important role is played by the development of agriculture and alimentary industry which provide agro-alimentary products, beverages, the development of industrial fields which produce the products requested by tourists: light industry and adjacent branches, as

well as the trade field: the development of the trade and alimentation units network which want to satisfy the clients' requests for merchandise, and the development of the cultural-artistic fields (cinemas, theatres and other art institutions: museums, exhibits) and of those which organize sports events popular among tourists.

As a result, this implies the incorporation in the content of the tourism product/tourism service providing/tourism industry of a multitude of activities, some of them present in the structure of other branches of economy. This phenomenon gives tourism the character of an interference and synthesis branch, and the tourism product is the combined result of other branches belonging to national economy (Istrate I., Bran F., Rosu A.G., 1995). This determines the magnitude and complexity of the relationships between tourism and other branches of economy. These relationships manifest themselves directly or indirectly, on a permanent or periodical basis, horizontally or vertically.

The stimulating and effects of tourism inside the national economy are materialized in the form of a significant production efficiency which is a result of both the tourism industry's production and that of the branches which directly or indirectly contribute to the development of the tourism product.

These effects illustrate the importance that the internal and international tourism has in creating the world gross product.

### **Tourism' Multiplying Effect**

Given the existing interactions at the level of economy, between tourism and the other branches which participate directly or indirectly to the creation of the tourism product, the analysts in this field have underlined the fact that when measuring the total economic impact of a volume determined by tourism costs, there are three elements which contribute to this phenomenon (Snak O, Baron P., Neacșu N., 2001):

– *The direct impact* which measure the effects of the first round of the monetary circuit coming from the tourist, as well as the expenses made by tourists in order to purchase goods and services in hotels, restaurants, stores etc.

– *The indirect impact* which measures the derived effects of the additional rounds caused by the recirculation of the tourist's initial monetary unit. These are the results of successive transactions, determined by direct tourism expenses, which are the result of the interaction between economic agents and tourism services providers: hotels, restaurants, stores, in order to develop a specific activity; for instance, for buying goods and services by companies belonging to other sectors which contributed to providing raw materials to

that specific restaurant, in order to satisfy the client's necessities and answer his requests.

– *The induced impact (stimulated impact)* measures the derived effects caused by the expenses made by tourism companies' employees; they use a part of their salary to purchase goods from other activity fields: for example, purchasing clothing or alimentary products from the local trade network. In their turn, those trade units' owners and employees spend a part of their salary in order to buy other goods and services in the region in which they live and work.

In this case, the total economic impact equals the effects of the direct impact + the indirect impact + the stimulated impact of the tourist's expenses.

From a methodological point of view, the assessment of the multiplying effect represents a synthesis of evaluating the economic impact of tourism development which can be realized at a national, regional or local level (Ciucur D., Gavrilă I., Popescu C., 2001).

The economic utility of this analysis tool comes from the fact that the size of the multiplier reflects the impact of various successive rounds of circulation of new monetary units until this monetary unit would reach other economic fields and then disappear completely from the circulation of that area.

After analyzing tourism's positive economic effect on the national or regional economic development we notice the fact that it manifests under multiple forms. The consequence is the acknowledgement of at least three important multiplying effects (Neagu V., 2000):

- *The multiplying effect of tourism;*
- *The multiplying effect of tourism investment;*
- *The multiplying effect of external trade.*

In what regards *the multiplying effect of tourism*, it can be said that it states: *the incidence of a monetary expense unit of the tourist from the perspective of creating new incomes.*

From the point of view of economy, the tourist is a consumer of goods and services. In order to purchase them, the tourist spends money. The amount of money paid by tourists for accommodation, alimentation, transport etc. can be perceived, in fact, as incomes of those companies or specialized units which provided the services and there are used as it follows: a part is used in order to satisfy the requirements of services providers – alimentary and non-alimentary products, energy, various services, another part is directed towards the state or local budget in order to pay the debts (Value Added Tax, other taxes) and the third part is represented by profits and monetary funds used to pay workers and shareholders, for new investments etc.

Consequently, tourism multiplier underlines the fact that an initial cost undertaken by the tourist at the place

of his destination/vacation stimulates the regional economy, not only once, but repeatedly. Therefore, the higher the number of hands holding these amounts of money, the more favorable the repercussions on the gross national product.

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