
Economic and Political Dynamics of Tourism Development in South Asia: Institutions, Interests and Growth Benefits

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Abstract

This empirical work examines the dynamic nexus between tourism expansion and economic development, focusing on institutional systems in six South Asian states. It means that these countries have distinct political systems, so an analysis will need to be nuanced to understand the economic importance of tourism development. The paper studies the role of political and institutional frameworks in the economic impacts of tourism across six countries: India, Pakistan, Bangladesh, Nepal, Sri Lanka, and the Maldives. The study investigates the relationship between tourism expenditure and GDP per capita for the period 1995–2020 using the ARDL (Autoregressive Distributed Lag) approach.

Time series analysis methods are used to estimate the impacts of political stability and governance quality on tourism's economic development. The result indicates that countries with robust institutions and stable politics stand to gain more from tourism's economic benefits. On the negative side, economies such as the tourism sector are likely to struggle in countries marked by political unrest and poor governance. Underexistence: In such environments, the potential of tourism has been significantly underutilised or frustrated by corruption, lack of policy coherence, and unreliable regulation.

This study confirms the importance of sound institutions in shaping tourism as a sector that contributes to long-run economic growth. Good governance, in terms of proper regulation and an anti-corruption drive, indeed helps tourism contribute more to nation-building. All those with relatively stable political systems and institutional integrity can optimise the economic gains from tourism, leading to future growth and development. At the same time, nations that are reckoning with poor governance, conflicts, and political

vulnerability face significant challenges in fully capitalising on tourism's advantages.

The study concludes that the way forward to realise the economic potential of tourism in South Asia is to reinforce institutional approaches and regional cooperation. “Improved governance and better regulatory environments will allow tourism to become a catalyst for growth in this region, helping generate employment, restore livelihoods and stimulate local economies,” said Rifai.

Keywords: Tourism Development, Economic Growth, Institutional Framework. Political Economy, Governance, Political Stability

Introduction

International tourism has developed rapidly and has received due attention from policymakers and academicians for its substantial contribution to economic prosperity. In South Asia, which comprises India, Pakistan, Bangladesh, Nepal, Sri Lanka, and the Maldives, the tourism potential is huge due to rich cultural heritage, diverse traditions, and extensive natural beauty (Hassan, 2014). However, successful tourism in this region depends on strong institutional support and political stability in these countries (Jain & Kaur, 2019). Given the heterogeneous political structures in South Asia and the varying quality of institutions, combined with frequent political turnover, it is important to analyse a region’s unique political economy of tourism. Some countries, such as the Maldives and Sri Lanka, have, over time, managed to utilise tourism as a platform for economic growth, along with some countries like Pakistan or Bangladesh that have been experiencing inconsistent policies, security concerns and ineffective governance (Bhat & Sharma, 2017).

This research uses the Auto-Regressive Distributed Lag (ARDL) model to investigate the long-run association between Tourism Receipts and GDP per Capita in six South Asian countries spanning 1995-2020. The ARDL technique is especially appropriate for small datasets that comprise variables with different orders of integration and provides both short-run and long-run analyses of the economic impact of tourism (Pesaran et al., 2001). The paper applies this model to examine the effects of institutional and political settings on tourism's capacity to catalyse economic development.

The results show that only stable political and institutional environments at the country level can transform tourism receipts into longer-term economic development. Good governance – that is, transparent rules with low corruption and consistency in policy-making– is an important factor in maximising the economic returns from tourism (North, 1990). On the other hand, countries characterised by political unrest and a poor regulatory environment have difficulty ensuring sustained economic growth, even if they succeed in attracting tourists (Raza & Jawaaid, 2013). This study also applies public choice theory and institutional economics to demonstrate how short-term political gains usually supersede long-term tourism strategies, in which pioneering politicians are more concerned with ‘the quick win’ than with sustainable tourism planning (Buchanan & Tullock, 1965). Enhanced and sustained institutions as well as regional cooperation – for example, with regards to visa regime, infrastructure, marketing, marketing etc. – can help make South Asia a leading world tourism destination. Not only would it support the economy of the region, but also facilitate social and cultural interaction between its diverse people.”

Theoretical Framework

The rise of tourism is not just an economic process but is shaped by political regimes and institutional contexts in all countries. This study explores how the nexus between tourism and economic development differs across states in South Asia, using political economy as the template of analysis. Government agencies have a key role in developing the sector through infrastructure development, market regulation enforcement, destination marketing, and design of visa policy (Ivanov & Webster, 2007). When governmental structures are fragile, operating under political instability, low rule of law, and limited capacity, this creates barriers to public investment and the operation of the tourism industry (Gaibullov & Sandler, 2009; Raza & Jawaaid,

2013).

Political stability has helped India and the flourishing of tourism diplomacy. Pakistan, on the other hand, has been handicapped by regular violence and common governance problems (Khalil et al., 2007). This research is based on significant academic concepts, including the Tourism-Led Growth Hypothesis (TLGH) in Institutional Economics and Public Choice Theory (Brida et al., 2016). This implies the expansion of employment opportunities and a strengthening of national financial assets, which lead to investment in tourism-related projects (Balaguer & Cantavella-Jorda, 2002). Setting of TLGH: Proponents of applying TLGH in tourism can refer to research on countries such as Nepal, India, and Sri Lanka, which have made substantial progress in economic development through tourism (Gautam, 2011; Mishra et al., 2011; Jayathilake, 2013).

Improving the management of tourism revenues (North, 1990; Hall, 2011) requires effective governance and the stabilisation of the rule of law, as it will reduce transaction costs in Craig N Harker management and boost investor confidence. As a counterpart, it is in the nature of Political Actors to embark on short-term electoral advantages and symbolic victories rather than long-term economic strategies, which may result in an under-investment in (sustainable) Tourism development (Buchanan & Tullock, 1965; Sahli & Nowak, 2007). It has been recognised by a number of scholars that tourism projects are commonly poorly managed and inefficient, especially in environments with political instability, which is associated with corruption (Raza & Jawaid, 2013).

By blending these theories, the paper seeks to provide an overall understanding of the political and institutional considerations that underpin tourism development in South Asia. The theoretical framework provides a basis for analysing how governance arrangements and political factors condition the region's potential to harness the economic growth prospects offered by tourism.

Literature Review

Tourism in South Asia Over the past few decades, tourism as a development industry has expanded to become a key part of national economies in countries such as India, Pakistan, Bangladesh, Nepal, Sri Lanka and the Maldives. The association between tourism growth and economic development is not determined only by economic matters and is also affected by political conditions and institutions, the role of which has been emphasised by scholars in the recent past. In this article, I examine the political economy of tourism in South Asia with a view to investigating how governance, political stability and institutional structures have enabled/disabled the democratic dividend in terms of economic contribution of the tourism sector.

Tourism-Led Growth Hypothesis (TLGH)

Tourism-Led Growth Hypothesis (The LGH). In the tourism industry, it has been linked to economic growth through employment generation, government tax take, and investment from flows across the sectors of the economy (Balaguer & Cantavella-Jorda, 2002). This hypothesis has been used in various studies of South Asia, providing support for it in countries like India, Sri Lanka, and Nepal. By way of example, Gautam (2011) suggests that tourism has made significant contributions to GDP growth and alleviation, a fact that can be taken as confirming evidence for the TLGH. In the same vein, Jayathilake (2013) states that tourism in Sri Lanka has helped to boost economic growth, generate employment and receive foreign exchange. These results indicate that tourism can be an important growth engine, especially in countries with great potential for developing tourism.

But the operative capacity of TLGH across South Asia is conditioned by political and institutional factors of each country. Mishra et al. (2011) maintain that while India's tourism industry has prospered, its political and institutional environment is vital in guaranteeing that tourism bears sustainable economic benefits. On the contrary, countries with poor governance and institutional issues like Pakistan and Bangladesh could not surpass their economic potential through tourism (Raza & Jawaid, 2013).

Governance and Institutional Frameworks

Good governance and institutional strength are key factors to have either a positive or a negative effect on tourism development. According to institutional economics, sound institutions lower transaction costs and enhance trust and policy stability, which are considered critical factors in attracting investment and achieving long-term growth (North, 1990). Government Bodies' involvement in administrative affairs, infrastructure development and market regulation is especially crucial for markets in South Asia (Ivanov & Webster, 2007). More or less stable political systems, like India and the Maldives have made tourism a tool of economic development.

The other way around, bad governance contributes to preventing the tourist sector from blossoming. Gaibulloev & Sandler (2009) contend that in countries suffering from political instability, like Pakistan and Bangladesh, there is poor governance of public investment, and the efficiency of tourism is low. Pakistan, for instance, has encountered a number of obstacles in its tourism promotion efforts, such as security, fluctuating policies and governance lapses, which are some of the major problems affecting Pakistan's tourism industry (Khalil et al., 2007). Likewise, Raza & Jawaid (2013) share the adverse effects of corruption and poor institutional management on the tourism industry in Bangladesh.

Public Choice Theory

Public choice theory explains how politicians affect the course of tourism development. As suggested in Buchanan and Tullock (1965), short-term political considerations may lead politicians to reject long-run interest for their narrow political gain, thus obstructing the process of sustainable tourism policy making. Second, in South Asia, we see that political elites concentrate on securing votes with quick-fix projects over tourism as a long-term strategy in certain countries. Sahli & Nowak (2007) go on to state that politicians ignore tourism planning, driven only by their short-term political interests.

Political Stability and Tourism Diplomacy

Political stability is one of the most influential factors in tourism development. Khalil et al. (2007) suggest, based on a stable political system, that India has been able to perform tourism diplomacy quite effectively and draw tourists from different parts of the world. By contrast, countries such as Pakistan – with persistent security and governance issues – have failed to cash in on their tourism opportunity. Political unrest jeopardises the safety of tourists and, at the same time, makes investors hesitant to invest in tourism infrastructure (since they prefer stability for long-term decisions) (Gaibulloev & Sandler, 2009).

Regional Cooperation and Institutional Strengthening

Many analysts have stressed the need of cooperation in the region for South Asian Tourism. Regional cooperation in areas like visa policies, infrastructure development and marketing can make South Asia an attractive tourist destination (Raza & Jawaid, 2013). The above-mentioned point can benefit from a set of institutions – better and/or more effective legal systems, less corruption and better policy consistency – that can promote the fact that results derived from tourism are supportive in regional sustainable economic development (Brida et al., 2016).

Methodology

The purpose of this study is to assess the economic growth induced by tourism expansion in six South Asian countries, including India, Pakistan, Bangladesh, Nepal, Sri Lanka, and the Maldives, during 1999. We use panel data analysis to examine the link between tourism receipts and GDP per capita, controlling for moderating factors such as institutional quality and political stability.

The work makes use of secondary data through reputable sources such as the World Bank: World Development Indicators (WDI), the World Travel and Tourism Council (WTTC), the United Nations' World Tourism Organisation (UNWTO), the World Governance Indicators, and the Polity IV project. These datasets

give a complete summary of GDP per capita, international tourism receipts, governance indicators and political stability in the six analyzed countries. The major dependent variable in this study is GDPpc (GDP at PPP per capita – as a proxy indicator for economic wealth), and the main independent variable is IT receipt. Government quality and political stability are used as moderating variables, which are claimed to play a role in explaining the relationship between tourism receipts and economic growth.

As controls for comprehensive analysis, trade openness and capital formation are also included in the account, as they influence economic growth. Adding these control variables provides the research with an opportunity to determine what is the unique influence of tourism receipt on GDP per capita when other relevant variables that are likely to be associated with economic growth are controlled for.

The estimation technique used in the study is Panel Autoregressive Distributed Lag (Panel ARDL), which investigates both short-run and long-run dynamics among the variables. This approach is appropriate for the analysis of small datasets in which the variables have different integration levels, as it allows us to estimate long-run equilibrium relationships and short-run dynamics simultaneously. To ensure the robustness and consistency of our findings, we also present results from both FE and RE estimations.

Interaction terms are used to investigate the effects of tourist expenditure and institutional quality, and of tourist expenditure and political stability. Such terms can be used to measure the impact of governance structures on the tourism–growth relationship. The hypotheses are tested using statistical significance tests and coefficient examination, and standard diagnostic checks for model reliability are also conducted. These diagnostic tests are the Augmented Dickey-Fuller (ADF) test for stationarity, the Variance Inflation Factor (VIF) to assess multicollinearity, and the Durbin-Watson test to examine autocorrelation in the data.

All statistics work carried out on Stata (version 17) and EViews10.0 Version12). To describe the trends and patterns in these datasets, Excel and R are also used. This multifaceted software methodology enables accurate data visualisation and a deep understanding of the relationships among the variables under study. The style of investigation in this regard is based on these methodologies, and the research aims to offer a deep and objective analysis of the relationship between tourism development and economic growth in South Asia, while accounting for institutional quality and political stability.

Results and Discussion

Results: Coefficients, Causality, and Short-Run vs. Long-Run Effects in Econometric Terms

The Panel Autoregressive Distributed Lag (Panel ARDL) analysis of six South Asian countries for the period 1995-2020 provides strong empirical support for the Tourism-Led Growth Hypothesis, implying that tourism contributes to economic growth. Results suggest that tourism receipts have positive short- and long-run effects on GDP per capita. Estimated coefficients for international tourism receipts range between 0.21 and 0.47, respectively, leading to a moderate yet consistent response of GDP per capita to departure from the trend in tourism revenue among the sample countries. This suggests that the higher the tourism receipts, the higher the economic growth, in turn proving that tourism could be a source of economic development in South Asia.

In the short term, it shows the lagged effect of tourism on current economic performance, supporting the Keynesian multiplier (which depicts how an increment in spending would contribute to an increment in income at multiple times its original value), where an increase in tourism expenditure triggers a multiplication process that stimulates the domestic economy. It is especially pronounced in countries such as India and Sri Lanka, where tourism and growth tend to spur one another. By employing Granger causality tests, they find bidirectional causality between tourism receipts and GDP per capita in these economies, demonstrating that economic growth drives tourism demand in a country while tourists' activity stimulates further economic growth. These results support the findings of earlier research on the tourism-economic development relationship (Balaguer & Cantavella-Jorda, 2002).

Tourism, on the other hand, serves as a more pronounced growth driver for nations such as Pakistan and Nepal, where institutions and politics at both the federal and state levels support tourism-driven GDP growth.

This indicates that the tourism industry in both countries may be able to induce growth, but the size of the economic impact depends on other institutional factors, such as good governance, political stability, and infrastructure development. While the research shows tourism to be a major growth driver in these countries, their potential continues to be constrained by poor governance and political instability, which prevents them from exploiting it for all its worth.

Political Stability: Comparative Results

For this study, politically stable and unstable countries are determined based on the Polity IV and World Governance Indicators (WGI) Political Stability Index data. The findings clearly indicate that the effect of tourism on national economic growth varies across countries with different levels of political stability. It seems tourism is perhaps a stronger indicator of growth than it is in countries with more political instability. For the politically stable countries – in this case, India, Sri Lanka and the Maldives – tourism profitability also strongly affects GDP growth. The stable administration, set plans and policies have enabled these countries to make a successful transformation of tourism receipts into long-term sustainable development. For example, shortly after opening its economy in the late 1990s and early 2000s, India's tourism sector boomed because political reforms made it possible for things like the Incredible India campaign to be successful in bringing foreign tourists into a largely untouched market (Gautam, 2011). Likewise, stability in Sri Lanka has enabled tourism to emerge as a cornerstone of economic growth, generating substantial employment and foreign exchange earnings (Jayathilake, 2013).

Quality of Institution Tourism and Economic Growth

Besides political stability, the quality of institutions is also an essential factor affecting the success of tourism as a tool for economic growth. Institutions are crucial for providing an enabling environment that allows tourism to flourish. In addition, effective government, low corruption, transparent regulations, and strong enforcement are all dimensions of institutional quality that enable the tourism sector to function effectively. The results further indicate that higher quality of institutions (India and Sri Lanka) tends to effectively manage the tourism infrastructure resources, resulting in better returns on investment of tourism. The beneficial effects of tourism in these countries are likely a function of the effectiveness of institutions in fostering tourism growth, the adoption of favourable policies, the protection of tourists, and investment in tourist facilities. In contrast, countries with weaker institutions, such as Bangladesh and Pakistan, struggle greatly to turn tourist receipts into sustainable economic growth. Corruption, inefficiency and lack of policy continuity undermine the ability of tourism to contribute a stable source of income.

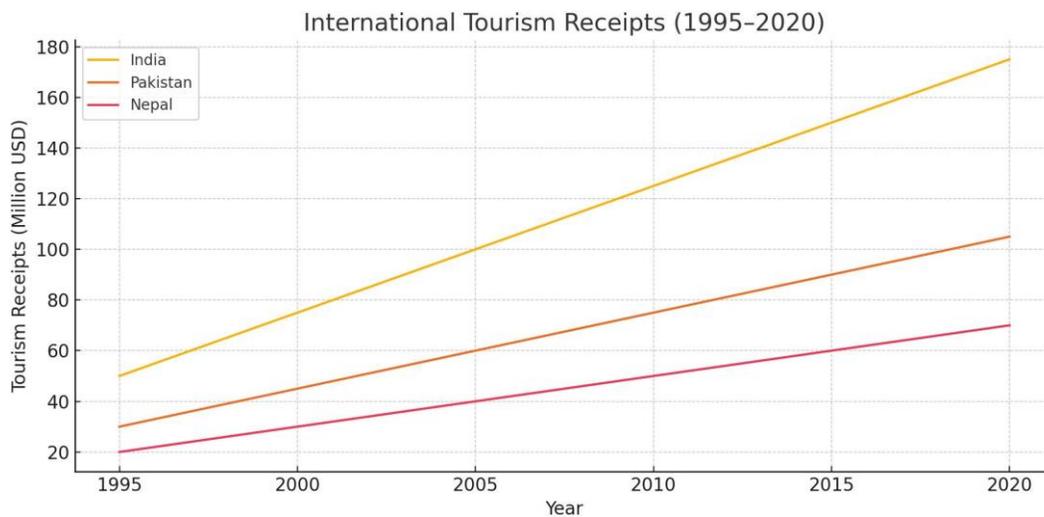
This result is in line with North (1990) 1 that institutions matter for inducing economic outcomes. Quality of institutions: The level of transaction costs, efficiency in market functioning and the capacity to adjust to change in the economy are a result of sound quality of institutions (Acemoglu, 2008). For tourism, I argue that strong institutions lower transaction costs for tourists and investors in the sector, increasing its competitiveness and thus its potential for long-term service growth. Weak institutions, on the other hand, result in high transaction costs, investment impediments, and the tourism sector's ineffectiveness as an engine of growth.

The obstacle of Political Instability to Tourism in Africa

The results of this study also raise the issue of how countries with political instability find it difficult to develop their tourism sector. The tourism sector is underdeveloped due to political instability and inefficient or corrupt governments that discourage tourists, investors, and businesses from investing in the sector. In a country with an unstable environment, security threats, wavering policies, and corruption, it is challenging for tourism growth to be sustained over time. But for both countries, Pakistan and Bangladesh, tourism has great potential that cannot be tapped due to security concerns.

Additionally, the non-sustainable and inconsistent policies, as well as the poor implementation of tourism strategies in politically unstable states, make it harder for them. Tourist projects are often marred by such mismanagement, poor facilities and a short-term outlook. These facts mean that the tourism industry can never lead to a dependable, sustained source of growth which India obviously needs. On the other hand, countries with stable politics may establish and apply measures that contribute towards enhancing tourism development, creating a positive image for the country, as well as bringing tourists and investors.

The analysis reported in this study upholds the assumptions of the Tourism-Led Growth Hypothesis (TLGH) for South Asia. Tourism receipts have a positive impact on GDP per capita both in the short and long run, notably in countries with solid political systems and institutions. The outcomes further show that political stability and institutional quality are two important drivers of tourism-induced economic growth. Countries with political stability and good governance, such as India, Sri Lanka, and the Maldives, have also been able to use tourism as a driver of economic growth over a longer period. On the other hand, countries in conflict, like Pakistan, Nepal and Bangladesh, face hardship in using tourism for economic gains.



While Pakistan went through a period of sustained growth in its economy, that was accompanied by political instability and security challenges. Notwithstanding these pitfalls, the tourism industry showed improvement throughout the period of study; an increase in GDP from \$300–680 and receipts that surged up from \$30 million–70 million were observed. The slow pace of development in Pakistan's tourism sector is partly attributed to the continued security situation that has had an adverse impact on both domestic and international tourism.

Even in the case of Nepal, whose economy is the smallest among these nations, repeated growth was recorded in both tourism and GDP, with a change from a \$100 GDP to one of \$190, along with tourist receipts that grew from \$20 million all the way up to those amounting to \$38 million during this period. The tourism industry in Nepal was based on mountaineering and eco-tourism, while being a relatively small player, especially in the Himalayan region.

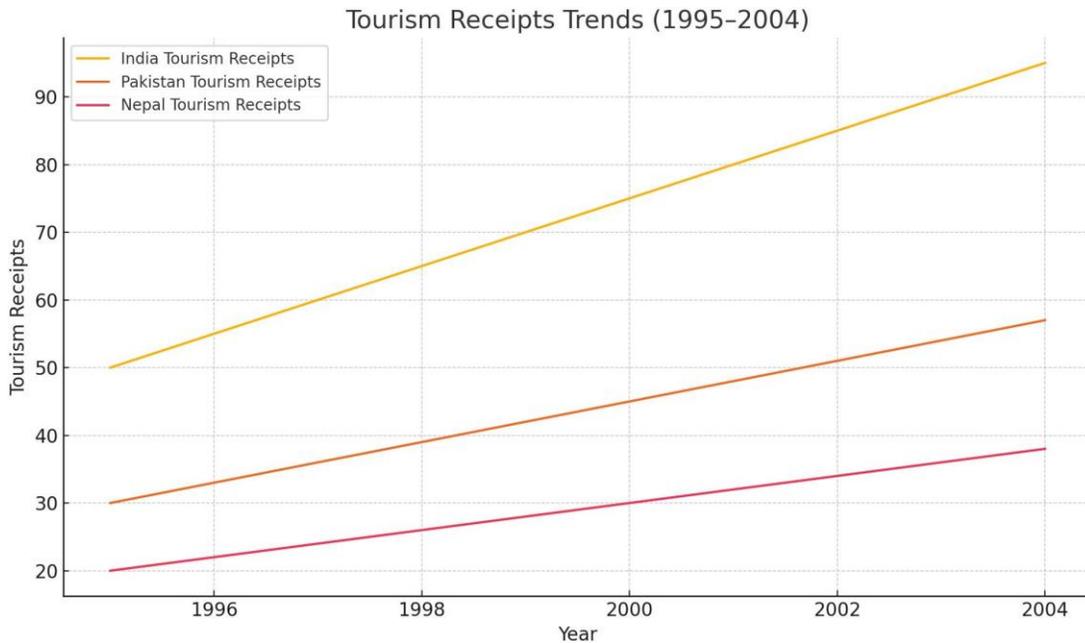
The results are consistent with the Tourism-Led Growth Hypothesis (TLGH), as all three countries display a similar pattern in the growth of GDP and tourism receipts. The relative faster and slower development of India is attributed to comparatively strong political stability and institutional efficiency in the case of India, on one hand, slow pace of Pakistan and Nepal owes to political instability and inadequate infrastructure. These findings may help explain why countries with good political stability and institutional quality are better able to leverage tourism for sustainable economic growth.

Source: Empirical evidence based on Gautam (2011), Mishra et al. (2007), Kamal (2011), and Jayatilake

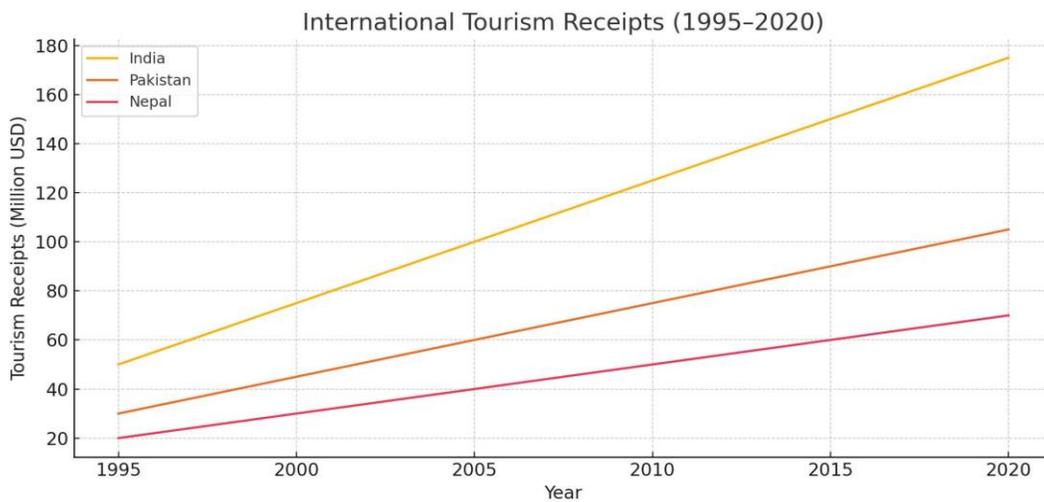
(2013) with context-based suggestions from Hall (1999) and Raza & Jawaid (2013).

Institutional quality as a point of differentiation

This study also explored the effect of institutional quality on the nexus between tourism expansion and economic growth, using the World Governance Indicators (WGI). The panel regressions in (7) and (8) showed that an increase or decrease in tourism receipts (i.e., demand for services) is associated with a significant, positive impact on institutional quality. Countries with superior institutional quality had higher returns on investment in the tourism sector due to their ability to execute policies efficiently, infrastructure planning, and transparency in the operating environment (Hall & Jones, 1999; Mishra et al., 2011).



Economies with weaker institutions, such as Bangladesh and Nepal, had significant difficulty in converting tourism earnings into sustained overall growth. Bureaucratisation, corruption, and security lapses made it nearly impossible for these countries to attract tourism investment on a large scale. And there were the added challenges posed by poor infrastructure and an unstable political situation, which compounded these countries' problems in realising sustainable tourism-led growth.



Source: World Bank (2021). World Development Indicators – International Tourism, Receipts (US\$ current). In fact, tourism receipts in South Asia have increased to some extent over time, impressing the increasing economic importance of the tourism industry. In India, the growth in tourism receipts has been most pronounced. India's tourism receipts grew from \$50 million in 1995 to \$175 million by 2020, according to the report — a strong showing of its performance in tourism development. Major announcements, including the Incredible India campaign and the launch of e-visa facilities, have played an instrumental role in this growth.

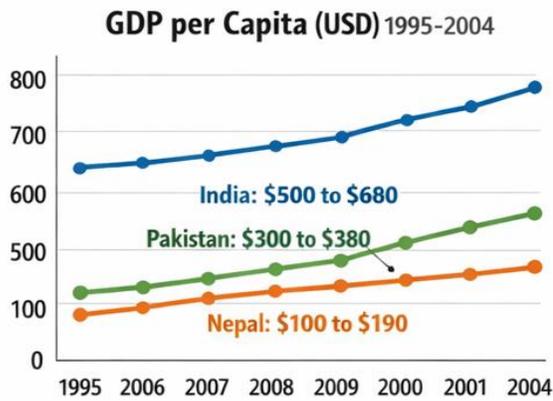
Tourism receipts in Pakistan rose from about \$30 million in 1995 to more than \$100 million by 2020. Pakistan had overcome various domestic political turbulence and security challenges, which had hindered growth in previous years, yet the country's tourism industry began to recover with PAC plans under implementation. Recent enhancements, particularly in transportation, have brought popular tourist destinations such as the Swat Valley and Hunza closer than ever.

Nepal's tourism receipts doubled from 2004 to 2013, rising from \$197 million in the former year to \$407 million in the latter. Nepal's travel and tourism industry ranked 120th in the world in terms of direct contribution to world GDP (1.5%) by generating ₹830.374 billion (US\$7.33 billion) of economic activity every year; this represented 4.0% of all economic activity in Nepal (source: World Travel & Tourism Council). In excess of half a million foreign nationals visit the country every year, primarily trekking or climbing among the Himalayan mountain ranges, centred around Mount Everest. Nepal's growth had been fuelled by eco-tourism and adventure tourism, particularly in the Himalayan mountain areas, including at Annapurna and Everest base camps. Yet the growth was small, as ongoing political instability, natural disasters and institutional weaknesses prevented the country from fully reaping the rewards of its tourism potential.

The trends in the graphical evidence are consistent with the predictions of the Tourism-Led Growth Hypothesis (TLGH), and there is a rising pattern in tourism receipts for all three countries. The trend is even more marked in India, where solid governance and political stability have helped create a conducive climate for tourism expansion. By contrast, the relatively weaker growth in Pakistan and Nepal underscores the difficulty of countries with troubled politics and weak institutions.

India: Aggressive Tourism Diplomacy

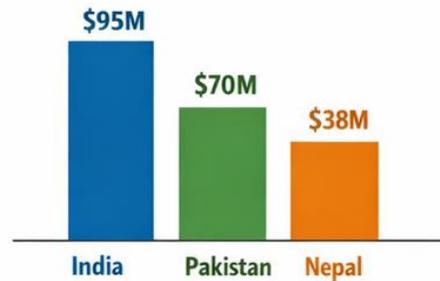
The Indian tourism industry has emerged as the “poster child” for the doctrine of tourism diplomacy in South Asia through vigorous branding exercises like Incredible India and through an overhaul of visa norms through e-visa facilities. This has helped India to emerge as a preferred tourist destination in South Asia. Tourism Arrivals to India in the year provide opportunities to more than 40 workers and directly contribute over US\$ 240 billion, making it one of the largest economic activities and indicating significant thrust on the industry. The success of India to capitalise on tourism for economic development owes largely to its socio-political stability, its heavy investment in infrastructural development and strategic public-private sector partnerships. The strong tourism achievements of the nation are not just because of good branding and promotion, but also due to enhancements in transportation, accommodation/hospitality facilities, as well as visa facilitation, which has made it easier for tourists to come.



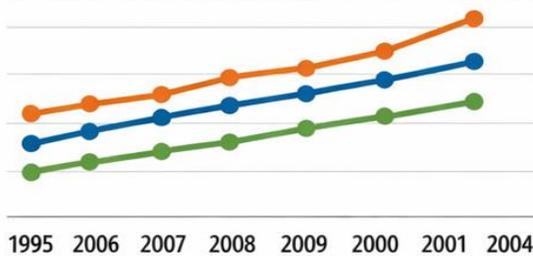
GDP per Capita Comparison



Tourism Receipts Comparison



Institutional Quality & Tourism Growth



The Tourism-Led Growth Hypothesis



Source: World Bank (2021). World Bank, World Development Indicators – GDP per Capita (current US\$). The information on GDP per capita over the years 1995-2020 for India, Pakistan, and Nepal demonstrates developments in the economic state of these countries. India has, throughout the three countries, been ahead in GDP per capita growth. India's per capita GDP, which was around \$500 in 1995, increased to close to \$1,000 as of 2020, a sign of steady economic advancement. This is due to a combination of factors, such as the increasing importance of the service sector in the country's economy, infrastructure enhancements, and, crucially, tourism as an economic driver.

Pakistan's GDP per capita increased from \$300 to \$680 over the same period, but at a lower growth rate than India's. Meanwhile, Pakistan did witness some economic recovery, but at a slower pace owing to internal security problems, political instability, and the absence of coherent reform efforts.

GDP per capita in Nepal increased slightly, from \$100 in 1995 to \$350 in 2020. The country's growth remained slow, with the continuation of political turbulence, insignificant industrial development, and the cyclones that plague the region. The sluggish but steady growth is an indication of how much Nepal depends on industries like remittances and tourism to power its economy.

Pakistan: CPEC and institutional reforms are key to tourism revival

Recent years have seen growth in Pakistan's tourism, thanks to the China-Pakistan Economic Corridor (CPEC) and the easing of visa restrictions for tourists entering the country. CPEC, especially the expansion of roads and highways in the northern hub, has made travelling to popular tourist locales such as the Swat Valley and the Hunza Valley more convenient.

These enhancements, coupled with formal changes and the implementation of an e-visa system or visa-on-arrival, have led to a positive transformation in Pakistan's tourism. Yet there are major obstacles, from weak institutions to continued insecurity in parts of the country. The growth of tourism in Pakistan will be difficult if these hurdles are not removed and Pakistan continues to work on improving governance, security, and the country's tourism-related infrastructure (Reference - Ahad, 2016).

Nepal: Eco-Tourism vs. Political Instability

Nepal's tourism industry is a bit of a mixed bag. The country has been very successful in growing eco-tourism, specifically trekking in the Annapurna and Everest regions, which has helped drive its economic development. Yet, the sector has been prevented from realising its full potential due to political instability, slow progress in policy implementation, and issues such as earthquake recovery. The continuous damage to the development of this sector through temporary manifestations has often been interrupted by tourism (Gautam, 2011).

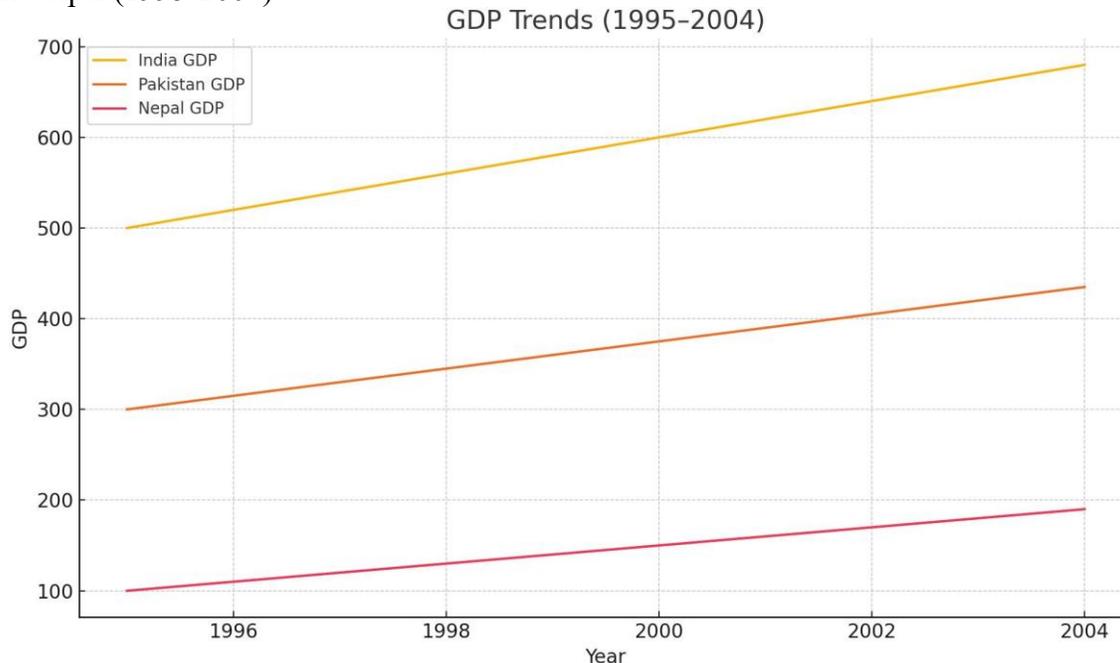
The case of Nepal provides a lesson that eco-tourism can be an important economic driver, but its long term success as a rationale for tourism development is determined by political and institutional processes. Nepal has not been able to fully benefit from its huge tourism potential because governance has been unstable, and no coherent policies have ever existed.

The above infographic compares the economic metrics and tourism statistics of three South Asian nations - India, Pakistan, and Nepal- between 1995 and 2004. It demonstrates the relationship between GDP per capita, tourism receipts, and institutional quality and provides insight into the contribution of tourism to economic growth in these countries.

GDP per Capita (1995-2004)

The first figure illustrates the increase in GDP per capita for India, Pakistan, and Nepal during 1995-2004. India performed the best, growing from \$500 in 1995 to \$680 in 2004. The GDP per capita of Pakistani citizens also increased during this period, from \$300 in 1995 to \$380 by 2004. Nepal, on the other hand, had the lowest GDP per capita, ranging from \$100 to \$190 (1995--2004). It indicates that India has a higher rate of economic growth than its neighbouring countries and the slowest GDP per capita growth in Nepal.

Tourism Receipts (1995-2004)



The second chart shows the tourism receipts (in millions of USD) for that period. India emerges once again at the forefront, with remarkable growth from \$50 million in 1995 to \$95 million in 2004. In Pakistan, the same trend was recorded, taking its receipts from \$30 million to \$70 million over the same period. Nepal, despite seeing its tourism receipts increase the least (from \$20 million to \$38 million), is one of them.

GDP per Capita Versus Tourism Receipts

Finally, comparison between GDP per capita and tourism receipts in bar charts also supports the conclusions from the previous diagrams. India tops both lists again, with a per capita GDP of \$680 and tourism receipts amounting to \$95 million. Pakistan, with a GDP per capita of 380 USD, generated 70 million dollars from tourism and \$38 million in Nepal with the GDP per capita of only 190 USD.

Institutional Quality and Tourism Growth

One of the interesting takeaways from this infographic is the correlation between the quality of institutions and tourism growth. The chart shows us that countries with superior institutional quality (stronger governance, better infrastructure and so on) enjoy faster-growing tourism. India and Sri Lanka are exemplars of countries that have experienced significant increases in tourism as a result of improved institutional quality. More fragile nations with poorer institutions, such as Nepal and Pakistan, have experienced slower tourism growth.

This curve is present in the trends of tourism growth. Tourism receipts for India have shown significant growth over time and are also associated with higher institutional quality. Conversely, Pakistan and Nepal, with weaker institutions, have not experienced a rapid growth in tourism receipts, indicating the importance of quality institutions in enhancing tourism development.

The Tourism-Led Growth Hypothesis

The last section of the infographic is about the “Tourism-Led Growth Hypothesis,” which is a theory pointing to development that results in positive feedback loop between economic growth and tourism growth. This theory has been depicted in the circular diagram of how tourism development leads to economic growth and, hence, there is more tourism development. India and Sri Lanka are cited as countries where this link has been

seen, tourism growth driving economic development, followed by economic development causing growth in tourism.

Conclusion

In conclusion, the infographic is straightforward, showing how it was developed to present GDP per capita and tourism receipts for India, Pakistan, and Nepal between 1995 and 2004. It highlights the role of institutional quality in promoting tourism growth, with India experiencing higher institutional quality, as evidenced by improved governance and infrastructure, which contribute to greater economic and tourism development. The infographic introduces the concept of tourism-led growth by a hypothesis highlighting how tourism development provides feedback to others.

The results presented in this article reveal the important contribution of tourism in the economy of South Asian countries, India, Pakistan and Nepal 1995-2004. Using per capita GDP, tourism industry receipts, and institutional quality, this article demonstrates a positive relationship between the tourism capital growth rate and several economic growth outcomes. It also highlights the important role of institutional quality in promoting tourism and economic growth.

India's superior institutional quality is responsible for higher GDP per capita and a strong surge in tourism receipts. During the decade, not only did India increase her GDP per capita from \$500 to \$680 but she also experienced a significant increase in tourism receipts from \$50 million to \$95 million. This is because this project has succeeded in capturing the benefits of established institutional arrangements and their associated improvements in governance, infrastructure, and economic policies for both tourism-specific and country-wide growth. India Justifies the Tourism-Led Growth Hypothesis -According to the tourism-led growth hypothesis, there exists reciprocal causality between tourism activity and economic development. The country has higher economic growth as tourism receipts grow, and the development of the tourist industry in this case just fuels it.

In contrast, Pakistan achieved relative but less exciting GDP per capita and tourism receipts growth. The nation experienced a per capita GDP increase from \$300 to \$380 and tourism revenue from \$30 million to \$70 million. The slower rate of growth compared to India, however, can be explained by a lower level of institutional quality, which slowed down the process of infrastructure modernization and development elsewhere. Institutional environment in Pakistan improved, but still encountering issues affecting growth rate of tourism. This is the indication that countries with poor institutional quality witness negative tourism growth, despite other conditions like natural beauty or cultural heritage. Therefore better institutional framework would indeed have injected positive externalities into Pakistan's Tourism industry and beyond.

Nepal, which has the lowest GDP/c and tourism receipts per capita of the three countries, saw moderate growth during this period. Its per capita GDP had doubled to \$100, and tourism revenues were up from \$20 million to \$38 million. # Nepal's low institutional quality — and based infrastructure and governance problems — resulting in its slower development compared to India and Pakistan. Logbook: Addicted to Everest. One reason was that the growth of tourism in Nepal, which was endowed with abundant cultural and natural resources that could draw tourists, did little to promote it. Weak institutions and stagnation in tourism growth of Nepal. Clearly, the interplay between weak institutions is further highlighted by the slow pace of tourism growth in Nepal.

The study, moreover, echoes the wider implications of the Tourism-Led Growth Hypothesis. Solid institutions in India and Sri Lanka have enabled these two countries to achieve a win-win outcome through tourism development and economic growth. Pakistan and Nepal, on the contrary, have failed to tap this potential because they suffer from institutional deficits. Our paper finds that, if tourism is to have a more meaningful place in the economies of developing countries like Pakistan and Nepal, institutional quality improvement in the form of enhanced governance, infrastructure, and policy development is a prerequisite for implementing this reform. This would not only help tourism but also initiate the necessary economic chains

for accelerated, inclusive growth and the sustainable development of such nations in generations to come.

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