



Multiplier effects of the development of socially responsible tourism

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Abstract

The purpose of the article is to analyse the multiplicative effects of the influence of the development of socially responsible tourism. The main approaches to the tourist multiplier effect, tourist multiplier are considered and analysed. The multiplicative effect of the tourism sector is a mechanism for additional stimulation of the economy and social environment of the territory as a result of the impact of sources of demand. The essence of the tourism multiplier is the value of the coefficient of the indirect influence of tourism on related sectors of the economy. Visions of principles of socially responsible tourism, which relate to three main aspects: environment, economy and socio-cultural dimension. Various types of tourist multipliers and the main effects are analysed. The multiplier effect in tourism has a direct, indirect and induced impact on the local economy and can often be very different from one country to another. The factors influencing the development of multiplier effects are analysed: capital investments in tourism, government spending on tourism, effects from the supply chain. The analysis of the direct, indirect and induced impact of travel and tourism on the GDP of countries is carried out. The chain of relationships in the field of socially responsible tourism, direct and indirect contribution to the economies of countries is analysed.

Keywords: tourism, socially responsible tourism, multiplier, multiplier effect

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INTRODUCTION

The tourism sector is one of the largest areas in the macroeconomic turnover, which is also, given the nature of the provision of tourist services, the organization of the tourism sector itself, the basis for the formation of multiplicative effects. The economic essence of the multiplicative effect allows you to create a methodological tool in the form of a tourist multiplier.

Tourism not only creates jobs in the third sector, but also stimulates growth in the primary and secondary sectors of the economy. These processes reflect the essence of the multiplier effect, which in its simplest form shows how many times the money spent by a tourist circulates in the country's economy. Money spent at the hotel helps create jobs directly at the hotel, but also indirectly creates jobs in other areas of the economy. For example, the hotel must buy food from local farmers, who can spend some of this money on fertilizer or clothing. Demand for local products is increasing, as tourists often buy Souvenirs, which increases secondary employment. The multiplier effect is maintained as long as the money is ultimately not "derived" from the economy through imports – the purchase of goods from other countries.

The purpose of the article is to analyze the multiplicative effects of the influence of the development of socially responsible tourism.

In this paper, the multiplicative effect will be considered not only in the entire sphere of tourism, but also in the direction of the development of socially responsible tourism. Socially responsible tourism is not a type of tourism, but a set of measures and recommendations for travelers and travel service providers.

The multiplier effect in the national economy reflects the recycling of part of the income by its recipients in the form of consumption expenditures, which then creates more income and activity. The basis for calculating a simple multiplier is the direct flow of money in the economy, for example, through tourism expenditures, which naturally implies a higher income for tourism service providers; eventually, this amount will be distributed in the form of wages, wages, rents, interest, profits, and as a percentage of it, even as indirect income for suppliers of goods and services that

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contribute to the organization and functioning of the tourism business.

In the scientific dissertations of A. O. Ohakwe (1983), B. Archer (1977), K. Ozawa (1988), statements about the tourist multiplicative effect were mentioned as a numerical value that is useful for evaluating and measuring the additional increase in economic scale.

The multiplicative effect intersects with the term tourist multiplier.

O. Snak also describes the multiplicative effect of tourism, based on the theory of "efficiency" or "multiplier". In relation to tourism, the tourism multiplier effect indicates the impact of national income generated by the impact of national income generated by the impact of tourism expenditures on the activities of productive sectors (Snak, 1976; Ghorbaniparsa, & Ofoghi, 2016).

It should be noted that indirect income, which is distributed among food and beverage suppliers, public interests (electricity and telephone service), gas stations, printers, and so on, is determined in the form of payments to suppliers. After all, any entrepreneur in the above-mentioned areas with increased income can spend or save these increases. If it decides to spend it on producing goods and services, then the trade cycle creates increased revenue for secondary suppliers, who in turn have more money to spend (Georgios, & Kovos, 2018).

According to R. McIntosh and S. Goeldner (1986), tourism is "the sum of phenomena and relationships arising from the interaction of tourists, business suppliers, host governments and host communities in the process of attracting and accommodating these tourists and other visitors" (Lu, & Sul, 2012).

It is difficult to define the tourism sector. Tourism means different things to different people, because it is an abstraction of a wide range of consumer activities that require goods and services from a wide range of industries. The world trade organization (WTO) in 1995 defined tourism as "the activity of persons traveling and staying outside of their normal environment for no more than one consecutive year for recreation, business and other purposes", while the world Trade organization States that tourism is thus a fairly General term that can refer to tourist consumption, to production units that supply goods and services, especially to tourists, or even to a number of legal units or geographical areas that are somehow associated with tourists (Ostertag, & Wöber, 2010). It is worth emphasizing that tourism, defined in this way, is neither a demand-side phenomenon nor a supply-side phenomenon.

The multiplicative effect of tourism is a mechanism for additional stimulation of the economy and social environment of the territory as a result of the impact of demand sources. The relevance of the tourist multiplier in modern times allows us to more accurately calculate its impact on the country's economy, optimize export-

import operations, assess the balance of payments, develop programs of state support for tourism, take these parameters into account when forming the budget, improving the infrastructure of tourism, its investment strategy, the use and reproduction of tourist resources, etc. (Shvets, Shvets, 2016).

The essence of the tourist multiplier is the value of the coefficient of indirect influence of tourism on related sectors of the economy. The multiplicative effect in tourism is most significant due to the specific nature of tourism, as well as the presence of the "invisible export" paradox. In international tourism, sometimes "invisible" exports are made, an operation that implies the process of servicing foreign economic relations. "Invisible" exports are divided into services for foreign trade operations, income from foreign investments, and private transfers of money from one country to another.

Let's consider the economic model of organizing a tourist event. To assess the economic impact of a marketing event, such as a Museum, sports event, festivals, food competition, or other activities that may affect the economy. The main problem is to measure the impact of visitor spending. S. Douglas and F. Frechtling determine that tourism, in fact, is an activity that is determined by consumers in terms of the consumption process (Douglas, Frechtling, 1994). A large share of visitors' spending goes to identifiable tourism sectors, such as transport, hotels, recreation, etc. However, visitors will also spend money in other sectors – clothing, gifts and food that are not usually associated with tourism. In this context, any attempt to examine the economic contribution of tourism, which only considers The United Nations System of national accounts (SNA) and only considers what can be attributed to tourism-related sectors, may underestimate visitor spending, and, consequently, its economic consequences.

Since tourism contributes to different parts of the economy, it is difficult to measure its impact on the economy. At an early stage the influence of tourism in the economy is based on a simple Keynesian multiplier:

$$\text{Multiplier} = \frac{1}{1 - c + m} \quad (1)$$

where c is the marginal propensity to consume, m is the marginal propensity to import.

In fact, the basic model shows that the multiplier is calculated by dividing the unit of spending on visitors by the share of their "leakage" from the economic system due to savings and import costs.

Keynesian multipliers are relatively simple to calculate and provide a quick and easy way to estimate the total amount of change in visitor spending. However, such multipliers provide only a limited and partial perspective on the impact of tourism, since they focus on simple aggregates and are not able to take into

Table 1. Direct, indirect and induced impact of tourism on GDP

	Ranking for 2018 (out of 185 countries)	Tourism's contribution to GDP in 2018 (USD billion)	The country's GDP in 2018 (USD billion)	Tourism 2018% GDP	GDP growth tourism in 2018 (%)	GDP growth in 2018 (%)
USA	1	1595	20,294	7,8	2,2	2,9
China	2	1509	13,723	11,0	7,3	6,5
Japan	3	368	4,986	7,4	3,6	0,8
Germany	4	345	4,018	8,6	1,2	1,4
Great Britain	5	311	2,838	11,0	1,0	1,4
Italy	6	275	2,085	13,2	3,2	0,9
France	7	266	2,784	9,5	4,1	1,6
India	8	247	2,677	9,2	6,7	7,4
Spain	9	211	1,449	14,6	2,4	2,5
Mexico	10	209	1,215	17,2	2,4	2,0
Australia	11	154	1,416	10,8	3,2	3,0
Brasil	12	153	1,889	8,1	3,1	1,5
Canada	13	111	1,735	6,4	2,9	2,1
Thailand	14	110	508	21,6	6,0	4,4
Turkey	15	96	788	12,1	15,0	3,1
Philippines	16	82	331	24,7	8,9	6,3
Russia	17	79	1,636	4,8	4,2	1,8
Austria	18	70	458	15,4	3,6	2,7
Saudi Arabia	19	65	722	9,0	-1,3	2,3
Hong Kong	20	63	364	17,4	7,5	3,3

Source: WTTC, Travel & Tourism Economic Impact, February 2019.

account the nature of links between sectors. Because of this, equilibrium methods such as input-output analysis were introduced. This method analyzes the impact of tourism by plotting the movement of initial spending by visitors in various sectors of the economy (Akundi, 2003).

A large range of services is being formed to meet all the needs of tourists, including transport, food, and accommodation. Meeting the needs of tourists in all their diversity is the basis for the emergence of new activities that are of great importance as the basis for the reproduction of economic relations. The impact of tourism on the economy is complex and multifaceted. Therefore, many sources, mentioning the multiplier effect, speak primarily about the direct and indirect economic impact in the field of tourism (Shvets, Shvets, 2016, Morozov, et al. 2014).

The multiplier effect in tourism has a direct, indirect and induced impact on the local economy. It can often vary significantly from country to country based on the structure of the sector, but most importantly, it depends on how well tourism activities are linked to the local economy. Broader linkages usually lead to higher levels of local economic activity and growth, which tend to occur when tourism enterprises supply their goods and services (including labor) locally, while low levels of economic linkages occur when tourism enterprises depend on imports (including personnel) to meet their requirements. The total impact of the sector is the sum of direct, indirect and induced impacts (WTTC, 2012) (Biljana, P. 2012).

direct impact: represents GDP generated by activities that are directly related to tourism, such as hotels, travel agents, airlines and tour operators, as well as restaurants and other activities that serve tourists;

indirect impacts: impacts that arise from the activities of the sector and depend on three different factors:

capital investment in tourism—includes capital investment in all sectors directly related to tourism, as well as spending by businesses in other sectors on tourism assets, such as transport or accommodation;

government spending on tourism: government spending to support the tourism sector, which can include both national and local spending. Events that include tourism promotion, visitor services, administration, etc.

supply chain effects: they represent the purchase of domestic goods and services as inputs for the production of their final results by businesses in the tourism sector.

Induced impacts: represents the broader contribution of tourism at the expense of those directly or indirectly employed in the tourism sector.

Table 1 presents data on the direct (multiplicative), indirect (multiplicative), and induced (multiplicative) contribution of tourism to the economy of the G20 countries, including the Russian Federation.

The multiplicative effect is calculated based on the ratio of the dynamic value of the volume of public procurement to the increment of aggregate demand (Yagudina, 2018). Based on this approach, the contribution of the tourism industry to the GDP of countries was calculated.

Table 2 shows the contribution of the tourism sector to employment in the G20 countries in 2019, as well as the created vacancies for the period from 2018 to 2019.

Expanding international cooperation between the world Bank (world Bank, 2009) and UNWTO and regional development banks (EBRD) in the application of new green technologies for tourism can be mutually beneficial for countries, as well as for all other countries, which will lead to an increase in the direct and indirect contribution of the multiplier effect, thanks to the

Table 2. Direct, indirect and induced effects of tourism on employment in the economy

	Ranking for 2018 (out of 185 countries)	Tourism's contribution to employment in 2018 (in thousands)	Percentage of employment in the tourism sector in 2018	2019 tourism's contribution to employment (in thousands)	Vacancies created in 2018-2019 (in thousands)
USA	1	14,290	9,2	16,948	2,685
China	2	79,910	10,3	121,425	41,515
Japan	3	4,608	6,9	5,016	408
Germany	4	5,382	12,0	5,509	127
Grey Britain	5	4,201	11,9	4,664	463
Italy	6	3,478	14,9	3,816	338
France	7	3,022	10,7	3,510	488
India	8	42,673	8,1	52,999	10,327
Spain	9	2,831	14,7	3,434	603
Mexico	10	9,463	17,8	12,191	2,728
Australia	11	1,541	12,2	1,825	284
Brasil	12	6,855	7,5	8,171	1,316
Canada	13	1,598	8,6	1,927	329
Thailand	14	5,991	15,9	8,231	2,240
Turkey	15	2,206	7,7	2,930	724
Philippines	16	8,368	20,2	10,936	2,550
Russia	17	3,292	4,6	3,709	417
Austria	18	759	16,9	887	128
Saudi Arabia	19	1,112	8,5	1,482	370
Hong Kong	20	589	15,2	650	61

development of tourism based on the principles of socially responsible tourism.

When evaluating the multiplicative effect of tourism activities, it is necessary to take into account (Kvashnina, 2012): the necessary information about the infrastructure (tourist business entities, transport system, hotels); information data and characteristics about current and forecast needs.

Theoretically, the multiplicative effect of tourism is undeniable, but in practice it is difficult to account for it (Kvashnina, 2012).

$$Y = C + I + G + (E - H) \quad (2)$$

where: Y : gross national product, C : value for consumers is good, I : investment spending on goods, G : government spending, E : exports, H : imports.

When imports from tourism activities are greater than from tourism exports, the impact on GDP is positive, and when it is lower than the impact is negative, where imports are the transport costs incurred by foreign tourists in our region.

The tourism multiplier can be described as a variable relationship between one of the main economic indicators (production, employment, income, and changes in tourist spending). This relationship is based on the Keynesian method of analysis. It should also be noted that this is the ratio of new financial investments to an increase in the components of the tourist product and related industries of tourist activity.

The types of tourist multipliers include: output multiplier; income multiplier; wage multiplier; import multiplier; employment multiplier; sales multiplier; government revenue multiplier.

An interesting approach to calculating the multiplicative effect in the economic environment of Endre Horvath and Douglas K. Frechtling (1999)

(Frechtling, & Horváth, 1999). They presented the multiplier effect as a measure of the impact of additional spending introduced into the economy. All these expenditures (transactions) have their impact on GDP. To illustrate this, they used the equation:

All these multipliers have a positive impact on the output value of the managed system in the tourism sector, but not only, but also on the economic environment in General.

When evaluating the multiplier effect, it is important to choose the method of analysis and determine the type of multiplier.

It is possible to identify three types of tourist multiplier: the multiplier; as the multiplier of expenditures (revenues); production multiplier. Some of them have already been presented in the first classification of tourist multipliers. Each tourist multiplier has an undeniable influence in socially responsible tourism.

Sales (transaction) multiplier-measures the additional business turnover created (direct and secondary) by an additional unit of tourism expenditure.

Production multiplier-it is similar to the sales multiplier, but also takes into account inventory changes, such as increased inventory levels in hotels, restaurants, and stores due to increased trading activity.

The revenue multiplier is a measure of the revenue generated by an additional unit of tourism expenditure. There is confusion about the definition of income. Many researchers define income as the disposable income accumulated by households in the area that they can spend. Although salaries for foreign citizens are often excluded, some of these salaries may be spent in the local area and should therefore be included. When looking at the national economy, some studies include revenue that generates revenue for the government.

All these three multiplier models assume that their relationships are constant and that the matching sectors are static in their predictions.

The multiplier effect is measured in two forms: the multiplier effect from tourism and the expenditure effect in terms of tourism, taking into account the creation of new income in the national economy and the multiplier effect from external investment. For example, money spent by a tourist on a hotel will be classified as a new investment (equipment, equipment, utilities). According to the impact analysis, the economic approach is used to measure the amount of revenue, government revenue, employment, and imports received in the economy from the impact of visitor spending (Reif, 2004).

Thanks to the influence of socially responsible tourism, there is an increase in the multiplier effect in the economy, due to the involvement of local residents, which provides employment. And the development of employment and business activity is the basis for the development of multiplicative effects.

As mentioned in the Cape town Declaration, this phenomenon minimizes the negative economic and social consequences, which also leads to an increase in the quality of the multiplier effect (Burrai, Buda, & Stanford, 2019).

Since this category of tourism is a socially significant project, we can give examples in world practice of how such projects have affected the country's economy, the flow of tourists, which is an important reason for the multiplier effect.

Socially responsible tourism benefits not only the environment and local communities, but also economic benefits. The advantages of sustainable tourism are economic in nature, as they are inseparable relationships in socially responsible tourism.

Resource use: the protection and sustainability of natural, social and cultural resources are important and ensure the creation of business zones. Reducing overconsumption and waste: reducing overconsumption and waste contributes to improving the quality of tourism and reducing the costs caused by environmental destruction in the long term:

- maintaining diversity: sustainable tourism development in the long term, sustainable and comprehensive natural, social and cultural diversity is a must;
- integrating tourism into planning: tourism included in national and local strategic planning and environmental assessment that has been conducted for a long time;

- support for the local economy: tourism that supports economic activity and protects environmental values;
- local community coverage. full participation of the local community in tourism not only improves the quality of the tourist experience;
- getting the opinion of shareholders and the public. the communication power between the tourism industry and local residents, organizations and foundations is important in their working relationships with each other;
- staff training: training conducted by local staff at all stages and what turns into socially responsible tourism;
- formation of socially responsible tourism marketing: providing full information about tourism;
- conducting research: because analysis using data from research and observations will help solve problems, it will be useful for the destination, industry, and consumers.

The principles of socially responsible tourism indicate that in the short term, tourism has not received high profits, but equality of generations in the long term. The main purpose of these principles is to protect tourism resources and pass them on to the next generation. But if you give an analogy, all these principles also affect the qualitative increase in tourist multipliers. If socially responsible tourism receives real support from the local population, the state, and municipal facilities, then this project will undergo unimaginable success in such a large industry in the world as tourism.

Tourism has huge potential and plays an important role in achieving the main macroeconomic goals related to economic growth. In direct connection with its professional sectors of hotels, restaurants, travel agents, car rentals, historical monuments, theme parks, etc., as well as in indirect connection with the activities of other sectors, the tourism industry has significant economic and social value in most industrialized countries, as well as a powerful source of income and employment in many countries of the world.

Tourism multipliers show an overall increase in output, wages, and employment due to cross-industry linkages in the region as a result of tourism spending. And the essence of socially responsible tourism is an auxiliary role in this systematization.

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