

## Economics Of Jammu And Kashmir Tourism: A Multiplier Effect

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**ABSTRACT:** Economic benefits and costs of tourism reach virtually everyone in the region in one way or another. Economic impact analyses provide tangible estimates of the economic interdependences and a better understanding of the role and importance of tourism in a region's economy as per the estimate of tourism department that thirty three percent of the state's population is directly or indirectly connected with this activity contributing sixteen percent of the state's Domestic Product. Pure mathematical and econometric models will be used to estimate the economic impacts of tourism sector.

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### NEED AND IMPORTANCE OF THE STUDY

Jammu & Kashmir State is unique tourist destination and offers the attractions for varied type of tourists as Jammu is known for Pilgrims, Kashmir is known for scenic and Ladakh is known for adventurous, this kind of uniqueness is seen only of the Jammu and Kashmir in the country. The state has a large tourist potential given the other sectors<sup>1</sup>. The industrial development has not been possible due to peculiar characteristics that pose special developmental challenges. Its main sector i.e., agriculture has its own limitations like single crop season and small size of land to grow. With the growth of population, there is increase in able working bodies that are to be adjusted. **In this backdrop**, the tourism offers scope in this region. Thus, better management of tourism while treating tourism as 'industry' along with agricultural and industrial development needs attention of not only policy makers but also of researchers and economists to find out ways and means to improve the tourist flow in the state. With increased tourist facilities in terms of different socio – economic and marketing indicators, tourism can reach the vast chunk of the population. This requires planning, promotion, marketing and creating favourable environment, so that tourism development can play a major role in the economic development of the state. Hence the present study is undertaken to evaluate the role of tourism in the economic development of the state.

### PURPOSE OF THE STUDY

The purpose of the present study is to evaluate the economics of tourism of the state with the following objectives:

1. To study the role of tourism in the economic development of State.

2. To assess the benefit – cost ratio of tourism in the State.
3. To study the multiplier effect of tourism sector of the state.

### METHODOLOGY

In order to identify and to evaluate the multiplier effect of the tourism, the primary as well as secondary sources of data have been utilized. Inadequacy in the secondary data has necessitated the collection of additional information directly from the tourists. Accordingly a pretested questionnaire<sup>2</sup> was administered personally and respondents were selected on the basis of stratified random sampling technique. The data thus, collected has been compiled, tabulated and analysed with the help of various econometric techniques i.e..

The income creating effect of tourism has been estimated through the multiplier technique

$K = \frac{1}{s+m}$ , where  $s$  = marginal propensity to save( $\Delta S/\Delta Y$ ),  $m$  = Marginal Propensity to Import( $\Delta M/\Delta Y$ )

Employment generation effect to tourism is determined by applying income employment ratio to the gross tourist expenditure. Similarly revenue effect has been estimated by applying the equation:  $T = E_t K_t P$ , where  $T$  is tax revenue,  $E_t$  is expenditure by tourist(both domestic and foreign),  $K_t$  is tourism multiplier, and  $P$  is proportion of state income accruing to government through direct and indirect taxes. In addition to the above, multiple correlation analysis will be used to a large extent.

<sup>1</sup> Agriculture, Industry and services sectors etc.

<sup>2</sup> Questionnaire administered to the tourists has been designed to collect information regarding the level and structure of expenditure, the purpose and duration of stay, modes of transport and types of accommodation used, occupation, place of the origin and allied issues

The multiplier effect of tourism can be expressed in the following formula.<sup>3</sup>

$$K = \frac{1}{1 - \bar{y}}$$

where K = Multiplier, C = Consumption, Y = Income

The Multiplier(K) is dependent on the relationship between a change in Consumption(C) and a change in Income(Y). The size of the multiplier depends upon the extent to which, the various sectors of the economy are linked to one another. This is largely a function of diversity of activities within the destination. A simplified formula for the multiplier is

$$K = \frac{1-L}{1-(C-C_j-t_{jc})(1-t_d-b)+m}$$

Where:

K = the multiplier, L = the direct first – round leakages, C = the propensity to consume, C<sub>j</sub> = the propitiation of that propensity spent abroad, t<sub>jc</sub> = the indirect tax, t<sub>d</sub> = the value of direct deductions (income tax, National Insurance etc.), b = the level of government benefit, m = the value of imports.

## REVIEW OF LITERATURE

A lot of literature has been published about the contributions of tourism to national, regional and local economies<sup>4</sup>. Most of these studies include estimates of what tourists or visitors to an area spend while there, which generates economic activity directly in the form of output or sales, labour earnings and employment. Many of these studies have presented estimates of the so – called “**multiplier impact**” of tourism expenditures: the total sales, output or other measure of economic benefits generated once the initial visitor spending has worked its way through the economy under study through inter-industry transactions (the “indirect impact”) and through employee consumption expenditures (the “induced impact”). A significant number of these studies employ input-output models to explore these total economic effects. However, a common complaint about such models is that they are expensive to develop at the regional level given their extensive data requirements<sup>5</sup>. Given this, backdrop, I used a simple economic models to measure the impact of tourism. Thus, the purpose of the study is to explore the estimation of the total contributions to a local economy attributable to tourism spending through the use of a simple economic model that can produce multiplier estimates for any single state. Pursuant to this, the study examines multiplier effects which can be used to estimate sales transactions,

output, income and employment attributable to tourism spending in a local area.

The tourism multiplier coefficient of Jammu and Kashmir has been assumed **3.2**<sup>6</sup>. The money spent by the tourist goes into circulation through almost the whole of an economy. The more times it changes hands the more times it is spent; greater is the impact on the economy. As per the report<sup>7</sup>, countries having substantial leakages or slow revenue, the money spent by the tourist seems to turn over between **3.2** is the lowest that can be produced under any reasonably accurate set of circumstances. When the total of estimated expenditure by the tourists is multiplied by **3.2** the result is minimum amount of business generated by the tourist expenditure during **12** months period. The figure in effect is the amount of national income that is created by the tourist. No similar study has been conducted for all India. For Kashmir leakage is slightly on high side because many of the goods and services on whom the tourists spend money are imported from outside the state, i.e. food grains, butter, cheese, sheep, raw materials for certain industrial products etc. Taking into account this consideration a low multiplier of **3.2** may be used to illustrate the impact of tourist expenditure on the state income”.

In 2009 the<sup>8</sup> “Cost Benefit analysis of tourism”. The question of tourist multiplier with reference to Jammu and Kashmir was again taken up but they admit due to the limitations of data availability, now an attempt could be made to estimate the relevant multiplier coefficients for the tourist expenditure in Jammu and Kashmir. However, through rough estimates the multiplier coefficient of **3.2** for the State of Jammu and Kashmir as assumed by NCAER in connection with Techno – Economic Survey of Jammu and Kashmir may not be slightly on high side because some of the goods and services on which the tourists spend have to be imported from outside the State. In fact, we can broadly assume a marginal propensity to save, of **0.12** for the State in accordance with the findings of NCAER and marginal propensity to import of **0.76**. The Techno – Economic Survey revealed that **15 – 16** percent of the food requirements of the State had to be imported from outside the State and since the consumption pattern of State’s population(with the low per capita income) will be heavily leaning on food consumption and overall marginal propensity to import of around **15 – 16** percent would be logical. With a marginal propensity to save of **0.12** and marginal propensity to

<sup>3</sup> Datt, Mridula Narayan, “ Ecology and Tourism”, Universal Distributors, Delhi(1991), p 96.

<sup>4</sup> (e.g., Bull 1991, Fletcher 1994b, Frechtling 1994a, Lundberg, Krishnamoorthy and Stavenga 1995, U.S. Travel Data Center 1991, World Travel and Tourism Council 1996)

<sup>5</sup> (e.g., Fletcher 1994b, p. 478; Frechtling 1994a, pp. 386-387)

<sup>6</sup> National Council of Applied Economic Research in 1969 to calculate the economic benefit of tourism through multiplier analysis. In their Techno – Economic Survey of J&K, P 134

<sup>7</sup> According to Checchi report in

<sup>8</sup> NCAER

import **0.16** the tourism multiplier coefficient would turn out to be **3.6** the tourism department of Jammu and Kashmir in formulating its 20<sup>th</sup> Plan Proposals for development of tourism has assumed a multiplier coefficient of 3.5. The NCAER proceeds with two alternative assumptions about the multiplier coefficient of **3.2** and **3.6** and in its contribution of tourism to Indian economy come out with the same multiplier coefficient for the whole country which was suggested for Jammu and Kashmir and observed, 'thus it is assumed for the purpose of estimating the total aggregate national income generated in the economy due to foreign tourism in India that it will be in the range with a low of **3.2** and high of **3.6** multiplier coefficient times the initially injected direct income derived from foreign tourist expenditure<sup>9</sup>.'

It is now generally accepted that tourism expenditure has a multiplier effect even though there are sharp differences of opinions about the quantum of this effect and how it takes place. There is no doubt that tourism contribution to Jammu and Kashmir economy is far more substantial than it is to the economy of India as a whole<sup>10</sup>. In spite of problems of basic data, misplaced aggregation and methodological errors, multiplier effects of tourism expenditure are significant.

## INTRODUCTION

Tourism benefits regional economies<sup>11</sup> and Tourism multipliers exemplify the total increase in output, labour earnings and employment through interindustry linkages in a region as a result of tourism expenditures. Jammu and Kashmir with its vast potential and growing economy has immense potential for the sustenance of the tourism industry. Tourism in the state has been recognised as one of the most important sectors of the economy as it is being realised as a major engine of economic growth for the future. Therefore, this sector of the state<sup>12</sup> has been made broad based to harness the potential of employment and economic prosperity and earns a lot of foreign exchange for the country and contributes

substantially to the State Domestic product<sup>13</sup>. Tourism sector also sustains various other economic activities like trade, hotels and restaurants, transport, handicrafts, etc. and provides gainful employment to the people of the state. The economic development of any state or region is determined in a number of ways, while selecting some relevant indices of tourism development for studying change in their volume and drawing some indices of economic development to find out effect of certain inputs in the tourism on the other indices of economic development. The present study takes into account 'Tourism' as an **independent variable** in terms of tourists inflow, earning of foreign exchange from foreign tourists and share of trade, hotels and restaurants having its role and would have a multiplier effect in the economic development of the state. Whereas economic development of the state as a whole is to be treated as **dependent** variable based on the indices of **per capita income, state domestic product** and **tax revenue** along with **total revenue**.

Tourism is an industry which is very much affected by the laws of demand and supply. For the last forty years, economists dealing with tourism have developed a doctrine known as 'Multiplier Effect'<sup>14</sup>. Under this concept money spend by tourists<sup>15</sup> does not stop moving after it is spent, rather it circulates through the economy of the country. Tourist expenditures not only support the tourist industry directly but also help indirectly to support many other industries, which supplies goods and services to the tourist industry. In this way money spends by tourists is used several times and is spread into various sectors of the economy. Thus, money paid by the tourists after a long series of transfers over a given period of time passes through all sectors of the state economy stimulating each, in term, throughout the process<sup>16</sup>. Part of this money becomes income for the people living in that region and part of this income is spent which generates income for others to spend. Thus, money changes hand a number of times. The impact of this expenditure on state's economy will go on multiplying if it is further spent and changes hands again and again<sup>17</sup>.

In the light of aforesaid observations an attempt has been made to estimate the income creation, employment generation and revenue effects of tourism activity in the state.

<sup>9</sup> In a more recent study of all India Foreign Tourist Survey<sup>9</sup>, it has been estimated that it takes any where up to 14 transactions before the tourist money ceases to have a further impact on the economy. In a 12 – month period the income multiplier of tourist expenditure is expected to vary from 2 – 4 or even more. The multiplier effect of tourist expenditure has another very desirable consequences. It distributes income to relatively larger strata of the population

<sup>10</sup> Report of the Development Review Committee Part II, Development of Tourism 2000 - 2003

<sup>11</sup> Through increased output and create more jobs per million rupees of investment than any other sector of the economy and is capable of providing employment to a wide spectrum of job seekers from the unskilled to the specialized, even in the remote parts of the state.

<sup>12</sup> The state is gifted with all the basic resources necessary for flourishing and booming tourism activity like geographical and cultural diversity, beautiful and perfect streams, secret shrines, historic monuments and the friendly and hospitable people.

<sup>13</sup> According to the estimates of tourism department of J&K, 30 % of the state's population is directly or indirectly connected with this activity contributing 16% of the state's domestic product.

<sup>14</sup> The multiplier theory was enunciated in 1939 by Professor Paul A. Samuelson.

<sup>15</sup> Tourist expenditure

<sup>16</sup> Raina, A. K. "Tourism Industry in Kashmir", Shipra Publications, Delhi – 92(2002), pp 59 – 60

<sup>17</sup> Negi, J.M.S. "Tourism and Travel – Concept and Principles", Gitanjali Publishing House, New Delhi – 49(1998), pp 438 -439

**INCOME CREATION EFFECT: A MULTIPLIER EFFECT**

Some studies estimate that income from tourist spending constitutes about **10 to 16** percent of the state income<sup>18</sup>. On the basis of the available data the receipts from tourism activity in the State has been estimated and presented in Table 3.6. The gross impact of tourism receipts on the State income has been assessed in the present study by taking into account, **the amount and pattern of tourist expenditure, duration of stay and the tourism multiplier**.

**Table 3.6 (1.1): Gross Receipt from tourism for the year 2011 – 2012(Rs in Lakhs)**

Years	Income created through Tourism		
	Domestic Tourists	Foreign Tourists	Total
2000	507.07	131.84	638.91
2001	382.93	127.71	510.64
2002	521.62	149.51	617.13
2003	845.74	167.74	1013.48
2004	713.42	161.73	875.15
2005	1009.60	216.14	1225.75
2006	1778.62	370.50	2149.12
2007	2408.34	527.59	2935.93
2008	2153.15	577.21	3330.36
2009	3093.00	541.76	3634.76

Source: Calculated from the findings of final report of 20 year perspective plan for sustainable development of tourism in Jammu & Kashmir, prepared for ministry of tourism government of India, new Delhi by Santek consultants private limited Delhi-110091,(e-mail : santek@ndf.vsnl.net.in ). Also calculated from the findings of survey report of State Directorate of Tourism, J&K, 2011

The relevant data on the duration of stay and expenditure pattern of tourists, based on the field survey is presented in Table 3.7 and Table 3.8. it is observed from these tables that the average duration of stay of home tourists is **7 days** while as those of foreign tourists is **5.8** days. It is also seen that per head per day expenditure of home tourists is Rs **501** and against Rs. **1500** of foreign tourists<sup>19</sup>.

**Table 3.7(1.2): Classification of tourists according to their tenure of Stay**

Tenure of Stay	Domestic		Foreign		Total	
	Respondents	% age	Respondents	% age	Total	% age
1 - 3 days	9	30	12	24	21	6
3 – 6 days	131	43.7	20	40	151	43.1
6 – 9 days	97	32.3	10	20	107	30.6
9 – 12 days	34	11.43	3	6	37	10.6
12 – 15	16	5.3	2	4	18	5.1
15 above	13	4.3	3	6	16	4.6
Total	300	100.00	50	100.00	350	100.00

Source: Field survey conducted by the authors

The Table 3.8 further indicates that **42.77** % of the expenditure in case of home tourists and **34.48** percent of foreign tourists is incurred on boarding and loading, shopping and internal transport and remaining expenditure is incurred on recreational and miscellaneous activities. It may also be pointed out that the boarding and loading account for highest proportion of tourist expenditure followed by the spending on shopping.

<sup>18</sup> Report of Indian institute of Public Opinion of Jammu and Kashmir Tourism, 2011

<sup>19</sup> Source: Calculated from the findings of final report of 20 year perspective plan for sustainable development of tourism in Jammu & Kashmir, prepared for ministry of tourism government of India, new Delhi by Santek

**Table 3.8(1.3): The Average Spending of Tourists per Head per Day**

Average per Capita Consumption	Tourists			
	Domestic Expenditure	Percentage	Foreign Expenditure	Percentage
Boarding and lodging	1500	<b>42.77</b>	3000	<b>34.48</b>
Internal Transport	700	19.96	2000	22.98
Recreational	300	8.55	700	8.04
Shopping	800	<b>22.81</b>	2700	<b>31.03</b>
Miscellaneous	207	5.90	300	3.44
Total	<b>3507</b>	100.00	<b>8700</b>	100.00
<b>Average spend</b>	<b>501</b>		<b>1500</b>	

Source: Field survey conducted by the authors

On the basis of average expenditure of a tourist per head per day of Rs **501** for home tourist and Rs **1500** for foreign tourist and average duration of stay of 7 days for home tourist and **5.8** days in case of foreign tourist the per head expenditure of home tourist is estimated at Rs **3507** and Rs **8700** for foreign tourist. The gross receipts from tourism thus estimated are presented in **table 3.9**.

The breakup of tourist expenditure on various activities is summed up in tables **3.10**, **3.11**, **3.12**, **3.13** and **3.14**. Analysis of these tables indicates that hotels, handicrafts and transport industry are biggest beneficiaries of tourism activity in the state. However, Hotel industry, garners approximately **Rs 38.56** crores out of the total receipts from tourism calculated at Rs **80.86** crores. A summary of these tables is presented in table **3.15**. The information contained in this table clearly reflects the share of different sectors of the tourism industry in the tourist expenditure.

**Table 3.9(1.4): Gross Receipts from Tourism in the State for the year 2011 – 12**

Tourists	No of Tourists	Per capita expenditure per Head per day(Rs)	Average duration of Stay (Days)	Total Income Realised (Rupees)
Domestic	548491	501	7.00	1923557937.00
Foreign	46026	1500	5.8	400426200.00
Total	594517			2323984137.00

Source: Calculated from various reports of Jammu and Kashmir, Tourism department

**Table 3.10(1.5): Tourist Expenditure on Boarding and lodging**

Tourists	No of Tourists	Spending per head	Total amount(Rs)
Domestic	548491	1500	822736500.00
Foreign	46026	3000	138078000.00
<b>Total</b>	594517		960814500.00

Source: Field survey

**Table 3.11(1.6): Tourists Expenditure on Transport**

Tourists	No of Tourists	Spending per Head	Total Amount (Rs)
Domestic	548491	700	383943700.00
Foreign	46026	2000	92052000.00
Total	594517		475995700.00

Source: Field survey

**Table 3.12(1.7): Tourists Expenditure on Shopping**

Tourists	No of Tourists	Spending per Head	Total Amount(Rs)
Domestic	548491	800	438792800.00
Foreign	46026	2700	124270200.00
<b>Total</b>	594517		563063000.00

Source: Field survey

**Table 3.13(1.8): Tourists Expenditure on Recreational Entertainment**

Tourists	No of Tourists	Spending per Head	Total Amount(Rs)
Domestic	548491	300	164547300.00
Foreign	46026	700	32218200.00
<b>Total</b>	594517		196765500

Source: Field survey

**Table 3.14(1.9): Tourists Expenditure on Miscellaneous items**

Tourists	No of Tourists	Spending per Head	Total Amount(Rs)
Domestic	548491	207	113537637.00
Foreign	46026	300	13807800.00
<b>Total</b>	594517		127345437

Source: Field survey

**Table 3.15(1.10): Gross Receipts from tourism item – wise (Rs in Crores)**

Type of expenditure	Domestic Tourists	Foreign Tourists	Total
Boarding and Lodging	33.40	5.16	38.56
Transport	14.15	1.44	15.59
Shopping	21.13	3.55	24.68
Recreation	1.23	0.38	1.61
Miscellaneous	0.28	0.14	0.42
<b>Total</b>	<b>70.19</b>	<b>10.67</b>	<b>80.86</b>

Source: Compiled from above tables

The contribution of tourism Industry to the State Income has been estimated by applying two values of multiplier i.e. **3.2** and **3.6**. On the basis of multiplier of **3.2**, the contribution of tourism to State Income has increased from **8.19 %** in **2000** to **16.22 %** in **2009** while as it has increased from **9.22%** to **18.24%** during the same period with the multiplier value of **3.6**.

**Table 3.16(1.11): Contribution to the State Income (Crore Rupees)**

Year (1)	With Multiplier		State Income (4)	Contribution of Tourism with Multiplier	
	3.2 (2)	3.6 (3)		3.2 Col.(2) as percent of Col.(4)	3.6.Col.(3) as percent of Col.(4)
2000	20.45	23.00	249.59	<b>8.19</b>	<b>9.22</b>
2001	16.34	18.38	274.89	5.94	6.69
2002	19.75	22.22	292.42	6.75	7.60
2003	32.43	36.49	352.02	9.21	10.37
2004	28.00	31.51	418.51	6.70	7.53
2005	39.22	44.13	479.95	8.17	9.20
2006	68.77	77.37	484.61	14.19	15.97
2007	93.95	105.69	606.21	15.49	17.43
2008	106.57	119.89	676.19	15.76	17.73
2009	116.41	130.85	7017.47	<b>16.22</b>	<b>18.24</b>

Source: Compiled from table 3.6

It is promising to observe that income from tourism sector has increased by **569** percent during this period while as the State Income has increased by **287** percent thus the tourism sector has grown at nearly **twice** the rate of State Income.

**Table 3.17(1.12): Gross Income in different sectors of Tourism Industry (Rs in Crores)**

Items	Gross Income with Multiplier Values of					
	3.2			3.6		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Boarding and lodging	106.88	16.51	123.39	120.24	18.58	138.82
Transport	45.28	4.61	49.89	50.94	5.18	56.12
Shopping	67.62	11.36	78.98	76.06	12.78	88.84
Recreation	3.93	1.22	5.15	4.43	1.37	5.80
Miscellaneous	0.90	0.45	1.36	1.01	0.50	1.51
Total	224.61	34.15	<b>258.76</b>	252.68	38.41	<b>291.09</b>

Source: Calculated from table 3.15

Gross income created by tourism on the basis of the data given in table 3.15 as collected by the authors with multiplier values of 3.2 and 3.6 has been estimated at Rs. 258.76 and Rs. 291.09 crores respectively for the year 2009. The gross income created in different constituents of tourism industry is tabulated in Table 3.17. The table indicates that the income created by tourism with multiplier co – efficient 3.2 and 3.6 constituted 30.66 percent and 34.49 percent of Net State Domestic Product provisionally estimated at Rs. 8.44 crores in the year 2009. This table also shows that the Hotel Industry accounts for 47.69 percent of the total income created by tourism industry followed by the trade in local manufacturers.

It must however, be pointed out that the multiplier co – efficient of 3.6 as adopted by NCAER to estimate the **income creation**, effect of tourism industry for 2004 – 05 to 2005 – 06 is on the higher side, for the change in the level and structure and Net State Domestic Product have strengthened the “Leakage” over the period. It is reasonable to assume that the marginal propensity to save<sup>20</sup> in the State was 0.34, as rapid increase in per capita income from Rs 546 in 2004 – 05 to Rs 1439 in 2011 has substantially changed the level and structure of demand for various types of products and as a consequence causing tremendous increase in value and volume of importable goods. Dearth of data has inhibited the estimation of marginal propensity to import, however if the ratio of food grains imported(including pulses) to the total output of food – grains is adopted as an indicator of marginal propensity to import it appears that marginal propensity to import was 0.22 for the year 2004 – 05. It must be emphasised that much larger proportion of commodities like **textiles, meat, edible, oils, electrical goods, fuel**, etc is imported in the State, the effect of all these imports would be to increase the marginal propensity to import with the attended effect of reducing the multiplier co – efficient. On the basis of these observations the multiplier co – efficient is worked as:

$$K = \frac{1}{s+m}, \text{ where } s = 0.34 \text{ and } m = 0.22$$

Therefore,

$$K = \frac{1}{0.34+0.22} = \frac{1}{0.56} = 1.79$$

With multiplier co – efficient of 1.79, Gross Income created by tourism Industry in the State is estimated at Rs 144.74 crores constituting 17.15 % of Net Domestic Product. The estimates of income created in different constituent of tourism industry are presented in Table 3.18.

**Table 3.18(1.13): Gross Income Created in Different Sectors of Tourism Industry with Multiplier value of 1.79(Rs in Crores)**

Items	Domestic Tourists	Foreign Tourists	Total
Boarding and Lodging	59.79	9.24	69.03
Transport	25.33	2.58	27.91
Shopping	37.83	6.36	44.17
Recreational	2.20	0.68	2.88
Miscellaneous	0.50	0.25	0.75
Total	125.64	19.10	144.74

Source: Calculated from the table 3.15

<sup>20</sup>The marginal propensity to save on the basis of cross sectional studies was 0.34, as per the M.M. Ahmad's Ph.D. Thesis, KU, Srinagar. The ratio of total deposits with commercial banks, J&K Cooperative banks and post offices(Calculated at Rs 284.98) constituted 33.76% of the net state domestic product in 2004-05, "Determinants of saving in Rural and Urban Areas: A study of Jammu and Kashmir" by M.M. Ahmad,

The table depicts that **86.80** % of the income created by tourism industry is due to because of Home tourists and the Foreign tourists account for only **13.19** percent of the income. It is also seen that boarding and lodging followed by shopping activities are the two important components of the tourism industry as among themselves they share about **78.20** % of the total income from tourism industry.

The findings and observations in this paper clearly brings out that the multiplier effect of tourism industry to the State Income is highly correlated. Therefore, in order to harness the potential gains of this industry, it is necessary to adopt a suitable environment and a good planning.

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