

THE ROLE OF INTERNATIONAL TOURISM IN THE NATIONAL ECONOMY

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Abstract: *This article theoretically analyzes the role and significance of international tourism in the development of the national economy. The impact of the tourism sector on the formation of gross domestic product, employment levels, foreign exchange revenues, and regional development was examined. In addition, the multiplier effect of tourism and its integration into the economic system were studied. Based on the experience of developed and developing countries, the article identifies ways to enhance the economic efficiency of international tourism.*

Keywords: *international tourism, national economy, gross domestic product, multiplier effect, tourism rent, economic integration, foreign exchange revenues, employment, regional development.*

INTRODUCTION

In the modern world economy, international tourism is recognized as one of the fastest-growing sectors of economic activity. Over recent decades, the share of the tourism sector in the global economy has grown steadily, and this industry has become an important source of income for many countries. International tourism is valued not only as a form of trade in services, but also as a powerful driving force of economic growth.

From the perspective of the national economy, tourism performs a number of important functions: it generates foreign currency inflows, creates new jobs, increases tax revenues, stimulates infrastructure development, and invigorates small and medium-sized entrepreneurship. At the same time, the economic impact of tourism is not confined to direct effects — its indirect and induced effects are also widely distributed across various sectors of the national economy.

This article examines the role of international tourism in the national economy from the standpoint of theoretical foundations and economic principles. The principal mechanisms through which tourism affects the economic system, along with its advantages and certain limitations, are discussed.

MAIN BODY

International tourism is generally understood as the travel of an individual outside their country of permanent residence, undertaken for specific purposes — leisure, business, cultural exploration, medical treatment, and others — for a duration of at least one night. At the global level, matters of regulation and classification of tourism activities are addressed by the World Tourism Organization.

From an economic standpoint, international tourism is regarded as an export of services. In this process, a foreign tourist travels to the destination country, makes use of various services there, and incurs expenditures in foreign currency. In economic theory, this process is referred to as "invisible export," since no product crosses the border; rather, it is the buyer who travels to the destination to consume the service.

Tourism as an economic category embodies a number of distinctive characteristics. First, tourism belongs to the services sector, and as such cannot be stored or stockpiled. Second, the tourism product constitutes an integrated combination of products and services from various sectors — hotel management, transport, food and beverage, trade, culture, and others. Third, the seasonal nature of tourist demand imparts a distinctive character to the tourism economy.

Tourism revenues arrive at the destination country as a cash flow, which is then distributed across various sectors of the national economy. Economic theory explains this process of distribution through the concept of the "multiplier effect."

The tourism multiplier effect is one of the important concepts in economic theory. It signifies that tourism expenditures produce an economic impact in the economy that is many times greater than the initial amount. The theory of the multiplier effect is primarily grounded in John Maynard Keynes's concept of the economic multiplier and is applied in a form adapted to the tourism sector.

Each unit of expenditure made by a tourist continues to circulate through the economy across several stages. For example, a tourist makes a payment to a hotel. The hotel, in turn, allocates a portion of these funds as wages to its employees, spends another portion on purchasing food and supplies from suppliers, and pays yet another portion for utility services. The employees who receive wages then spend these funds again in the market. In this way, the initial tourist expenditure spreads along a chain, increasing aggregate demand in the economy.

Economists classify the tourism multiplier into three main types: the income multiplier, the employment multiplier, and the output multiplier. The income multiplier reflects the ratio of tourist expenditures to national income. The employment multiplier measures the impact of tourism expenditures on employment levels. According to calculations conducted in various countries, the value of the tourism multiplier may range from 1.5 to 3.5 — meaning that each monetary unit entering the tourism sector generates between 1.5 and 3.5 times that amount in economic activity within the economy.

The magnitude of the multiplier effect depends on numerous factors: the economic structure of the country, the share of imports, the degree of inter-sectoral linkages within the economy, and others. In developed economies, the multiplier effect is generally stronger, since tourist expenditures tend to remain in circulation primarily through domestic producers and service providers.

Gross domestic product (GDP) is the primary indicator of the national economy. The impact of the tourism sector on GDP is realized through both direct and indirect channels.

The direct impact refers to the value added generated through tourist expenditures via the operations of hotels, restaurants, transport providers, museums, and other tourism

enterprises. The indirect impact arises when hotels and other tourism businesses purchase food, household goods, and other necessary products from other sectors. Furthermore, capital investments in the construction of tourism infrastructure also contribute to GDP growth.

In global practice, it was observed that the share of tourism constitutes a considerable portion of GDP. For a number of countries — in particular, the Maldives, Mauritania, Cyprus, and Croatia — tourism serves as the primary pillar of the economy, accounting for more than 20–30 percent of GDP. In large economies, the share of tourism is relatively lower, yet in absolute terms it corresponds to very substantial figures.

Tourism influences GDP formation not only through the services sector, but also through the construction, manufacturing, and agricultural sectors. The construction of new hotels, resorts, roads, and airports increases the volume of capital investment and stimulates the construction industry.

International tourism also carries considerable significance in the area of employment. Tourism is regarded as a sector that creates a large number of jobs. According to data from the International Labour Organization, tourism directly and indirectly provides employment to hundreds of millions of people worldwide.

The impact of tourism on employment manifests across several dimensions. First, direct employment is generated in hotels and restaurants. Second, jobs are created in transport services — airlines, railways, buses, and others. Third, employment expands in trade, healthcare, culture, sports, and other auxiliary sectors as a result of tourism. Fourth, both temporary and permanent jobs emerge in the construction and infrastructure sectors when new projects are implemented.

A distinctive characteristic of employment in the tourism sector is that it is primarily built upon labor-intensive services. As a result, labor productivity remains a key factor in service delivery. Moreover, tourism provides a wide range of job opportunities — from positions requiring no additional qualifications to highly skilled specialists — which makes tourism employment socially significant as well.

Another important effect of tourism on employment is its capacity to create jobs in rural and district areas. Directions such as rural tourism and ecotourism play an important role in ensuring the employment of the population in economically lagging regions.

International tourism serves as an important source of foreign currency for the national economy. Tourists traveling to a destination country make payments in foreign currency for local goods and services, thereby contributing to the replenishment of the country's foreign exchange reserves.

Tourism revenues constitute a significant component of the current account of the balance of payments. For many developing countries, tourism receipts serve as the primary source for covering the deficit of the trade balance. In some cases — particularly for small island states — tourism revenues may even exceed earnings from foreign trade.

Foreign exchange inflows help reinforce the stability of the national currency. A steady inflow of foreign currency enables the central bank to regulate the exchange rate,

thereby contributing to the economic stability of the country. In addition, tourism revenues also enhance a country's capacity to service its external debt.

However, it is also necessary to give special consideration to the phenomenon known as tourism "leakage." Leakage refers to the portion of foreign currency entering the tourism industry that is spent on imported goods. For example, if a hotel purchases foreign furniture, equipment, or food products, these funds do not remain in the national economy but return to the exporting country. In developing countries, such leakage can sometimes amount to 40–50 percent of tourism revenues.

International tourism is regarded as a powerful factor contributing to regional development. Regions that possess tourism potential can seize rapid development opportunities through the construction of tourist infrastructure, enhancement of service quality, and creation of new jobs.

Tourist infrastructure encompasses hotels, resorts, roads, airports, tourism information centers, and cultural and entertainment establishments. This infrastructure is utilized not only by tourists but also by the local population. Accordingly, infrastructure created for tourism contributes to overall economic development.

Tourism is also viewed as a means of reducing economic inequality between regions. A region endowed with natural beauty or historical and cultural heritage, yet lacking industrial development, can establish economic activity through tourism. In such regions, tourism becomes an initial impetus and a source of capital for developing other sectors.

Ecotourism and cultural tourism hold particular importance in regional development. These directions typically flourish in areas where industrial enterprises cannot be located, yet which possess unique natural or cultural assets, and they serve as a source of income for the populations of those regions.

CONCLUSION

This article theoretically examined international tourism as a multi-sectoral phenomenon that plays an important role in the development of the national economy. Tourism makes a significant and positive contribution to GDP formation, employment levels, foreign exchange revenues, and regional development.

It was demonstrated that through the mechanism of the multiplier effect, each monetary unit entering the tourism sector generates several times that amount in economic activity within the economy. This characteristic makes tourism an attractive instrument for stimulating economic growth.

At the same time, the limitations of tourism — including seasonality, vulnerability to external adverse influences, ecological damage, and economic leakage — were also analyzed. These limitations must be taken into account when formulating tourism-based economic policy.

International tourism should be regarded not merely as a source of revenue for the national economy, but also as a means of strengthening inter-sectoral linkages, enhancing human resource capacity, and elevating national prestige. To this end, it is advisable to adopt a long-term, sustainability-based approach to tourism development.

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