



The Socio-Economic Impact of Tourism in Azad Kashmir

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ABSTRACT

Purpose: Tourism plays an important role in the welfare of a country like Pakistan. There are many attractive and worth seeing places for tourist in such countries. With the arrival of substantial higher number of tourists, a wide array of local inhabitancy has been benefited from tourism.

Methodology/Approach: As per importance of precise activity of tourism the current study tries to explore the socio-economic development dueto tourism in Poonch District Azad Kashmir by using primary data collected through questionnaire and globally accepted method. To explore outcomes widely, social (employment, tourism inflow and education) and economic (income and consumption expenditure) indicators are taken under consideration. For the analytical purpose STATA are used.

Results: The empirical results of quantitative methods revealed that all the indicators especially tourism inflowplay quite crucial positive role in socio-economic development of residences of Poonch district Azad Kashmir. Therefore, as per policy concern, the federal govt. as well as local govt. take some emergency steps toward the provision of basic necessities as well as facilities for the tourists. So that tourists feel ease in this area and tourism inflow increased that ultimately boost revenue of the residences of Poonch district Azad Kashmir and leads to socioeconomic development.

Keywords: Work regulatory focus, idiosyncratic deals, organizational identification, social exchange theory, pharmaceuticals, unethical pro-organizational behaviors.

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1. INTRODUCTION

In the world, tourism has evolved into one of the largest economic sectors contributing 35% of global exports of services (UNWTO, 2008). Similarly, tourism has become an emerging field in world also as many countries are ranked among the most beautiful countries in the world with the inception of foreign and inborn tourism. According to Wall and Mathieson (2006), Tourism has involved into one of the largest economies in this rapid growth and globalization era. It has a significant effect on Gross domestic product (GDP) and the economic share of employment improves in many countries (Malik *et al.*, 2010). Tourism and the tourism sector observed as the emerging economic activities all over the world. Moreover, it has various optimistic effects on the

economy, such as education, improved employment ratio, refined hoteling, cultural altercations, and recovering currency exchange rate (Ajala, 2008).

The social activity of tourism whether take place within the state or across the border, brings about an exchange of various crucial resources resulting in the generation of economic activities. Therefore, tourism contributes to the state's economy in various ways. Like, Lee and Jan (2019) contended that tourism has multiple sectors affects like economy financial growth, capital advancement, improved the state currency value, boost exchange rate, and contribute to socio-economic growth. Furthermore, Lindberg and Johnson (1997) acknowledged that tourism is essential to established international trade by quickly emergent international exchange assets or reserves.

The total share of tourism is 10% in the world economy and one out of tenth employment ratio of the good ratio. According to the published documents of World Tourism Organization (WTO) 2018, global tourist was \$1.3 billion per day across different countries. Further, literature explains that the fundamental importance of tourism for local economy is its potential to create jobs and income opportunities for local residents which in turn can increase their standard of living. Thus, local residents find tourism as an alternative to increase their standard of living, income and employment by creating jobs (Akis *et al.*, 1996). These impacts are easily observable as the tourists directly interact with local people, economy and environment. Therefore, it is pivotal to consider the importance of tourism under the headings of economy, environment and development.

The contribution of tourism varies across the countries depending upon tourist-related avenues, i.e., demographics, culture, etc. In the context of overall south Asia region, the total share of tourism in GDP was 8.9% in 2017 that increase to 9.00% in 2018 and 9.4% in 2028. Moreover, in the year 2017, tourism contributes to 7.5% in employment creation while such contribution was increase to 7.6% in 2018 and by the year 2028 precise contribution will be 7.8% respectively (Tsundoda and Mendlinger, 2009& Lapeyre, 2010).

Although there are many studies conducted on the tourism sector but most of the studies are based on secondary data (Manzoor *et al.*, 2019; Fayissa *et al.*, 2008&Matthew *et al.*, 2021), similarly some of the studies have conducted by utilizing primary data and measure the social impact (education, health and employment etc.) while others have measured the economic impact (consumption expenditure, income and financial assets etc.) of tourism on different place locally and internationally. In addition, most of the studies used quantitative methods to access the impact while other some studies also found who have used the qualitative methods to predict the impact. Majority of the studies are conducted outside the AJ&K such as Ullah *et al.*, (2021) investigated the economic benefits of tourism by undertaking a case study of least developed area of GilgitBaltistan Pakistan. Likewise, Saqib *et al.* (2019) examined the dynamical influence of tourism on native community of least developed area of GilgitBaltistan, Pakistan. Moreover, Rahaman *et al.* (2011) examined the impact of tourism on the livelihood of the populace of district Chitral, KPK (Khyber Pakhtunkhwa), Pakistan. Keeping in view the literature, it has been observed that yet no study has been found that highlighted broadly the socioeconomic impact of tourism in Poonch district of Azad Jammu and Kashmir. Therefore, the novelty of the present study is that it made special effort to bridge up above discussed gap and tires its best to answer the following quite crucial question; what is the role of tourism inflow in socio-economic development of the livelihood of the residences of the district Poonch (AJK)? Answer to the question plays a vital role to bridge up the gap in the existing literature.

2. LITERATURE REVIEW

A wide array of studies worldwide and nationally highlights that increasing tourism has significant socioeconomic impact on the livelihood of both advance and least developed states residences. Moreover, for least developed states, increasing the tourism opportunities has gained much importance in last couples of

decades because it is the major source of creating employment opportunities, boosting livelihood, improving infrastructure, health and education sectors of these states. In a current study, after detail introducing the idea of socioeconomic impact of tourism in first section, the previous views of various scholar, economists and intellectual community has been widely deliberated in second section. No doubt, problem under discussion is based on primary data and views of scholars who used primary data previously to address current dilemma are given much consideration. But unfortunately, quite scare literature has been found that discuss current issue by utilizing primary data. Therefore, to present the clear impact of various variables on tourism in this section available primary and maximum secondary studies are discussed.

Manzoor *et al.* (2019) investigated the linkages among GDP (overall country's residences consumption expenditure) employment opportunities and tourism in Pakistan through time series quantitative data from 1990 to 2015 and two well reputed globally acknowledged methods like simple regression and Johansen co-integration model. Twofold outcomes of the study revealed that all the variables of the study are co-integrated with each other's. However, regression analysis further demonstrated that increase in tourism one sided boosted the creation of employment opportunity for the people while on the other side it also boosts the livelihood of the people which ultimately means GDP or consumption expenditure of the people increased. Gautam (2011) illustrated the long and short run linkages between GDP growth and tourism development in Nepal by utilizing well organized statistical method and time series data from 1975 to 2010. Empirical outcomes evaluated that in both long and shorter period of time tourism leads GDP growth. Further, it had been also observed that there exists bi-directional causality between tourism development and economic growth. Lee and Chang (2008) examined the long run causal relationship between tourism development and economic growth in OCED and Non-OCED countries for the period of 1990 to 2002, by using heterogeneous panel co-integration method. Empirical outcomes highlighted that there is strong stable long run relationship between GDP and tourism development in both OCED and non-OCED countries. Moreover, causality measure evaluates that there is running uni (bi) directional causality between tourism development and GDP growth in OCED (non-OCED) countries. At the end, outcomes also elaborate that GDP growth and tourism development has positive association between each other in study area, however, tourism benefits the non-OCED countries at greater extent as compared to OCED countries.

Khan (2013) described the socioeconomic impact of tourism on local community in two key villages i.e., Rawalakot and Banjonsa of Azad Kashmir through qualitative survey data of 28 respondents by using basic regression model. Outcomes highlighted that creating tourism opportunity has significant socioeconomic impact on residence of the study area. With increase in tourism in study area livelihood of people increased in one side because it creates substantial employment opportunities, boost health and education sectors while on the other side it also adversely affects some sectors like due to increase in demand, prices of land, basic commodities and building rent etc. has also been increased. Kumar (2019) inspected the association between GDP growth and tourism by taking the relative importance of monetary development in Nepal. Estimated outcomes elaborated that the trio of tourism, monetary development and GDP growth are co-integrated with each other in Nepal. However, in both span of time, it has been noted that earning from tourism stimulates GDP growth. Further, measurement of Granger Causality revealed the single direction causality between tourism and GDP growth. Othman *et al.* (2012) inspected the association among tourism development industry; economic growth and foreign direct investment in 18 key global tourism destinations by utilizing global recognized ARDL (Autoregressive distributed lag) model. Calculated outcomes of the study indicated that there is strong stable long run association between tourism development industry and other variables of interest. Further, outcomes also elaborated that there is multidirectional association among all the variables of the study. Akram *et al.* (2021) studied the influence of tourism development, education, income and employment on socioeconomic development of the residences of AJK (Azad Jammu and Kashmir), Pakistan by utilizing first

hand collected data through well-organized questionnaire and multiple regression models. Outcomes the study highlighted that all the explanatory variables positively influenced the socioeconomic development of the residence of AJK which means boost in tourism played vital role in income and employment generation and educational innovation that leads to boost the socioeconomic status of the residences of AJK, Pakistan. Brida *et al.* (2009) studied the contribution of tourism to GDP development in Chili through quarterly data in long and short run through globally recognized econometrics method. Estimated outcomes highlighted that there is long and short run relation between economic growth and tourism sector. Further unit analysis evaluates that improvement in tourism sector boost GDP growth in Chili. Adamou and Clerides (2009) empirically securitized the linkages between tourism development and economic growth in Cyprus. Cross-country evaluation in descriptive context indicated that there is strong link between tourism development and economic growth. However, statistical model evaluated that tourism specialization has been boosted with higher rate of economic growth.

Obong and Etim (2019) analyzed the socioeconomic impact of tourism on Calabar Metropolis State of Nigeria through descriptive statistic analytical tool and primary data collected from well-reputed questionnaire. Calculated outcomes on the bases of descriptive analysis evaluated that there exists significant difference between tourism generated revenue and internally earned revenue of the study area, which means increasing tourism is beneficial and played significant role in creating employment opportunities and development of the area under study. Khan and Callanan (2017) evaluated that tourism had substantial role in socioeconomic development of an economy. Further, boost in economic growth through tourism played a vital role in improving education, health sector and creating job opportunities. Liu *et al.* (2020) analyzed the government role in tourism development in China by using both secondary and interview based primary data. Calculated empirical outcomes demarcated that federal government had noteworthy contribution in rural tourism development in China. Moreover, local government also played vital role by managing tourism practices and serving the tourists.

Matthew *et al.* (2021) discussed the interaction impact of tourism and foreign exchange earnings on Nigerian economy development by utilizing time series data of 36 years since 1980 to 2016 and well organized worldwide accepted couple of statistical methods i.e., Johansen Co-integration and FMOLS (Fully Modified Ordinary Least Square). Outcomes of the study highlighted that the interaction impact of tourism and foreign exchange earnings are positively linked with the Nigerian economy development which simply means if tourism is promoted in Nigeria could be a quite helpful tool to boost the employment opportunity as well as livelihood of the residences. Rout *et al.* (2016) empirically studied the progress and trend of tourism in India for longer period of time by using time series data since 1995 to 2015. Analytical outcomes of progress and trend concluded that tourism is quite beneficial for Indian economy because it played key role in job creation, dollar and other currency earning, poverty alleviation, infrastructure development and income disparity reduction. By summing up discussion outcomes concluded that increasing tourism is beneficial for the progress of the Indian economy and also cause increasing trend in above detail described maximum number of factors. Marzuki (2011) identified the influence of development in tourism on local community of Langkawi Island Malaysia. For the estimation of outcomes principal components analysis and primary data has been used which is collected through 392 respondents, however, selection of these respondents has been done through stratified random sampling. Findings of the study revealed that three key factors; cost, benefits and socioeconomic tourism development were representing around 56% of the explained variances that is extracted from 21 variables. At the end, cost benefit analysis concluded that tourism benefits the residences more than the cost.

Trang *et al.* (2014) presented the analytical views of the tourism led growth hypothesis in tow steps in Vietnam state by using time series data since of 20 years since 1992 to 2011 and globally putative Johansen co-integration and Granger Causality test. Empirical finding of the study widely highlighted that there exists stable

long run association between tourism and economic growth in Vietnam. However, Granger Causality measures explored that there exists uni-directional causality between tourism and economic growth in study area. At the end, overall discussion substantially concluded that for area of the study tourism is the strong pillar for improving the living standard of common man and creating employment opportunities for the residences. Adebayo *et al.* (2014) studied the influence of tourism development on the economy of Ile-Ife, Osun State, Nigeria. For the estimation of the outcomes, primary data has been used which is collected from well-reputed globally acknowledge questionnaire. Empirical outcomes highlighted that due to significant number of attractive places in study area, tourists quite regularly visited Ile-Ife, Osun State, Nigeria.

Khalil *et al.* (2007) discussed that how tourism played vital role in boosting level of employment as well as livelihood of the people of Pakistan by exploring association between tourism and economic growth of the country since 1960 to 2005. Analytical outcomes of Engle Granger and Granger Causality measures explored that tourism and economic growth have single direction positive association with each other in both longer and shorter span of time, which simply boost in tourism at greater extent is vital tool for Pakistan in improving the livelihood of their residences and creating job opportunities. Shaaban *et al.* (2013) contended that development of tourism caused uplift in economic growth which played significant role in poverty alleviation and improvement in foreign reserves of Comoro Island. Haley *et al.* (2005) investigated the arrogances of local community in Bath, UK toward tourism development. A primary data and factor regression analysis was used to calculate outcomes. The results of the study concluded that local community had positive attitude toward tourism development in Bath, UK.

Zourtuk (2009) examined the economic influence of tourism on Turkey by utilizing time series quarterly data from 1990Q1 to 2008Q3 and using well established Johenson Co-integration as well as Granger Causality test. Empirical outcomes significantly demarcated that there exists stable long run relationship between tourism and economic expansion of the Turkey State. However, Granger Causality measure revealed that tourism and economic expansion are positively interlinked in uni-directional context. Moreover, overall discussion summed up that for the Turkey economic development tourism is best tool because it not only improves residence prosperity but also provide numerous ways to government for the creating of employment for people.

3. RESEARCH METHODOLOGY

In a given study, primary data has been collected through a well reputed questionnaire and the core of information or data gathering is mostly manager of hotels, tourist guide and shopkeeper in the area of district Poonch AJ&K. A total of 162 questionnaires were distributed among the participants and 146 were found correctly filled. The distribution of these questionnaires has been done through a proportionate stratified random sampling procedure.

A linear regression model was developed and used to empirically test the stated hypothesis, measuring the effect of various key indicators namely employment status, health of the residences, consumption expenses, education status, tourism inflow and monthly earning of the residences on the socio-economic variable of tourism in AJ&K (Azad Jammu and Kashmir). In a problem under discussion Socio-economic status of residences the proxy of tourism was dependent variable which is measured through a globally accepted method of PCA. A PCA (principal component analysis) is a statistical approach which is mostly used for data reduction as well as creating a new single variable from various variables. These variables are in the form of research questions which are asked from various people associated to tourism related different occupations. In a current study, following question has been asked to create socioeconomic tourism development indicator; tourism play vital role in creating employment opportunities. Tourism creates business benefits for local community. Tourism brings investment for local community. Tourism socially creates recreational opportunities. Tourism

helps to develop infrastructure. Tourism causes various social evils. Tourism makes people's modern. Tourism improves the livelihood of common man. Tourism causes environmental pollution. Tourism causes noise pollution. Tourism causes water pollution. Generally, PCA is expressed as

$$X = tp^T + E = X' + E$$

In an equation the outer product 'tp^T' obliges as a model of 'X/'. The vector 't' was a fixed regressor and the vector 'p' is the empirical coefficient found under regression analysis (Abdi and Williams, 2010). After the PCA measurements, dependent variable of socioeconomic development has been generated which is regress with following explanatory variables, the employment status, health of residences, monthly income of residences, tourism inflow, consumption and education of residences.

For predicting the effect of different demographic variables on household socioeconomic development a multiple regression analysis has been used. In the previous study Akram *et al.* (2021) had used multiple regression analysis to check the impact of different social and economic variables on households' socioeconomic development. Mathematical form of the given model is as follow:

$$SE = \beta_0 + \sum_{j=1}^k \beta_j X_{ij} + \mu_i$$

In an equation SE is the household's socioeconomic development, β_0 is the intercept of the model, $\sum \beta_j X_{ij}$ show the general class of all the key explanatory variables i.e., EMP (employment status), HI (health status), CP (consumption expenditure), EDU (educational status), TI (tourism inflow) and MI (monthly income) slope coefficient and μ_i is the error term of the model.

To explore socioeconomic development in Poonch district AJ&K, Pakistan initially primary data has been collected through a random sampling method. A series of question asked to the people like tourism play vital role in creating employment opportunities. Tourism creates business benefits for local community. Tourism brings investment for local community. Tourism socially creates recreational opportunities. Tourism helps to develop infrastructure. Tourism causes various social evils. Tourism makes people's modern. Tourism improves the livelihood of common man. Tourism causes environmental pollution. Tourism causes noise pollution. Tourism causes water pollution. In these questions it has been observed that maximum people's response is strongly agree meaning that all the asked questions have been importance and the issue under consideration can't be ignored. However, according to figure few people are neutral and also some people response is against the socioeconomic tourism developments. But the positive response of people is quite high that offset the neutral and negative response of the people.

$$SE = \beta_0 + \beta_1 EDUC + \beta_2 EMP + \beta_3 C.EXP + \beta_4 TI + \beta_5 INC + \epsilon$$

Population

Population refers to the peoples having the same characteristics. In our case, all the peoples who are currently involved in tourism activities and the families whose involved in tourism and employees of hotels, hotels of managers, shopkeeper, tourist guide, and female are local community district Poonch are included. This study just focuses the involvement of the participant in tourism activities both from male and female part of this research. Employees of hotels provide food and accommodation in the district Poonch Azad Kashmir Tour agents operate offices in Poonch.

Sampling Technique and Size

The research study was carried out the area of Poonch district AJ&K. As per the importance, research under consideration has been designed in such a way that both quantity and qualitative data has been gathered by using well-reputed comprehensive questionnaire approved by the supervisor and all committee members.

Bernard (2006) deliberated various methods in the social sciences studies for the selection of appropriate sample size from certain types of groups, events, and cases from large populations. However, in current research, proportionate stratified random sampling technique has been adopted to selected appropriate sample size. A total of 162 questionnaires were distributed among the participants and 146 were found correctly filled.

For the quantitative measurement the problem under discussion used probability sampling technique which involved both stratified random sampling and systematic sampling. In a current study random sample technique have been used to get the required the sample of data. As there is an equal chance of selection to everyone in population as the universe is much more diversified. Which include district Poonch where many hotels and tour agents to cover and to generalize the results more systematically. For this, the study is going to use this technique in Poonch district. The reason behind selecting this sampling procedure is very large diversity between districts and the population size of each district.

The sample size for questionnaire has a significant role in drawing results. The more data is included; the results more explain the features of the population. For this study, the data is taken from different hotels of managers and employees local shop keeper tourist guide and females of the local community and tourism offices of district Poonch. The sample size of 142 is taken from the district Poonch AJ&K for questionnaire by using the following formula.

$$n = N / 1 + N(e) = 142$$

Here in equation, 'n' is the sample size, 'N' is the total population size of the Poonch District Azad Kashmir and lastly 'e' is the margin of error.

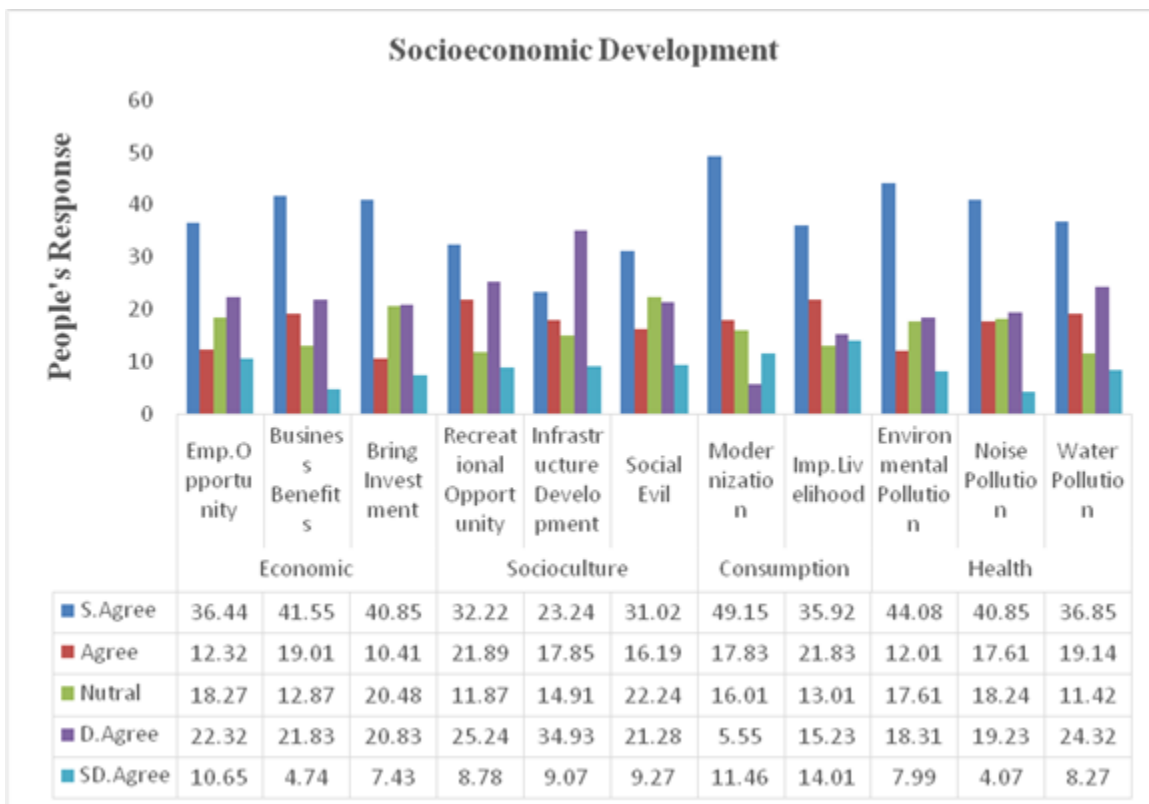
Data Collected

In a study under consideration Quantitate method was used to collect the data. Initially, for quantitative measurement totally 162 questionnaires were distributed among the participants and 146 were correctly field. The data was collected from mid of the January to end of the Feb 2022.

4. RESULTS AND DISCUSSIONS

Response of the People Regarding Socioeconomic Development

According to figure 4.8, it has been clearly noted that in every asked question people responded significantly. More than 50% agree that tourism has key role in the development of area under discussion. However, 35% people disagree this and around 10 to 15% people are neutral. On the basis of positive response of the people, by following Akram *et al.* (2021) study socioeconomic development indicator has been generated through PCA (Principal Component Analysis) and regress with various other variables like tourism inflow, consumption expenditure, income & education of the people and level of employment. In a given 11 questions PCA has adopted 5 key most valid question and generated a single variable that capture the impact of all the asked questions and represents the dependent variable of the study. The general description of the variables with well reputed regression analysis is given below



Regression

In a current study, multiple regression method has been used to evaluate the impact of various key ingredients on socioeconomic impact of tourism. This method is used to conclude the quantitative relationship between variables. Regression analysis was used to test the main effects as well as the main effect of the variables.

Regression Analysis

Variables	Coefficients	Std. Error	T-Value	Prob.
C. Expenditure	2.38	0.103	23.11	0.000
Education	0.54	0.029	18.07	0.000
Employment	1.60	0.032	50.41	0.000
Monthly Income	1.73	0.035	49.43	0.000
Tourism inflow	0.40	0.050	7.85	0.000
Constant	-13.53	0.426	-31.77	0.000
R-Squared	0.9713	Adj. R- Squared	0.9703	
F-Statistics	921.4 (0.000)			

Source: Authors Own Citation Using Primary Data collected from Poonch District

The results obtained from regression analysis are presented in Table 4.9. Estimated results indicate that consumption has a significant positive effect on socioeconomic development ($\beta = 2.38$, $t = 23.11$) these estimates are in line with pervious calculates of Chen and Ioannides (2020); Jackman and Lorde (2010) and KhoshnevisYazdi (2019). Similarly, calculated measures of education also evaluate the significant positive impact on socioeconomic development ($\beta = 0.54$, $t = 18.07$) which is also consistence with pervious idea of Matahir and Tang (2017) and Katircioğlu (2010).

Outcomes of employment status, monthly income and tourism inflow also reveal significant direct impact on socioeconomic development ($\beta = 1.60$, $t = 50.41$); ($\beta = 1.73$, $t = 49.43$) & ($\beta = 0.40$, $t = 7.85$) meaning that increasing tourism inflow played a vital role in improvement of all above sectors because when tourist comes from outside either from local area or from other international country they buy different products from local community and also share various idea regarding their livelihood improvements that put positive impact on local residences and ultimately caused their socioeconomic development. These estimated outcomes of all the variables are significantly consistent with various previous studies like Manzoor *et al.* (2019); Obong and Etim (2019); Khan *et al.* (2021); Ecekel *et al.* (2012) & Godovykh and Riddersstaat (2020) who also stated positive association among socioeconomic development of people with employment status, monthly income and tourism inflow. At the end, accuracy of the model has also been judged through well reputed statistical measure of R-Squared. Calculated outcomes of R-squared is 97% meaning that developed model is accurate, good fitted and well presentable.

The regression analysis helps us to measure the individual impact of each independent variable on dependent variable. The researchers were also interested to measure the overall significance of the model therefore in various studies ANOVA table has been included. The basic null hypothesis regarding F-Statistics of ANOVA table is “the entire explanatory variables have no significant impact on dependent variable”. In a current study null hypothesis is rejected at 1% level of significance revealing that at least one of the explanatory variables have significant impact on socioeconomic development of community.

Discussion

The study under consideration examined the impact of tourism inflow on socioeconomic development of the residences in Poonch District AJ&K by utilizing primary data collected through well-organized questionnaire and three statistical quantitative approaches namely descriptive statistics, correlation matrix and multiple regression model as well as interview method of qualitative approach. Stepwise outcomes of the study highlight that all the variables have significant direct impact on socioeconomic variable. These findings significantly concluded that increasing tourism has crucial role for the developing economy of Pakistan especially Poonch District of AJ&K. Results reveal that boost in tourism not only cause the development of the area under discussion but also boost the monthly income of common man, bring advance investment, create employment opportunities, raise education of the residences and also improve health sector by introducing advance technology. By summing up discussion, it has been found that tourism is positively associated to every segment of society which is strongly validated with empirical outcomes and consistency of empirical outcomes are also confirmed with qualitative estimation. The overall discussion concludes that if government wants to develop Poonch district it is desire need to increase the tourism in study area.

6. CONCLUSION

It is necessarily needed for the federal government as well as local government to develop the Poonch District with advance facilities like built new roads, provide place for easy car parking, develop infrastructure, provide advance and globally accepted accommodations so that maximum number of tourists arrived. With the arrival of tourist, a substantial amount of revenue has been generated that ultimately spend on local residence of Poonch district and caused their socioeconomic development in various sectors like it boost income, expenditure of the local residence and provides then opportunities to boost their livelihoods, education of the children and also utilized advance health facilities.

To boost tourism in Poonch district it is necessary for the government to provide all possible entertainment facilities as available in big hotel and restaurants without harming the norms of the local residences. These

measures also attract tourist and boost tourism that ultimately generate revenue for the residences of the study area at greater extent and provide them an opportunity to enhance their socio-economic status.

The government should adopt such policies that encourage not only domestic tourism but also foreign tourism such as investment infrastructure, like roads, hotels restaurants. The private sectors, must also be encouraged to policy its part in terms of increasing the inflow of tourism is the key to uplift the socio-economic status of the residence of the study area.

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