

THE EFFECTS OF TOURISM SECTOR ON TURKEY'S ECONOMIC DEVELOPMENT

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Abstract

This study tries to explain the effects of tourism sector on the development of Turkey. The tourism sector is an important source of foreign currency for Turkey. Tourism also concerns travel companies, airline companies, car rental companies, hotels, guesthouses, restaurants, and meeting halls, etc. The emergence of new job opportunities also has positive effects on the balance of payments. The tourism income of Turkey has been increasing every year. This situation affects positively the development of the country. Turkey is a rich country in terms of historical monuments and natural beauty. If the historical richness and natural beauty are better explained to the world, more people will visit the country, and this will also impact tourism revenues positively and therefore it will increase the country's economic growth. The tourism sector has also been affected by the latest global crises and recessions. Therefore, the country's tourism income decreases causing a negative impact on the country's development. Tourism has also a positive effect on world peace providing social and cultural communication worldwide. The number of foreign tourists visiting Turkey is increasing every year. Tourism incomes have a great part in increasing the foreign currency in the country. We can say that future developments in tourism sector will continue to have positive effects on economic development leading Turkey to have a greater share in international tourism.

Keywords: Tourism Sector, Tourism Income, Economic Development.

1. Introduction

The tourism sector is an important source of foreign exchange earnings for Turkey. Tourism, travel companies, airline companies, car rental companies, hostels, restaurants and meeting rooms just to mention a few are some of the closely related business in the tourism sector. The tourism industry contributes to the emergence of new sources of business as well as having positive effects on a country's balance of payments. The country's tourism revenues have been increasing on a yearly basis and this has positive effects on the country's development.

Turkey in terms of historical richness and natural beauty possess unique features which are not readily available in many other countries. If these historical richness and natural beauty are adequately explained to the world, many people would come to this country which in effect would increase the country's tourism revenues substantially. As a result there would positive effects on the country's economic growth. Global economic crisis and recession adversely affects a country's tourism sector. Owing to this a country's tourism revenue falls and this has a negative effect on a country's development.

Tourism in terms of ensuring international social and cultural communication and reinforcement as well as ensuring world peace has positive effects. The number of foreign tourists who visit Turkey increases every year. The share of tourism in the country's foreign exchange earnings is relatively big. By developing the tourism sector Turkey would command a relatively bigger share in international tourism in the coming years which would continue to have positive impacts on Turkey's economic development.

Financing of economic developments is one of the most important problems being faced by countries all over the world. To finance economic development due shortfalls in capital accumulation country's whether they are willing or not have to finance foreign trade activities. In terms of issues related to financing of foreign trade export and foreign exchange earnings play an important role. The idea of reaching a specified point in export growth, seeing currency as more of function of export has enhanced the understanding the need to exploit other foreign exchange earning areas. Tourism by creating employment, generating revenue, earning foreign exchange and supporting other sectors of the economy in almost all developing countries has begun to draw the attention of becoming an effective alternative sector in the development of a country (Oktayer&Susam&Cak, 2007, 11).

Apart from tourism travels and accommodation, tourism also includes the supply, demand, marketing of tourism goods and services and the meeting the needs of consumers. The realization of investments and the creation of supply involved in tourism make it an industrial activity. A touristic product has to bring together entrepreneurs, capital and labour. The foreign exchange earning feature of tourism contributes to a country's balance of payment position. For a close coordination between tourism related activities such as transportation, lodging, entertainment etc., there is the need to create both direct and indirect businesses. Tourism by being a service sector with the limited space in mechanization and automation in terms of employment provides great opportunities. It also contributes to overcoming the imbalance between investments in tourism regions (Dincer, 1993, 4-5).

2. General Economic Characteristics of Tourism Sector

People travel for various reasons and the different kinds of tourism in different ways provide the distinct feature of enabling people to participate in tourist consumption. Participation in tourism activities for different purposes comes with it different consumption patterns. In this case, the inclusion of products aimed at ensuring participation is very important.

Tourist consumption arises as a result of peoples' effort to motivate themselves and hence is autonomous in character. It stems from the desire of people to change their situation which is realised with the emergence of social behaviour expressing the need to explore new things (Turkiye Deniz Ticaret Odaları ve Borsaları Birliği, 1990, p.18-19). The volume of tourism depends on changes in the national income. Increases in income will lead to an increase in the demand for tourism and the opposite holds true. In terms of the subject of development and underdevelopment, in less developed countries there is a low demand for tourism and in developed countries there is high demand for tourism because it is linked to the national income. As countries develop, a country's per capita income increases as well. This in effect leads to an increase in tourist activities. If national income is distributed according to the principles of social justice the share of per capita income would be higher and there would also be a higher demand for tourism activities. In case national income is not distributed according to the principles of social justice, the share of per capita income would be lower and this would be reflected in the low demand for tourism activities.

The definition of tourism has the following features; (Olalı, 1998, p.35-36).

- a. Tourism encompasses people travelling and staying for a specific period of time for different purposes.
- b. Tourism involves travelling outside the place of residence and it includes temporary accommodation. Migrations and movements such as civil service postings are not considered as part of tourism.
- c. Tourism is not an activity undertaken to earn money but rather a consumption activity.
- d. People choose where they will travel out of their own freewill and tourism activities are conducted in a free environment.
- e. Tourism includes people travelling for the purposes of religion, health, business, sports, recreation, culture, visiting friend as well as attending conferences and seminars together with accommodation.
- f. In terms of travel, accommodation as well as institutions and behaviour in business tourism can be seen as an industry.

3. Economic Contribution of Tourism

Tourism especially for developing countries in terms of providing foreign exchange earnings, increasing employment opportunities and exhibition of the country to the whole world plays a very important role. Compared with other foreign exchange earning activities tourism has been identified to have a number of advantages. These include: (Turkiye Deniz Ticaret Odaları ve Borsaları Birliği, 1990, p.34-35)

Exports of developing countries largely consist of raw materials and as such they do not have an effective say in the export prices these raw materials. In contrast they have a decisive control over the prices of tourism products. In developing countries production is limited and the amounts of goods exported are also limited. Through tourism there can be additional exports and diversification of exports which would lead to an increase in the supply of foreign exchange.

- a. Tourism markets as compared raw material export markets are more stable.
- b. Foreign exchange earned through tourism as compared to other export products requires less cost.
- c. In addition to this feature, in terms of international tourism brings about team costs. The economic impact of tourism on a country's economy depends on a number of properties listed below. These properties may be expressed as follows
 - i. The power of touristic beauty to attract tourists.
 - ii. The level of economic development and tourism infrastructure.
 - iii. The linkage of a country's economic structure to its agriculture, industry and service sector.
 - iv. Information on touristic consumption expenditures.

- v. The distribution of touristic spending and tourism related expenditure.
- vi. The opportunity to meet touristic demand and supply during tourism season.

Together with the economic benefits there are as well as economic costs included. These costs can be summarized as follows.

- i. The emergence of excessive dependence on the tourism sector.
- ii. The emergence of land speculation over time.
- iii. The increase in inflation.
- iv. Tourism requires the increase in imports.
- v. Unable to extend investments in seasonal production.
- vi. Other costs. (Icoz, Orhan. A.ge., s. 22).

Tourism can be compared to a non-economical factory chimney. In many countries tourism is a source of huge income. Issues on how tourism can impact on the economy are described below.

3.1 The Effects of Tourism on Balance of Payments

Balance of payments refer to payments by a country to other countries within a year for various reasons including foreign currency revenues obtained from other countries, or exchange or a table showing the domestic currency exchange. External balance of payments reveals all of a country's international economic relations and shows all payments made. In short, it is recognized as the balance sheet of countries' economic relations (Barutcugil, 1986, p.19).

Foreign exchange movements that are the demand for foreign currency caused by international tourism affects a country's balance of payments. Tourism and its role in the national economy and international economic relations can first been seen in the balance of payments of a country. International tourism which is an invisible form of export is included in the balance of payments (Olalı, 1998, p.88).

3.2 Impact of Tourism on Income and on Domestic Prices

In order to fully reveal the impact of tourism on income it is necessary to evaluate the income effect of touristic investment spending as well as income effect of consumption expenditure. To construct tourist facilities, more workers and building materials will be required. The development resulting from investment expenditures done this way from the first moment leads to degree by degree increases in income and consumption. Firstly revenue increases as much as increases in tourist investment. Because the occurrence of an increase in investment means there would be a corresponding increase in the purchase of goods and services. The corresponding increases in investment lead to an increase in the consumption and savings function (Turkiye Deniz Ticaret Odaları ve Borsaları Birliği, 1990, p.44). In a developing economy vitality that occur in the international tourism and in the domestic tourism increases the demand for imported goods regional goods and factors of production. These increases in demand also result in an increase in the cost of factors of production (land prices, building leases etc.). This result in investment decisions which leads to increases in prices due to increased demand.

Inflationary pressures and the additional cost of the development of tourist attractions and tourist goods and services that benefit the sector, leads to an increase in prices in both the goods-producing sector and the service sector. When considered in terms of the price of tourists visiting the country; the pull of the place of destination, accessibility requirements, attracts tourists with factors such as pre-travel information and services are decisive for the country's demand.

The prices of goods and services between the tourist and tourism demand have an inverse relationship. A fall in the prices of touristic goods and services would lead to changes in the total supply. If the importance given to tourism prices is less than the emphasis on travel and accommodation, touristic consumption realised would be low. At this stage, the impact of changes in prices on the demand for touristic goods and services is quite large as compared to the price of any other good or service (Olalı, 1998, p.138).

3.3 Impact of Tourism on State Revenue and Expenditure

During the development stages of touristic activities if the state is able to tax tourist consumption effectively as compared to the other sources of income it can be a very significant source. Custom duties are also considered as another source of state revenue. Also, taxes imposed on the goods and services consumed by tourists also increases state revenue. The interests imposed on loans given to the tourism sector have also become another source of income for the state. Income derived from state owned properties which are used for touristic purposes also constitute state revenue Clement, p.70).

Income earned by the state from the tourism industry is often in the form of tax revenues. Although tourism increases the revenue earned by the state, the state spending on tourism investments especially in developing countries reduces the impact of the tax revenue earned from tourism (Turkiye Deniz Ticaret Odaları ve Borsaları Birliği, 1990, p.44).

3.4 Impact of Tourism on Employment

One of the biggest problems facing developing countries is finding an appropriate solution to the employment problems of industrialization. The rapid population growth in these countries brings with it the growing threat of unemployment reaching significant levels (Dincer, 1993, p.65). Thus, in the face of growing unemployment in developing countries it is becoming a mandatory quest for new business opportunities to be found. With most developing countries having favourable conditions to support tourism development rather than industrial development, the revival of tourism in this region will have significant impacts on providing employment to the workforce (Sagcan, 1986, p.121).

The revenue and foreign exchange earnings realised from tourism have effects on the economy. Those who earn income in the tourism sector also affect tourism employment. With incomes derived from the tourism sector being spent it leads to secondary employment effect. Employment effect increases with the intensity of tourism development and tourism demand. As the development of tourism increases, the demand for labour as well as tourist facilities investment also increases. The resultant effect of the seasonal character of tourism is that during the periods of high demand for tourism it leads to a corresponding increase in the demand for labour. However, outside the tourism season there is a decrease in the demand for labour (Coskun, 2010).

Tourism is sector comprising of many workers. There is also a great need for capital investment in the tourism sector. However in both aspects tourism directly or indirectly substantially provides employment. Tourism facilities such as providing the services of catering, accommodation, transportation and entertainment constitute employments within the sector. In addition industries involved in the supply of touristic goods and services benefit from spending made by tourists and this constitutes an indirect employment opportunity (Lawson & Manuel, 1977, p.16).

The tourism sector has a labour-capital weight. As the tourism sector grows employment opportunities increases as well. For tourism to provide sustained increase in employment it involves a three-step process. The average cost involved in the first step of developing tourism is high compared to the other sectors of the economy. To provide modern tourism luxurious hotels and facilities need to be available. At this stage a lot of expenses is required to provide infrastructure. At this stage high level spending tourists cannot be attracted to the country. Thus the capital/output ratio is very high. During the second phase the average cost decreases slightly with more tourists coming hence the capita/output ratio is slightly reduced. During this period, the organisations gain experience and capabilities and intensive foreign investment. In the third phase, the average cost involved increases again due to rising cost of land, development of standard comfort, communication and transportation costs (Edwards, 1982, p. 143-144).

With the development of domestic and international tourism the revival and mobility of other sectors of the economy emerges as the multiplier effect of tourism and its employment creation feature influences other sectors. Due to additional demand resulting from the demand for tourism goods and services which must be higher than export prices and the price paid by the local people it draws the attention to investors and producers in other sectors of the economy (Archer, 1973, p.78).

3.5 The Impact of Tourism on Difference in Regional Development

Owing to tourism the income and employment levels of underdeveloped regions in a country are increased considerably thus helping to reduce the differences in regional development. In this way the revival of tourism leads to significant increases in standard levels especially local people in subsistence production. Increases in touristic activities within a region helps to increase the level of household income and also to meet the unskilled labour needs of the tourism sector. Within a country there exist underdeveloped regions in spite of this through the development of tourism potentials of various regions inter-regional development differences can be reduced (Aslan, 1988, p.121).

4. Impact of the Tourism Sector on Turkish Economic Development.

The tourism sector has quite a lot of positive effects on the Turkish economy. The rich historical heritage of Turkey, its cultural values and natural beauty is an incentive to attract tourists. In this case, it provides a positive contribution to increasing economic growth as well as increasing the country's foreign exchange reserves. The share of tourism revenues in the Gross National Product (GNP) are shown below.

The share of tourism in GDP, 2000-2015

Years	Share of tourism Revenues in GNP	Export ratio of Tourism Revenues
2000	2,9	27,5
2001	5,3	32,1
2002	5,4	33,9
2003	4,5	28,2
2004	4,4	25,2
2005	4,2	24,7
2006	3,5	19,7
2007	3,2	17,3
2008	3,4	16,6
2009	4,1	20,8
2010	3,4	18,3
2011	3,6	20,8
2012	3,7	19,2
2013	3,9	21,3
2014	4,3	21,8
2015	6,2	21,9

<http://www.tursab.org.tr/tr/turizm-verileri/istatistikler/turizmin-ekonomideki-yeri/gsmh-icin-deki-payi-1963-79.html>, Date of access: may-2016

As shown in the table, while the share of tourism revenues in GNP in 2000 was 2.9% in nearly 15 years, the rate rose more than twice to 6.2%. The export ratio of tourism revenue fluctuated in the last 15 years as it increased and sometimes decreased but the average is around 21%. In fact, for the last three years the rate has always been around 21% while its share in GDP has increased every year. In this case we can say that the income from tourism has a positive impact on economic growth.

In studies on the effects of tourism on economic growth in Turkey, it has been observed that tourism income obtained in Turkey has positive effects on economic growth in the long term. A 1% increase in tourism revenue results in an increase in GDP by 0.16 units (Ozan, 2006, 147).

An increase in the demand in the tourism sector causes an increase in the production in the tourism sector as well as tourism related sectors. The foreign exchange earnings from tourism will also be a great contribution to the national economy. The increase in demand in the tourism sector is described to have a positive impact on the economic growth (Dilber, 2007, 220).

The development of the tourism sector also means the development of many sub-sectors. The development of the sector aids the development of regions and minimizes regional imbalances or the problem of underdevelopment (Ceken, 2008, s.304). The effect of foreign exchange earnings from tourism sector which include contributing to the closure of open trade as well as providing employment contributes significantly to economic growth (Cimat-Bahar, 2003, 16). From the reasons stated above it can be said that tourism sector has positive impacts on a country's economic development.

Conclusion

In terms of development especially in developing countries tourism play a big role. Earning of foreign exchange, employment and earning of income as well as supporting other sectors of the economy, tourism plays a critical role. In the development process of Turkey, for the purposes of providing foreign exchange earnings, tourism revenues caused by the positive impact of the current account in the balance of payments has played an important role in making Turkey's balance active. Tourism at this point as in all developing countries should be considered in Turkey as an important source of foreign exchange earnings and effective alternative for revenue generation. Tourism can as well contribute to improving the welfare of the country economically.

Qualitative changes in international tourism market trends that could positively affect Turkey's tourism are available. Tourism contributes to the development of a country's economic awareness, the development of international trade, regional cooperation opportunities, increasing productivity at work and the exhibition of the country to other countries in the world.

Turkey's tourism market attractiveness, market share and market trends of tourism need to be increased. With respect to tourism there exists a close link between the development of social consciousness, technical and economic aspects of the establishment of an adequate infrastructure and the success of tourism. Turkey possesses the necessary structures conducive for tourism development. In order to develop tourism, there is also the need to be aware of what it takes to develop tourism. A conduction of a cost and benefit analysis would thus be useful since the development of tourism comes along with costs such as environmental pollution.

One of the issues that need to be worked on in Turkey's tourism is the diversification of tourism. Focusing just on recreational tourism and summer tourism can bring along some negativities. These kinds of tourism require the degradation of the natural environment and could also lead to economic instability. Diversification of touristic activities to include mountain tourism, spa tourism, golf tourism, river tourism among others would be beneficial. In this regard plans have to be made and places identified with new projects being developed to provide support in this direction.

Today, the biggest issue affecting the hospitality industry is the lack of trained qualified staff. This problem does not only pertain to the coast line hotels but to hotels located in the big cities as well. The problems are basically due to the lack of education and ignorance of foreign languages by workers in the hospitality industry. While there exist lack of trained personnel related to senior management in city hotels, for hotels in holiday destinations there is the lack of trained personnel at all levels. It shows there exist seasonal employment in coastal hotel structures. To prevent the concentration of tourists, tourism should be developed based on both the season and geographical distribution. If such measures are taken there would be significant increases in a country's tourism revenues and hence contribute to economic development significantly.

Biography

Hasan Bulent Kantarci is an Associate Professor at the Kocaeli University, Faculty of Economics and Administrative Sciences, department of economics, in Turkey. He teaches public finance and tax law. He graduated from Uludag University, Faculty of Economics and Administrative Sciences. In 1989, he learned German at the Geothe Institute in Vienna. He researched his master's degree thesis at the University of Vienna and University of Cologne in 1990-1991. And he started his doctorate at the University of Berlin Humboldt University 1992-1993, continued at the Vienna University of Economics and Business in 1993-1994, and completed at Uludag University. For post-doctoral research, in 1997, he went to the State University of New York at Stony Brook. Then, he taught public finance and tax law at the Gaziosmanpasa University in Turkey. In 2000 and 2001, he visited St John's University in New York. His research area was public finance and tax law. He attended many conferences in Hawaii, in San Francisco, in New York, in Detroit, in Orlando, in Cambridge, in Portugal, in Riyad, in Dubai, in Biskek, in Istanbul, etc.

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