Economic Impact of Tourism on the Host Community in Kerala

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Abstract

Kerala, a lush green strip of land located in the South West corner of Indian peninsula, enjoys a prominent place in the world tourism map. An assortment of tourist centres scattered over the different regions of the state has influence on the host population in terms of income and socio-economic development. Host community is bestowed with ample opportunities to generate economic benefits directly and indirectly from tourism. Business is the major activity available for the host community to get economic benefits directly from tourism. Even though host community engaged in tourism-related business is expected to derive economic benefits, they may not be economically benefited or the benefits available for them may not be sufficient enough in bringing improvement to their economic conditions. This necessitates the need for studying whether traders and businessmen belonging to host community is really benefited or not in economic terms. The question of whether these economic benefits have contributed for improving their economic conditions is also to be validated. The findings of the study endorse that host community engaged in various tourism-related businesses is economically benefited and these benefits make significant contributions in improving their economic conditions.
Keywords: Tourism, Host community, Discretionary income, Asset acquisition, Change in indebtedness

1. Introduction

The acceptance of tourism as a major growth engine is spreading across the world. Tourism is widely acclaimed for its ability to generate multiple benefits and understandably, the most important among these are the economic benefits. Spending of visitors on accommodation, food and beverages, local transport, shopping, entertainment etc. can make significant contributions at various levels of an economy. At the micro level, these spending can lead to the development of tourist destinations. The host community at destinations can enjoy the benefits of these developments by way of increased business and employment opportunities and improved infrastructural facilities.

Kerala, a lush green strip of land located in the South West corner of Indian peninsula, enjoys a prominent place in the world tourism map. It is gifted with a unique blend of varied tourism products capable of drawing international tourist attention. The state of Kerala is branded as *God's Own Country* and it is listed among the 50 must see destinations of the world. From a tourism point of view, the unmatched natural diversity, classical art forms, holistic medicine of ayurveda, congenial climate, world class medical facilities and very hospitable people provide the state with certain competitive advantage in the development of tourism.

Kerala is receiving a large number of tourists every year and it is one of the fastest

growing tourist regions in the world. Official tourism statistics shows that during the period 2000 to 2011, the FTAs to Kerala got increased from 209993 to 732985 with an average annual growth rate of 12.53 per cent. The FEEs during the period went up from ₹ 525.30 crores to ₹ 4221.99 crores with an average annual growth rate of 21.71 per cent. The number of DTAs in the state got increased from 5013221 in 2000 to 9381455 in 2011 by registering an average annual growth rate of 5.67 per cent (GoK, 2011).

2. Review of Literature

The impact of tourism on host community continues to be a vibrant area for researchers across the world as their support is crucial for ensuring the sustainable development of tourism. Economic benefits of travel and tourism in an area are the gross contributions to the residents' income and wealth resulting from the presence of travellers (Frechtling, 1994, p.367). At the micro level, tourism affects the host community most as one way or other its benefits and costs reach almost everyone in the destination. Therefore, host community support is highly imperative for ensuring the sustainable development of the tourism industry. Even in the late seventies, Heenan (1978) stated that tourism's success in the years ahead depends greatly on its acceptance by the host communities. Murphy (1985, p.89) regards tourism as "a business both for the individual entrepreneur and the community which acts as host to this activity". Baker (2008, p.206) opined that tourism gets the local approval when its income is accessible to local people. Tourism can have positive economic effects on local economies and can also be an essential component for both community development and poverty reduction (Ashe, 2005). The study conducted by Marzuki (2008) in Langkawi found that despite there are development issues, the benefits of tourism development far outweighed the costs accrued

to the local populace. Similarly, Akis, Peristianis and Warner (1996) in their study report that local communities view tourism as a means of raising income, increasing employment and improving standard of living.

The income from business occupies a significant place as a major share of tourism revenue accruing to the host community is directly fetched through the local traders and businessmen at the tourist centres (Sudheer, 1993, p.146). A notable feature of tourism is that it offers excellent opportunities for small businesses. The study conducted by Liu and Var (1986) at Hawaii, revealed that 90 per cent of the residents agreed that tourism brought the community more investment and local business and 74 per cent of the residents opined that local businesses are the ones which benefit most from tourists. Going one step ahead, studies of the Cook Islands by Milne (1987) report that small, locally owned firms have been more successful in generating income, employment, and government revenue than larger, internationally owned establishments. Fleischer and Felsenstein (2004, p.71) support the local orientation of tourism SME's on the ground that they are likely to be locally owned, employ local inputs and create greater local multipliers than larger enterprises. Tapper (2001) regards building links between tourism and local economic activities via the 'supply chain' are the effective ways to ensure that tourism contributes sustainable socio-economic development. Therefore, to stimulate regional economic growth, Stoeckl (2008, p.25) urges the planners to develop a viable local supply chain and provide incentives for tourism enterprises to purchase goods and services from local suppliers.

In the case of Kerala, the Master Plan on tourism highlights the significance of development of tourism industry as it can solve some of the most vexed problems of the state such as poverty and unemployment

(GoK, 1986, p.36). Though started of late, Kerala soon became a model for other Indian states particularly in building a strong tourism brand. With its effective differentiation strategies, the state managed to develop a distinct image as a stand-alone destination from the rest of Indian states (Edward & Koshy, 2007, p.16). Today, tourism makes sizable contributions to the state's economy through increased income and employment.

Regarding the benefits of tourism to the host communities in Kerala, Sreekumar and Parayil (2002, p.544) in their study report that "the economic contribution of the tourism industry to the local economy is inconsequential". On a different note, Vijayan (2007, 352-353) in his study found that tourism plays an important role in improving the economic life of local people at destinations in Kerala through providing employment opportunities, increased income, better standard of living, increased investments and the development of peripheral area.

The review of literature underscores the growing economic significance of tourism for the host community. The benefits of tourism must be accessible to the host community to ensure their support in making the development of tourism sustainable. Host community can have direct access to the economic benefits through tourism related business. In this context, the present study is designed to make an assessment of the economic benefits of tourism directly accruing to traders and businessmen belonging to the host community at major tourist centres in Kerala and the resultant impact of these benefits on their economic conditions.

3. Statement of the Problem

The growing number of tourist arrivals and receipts in Kerala endorses the enriched economic benefits from tourism. An assortment of tourist centres scattered over the different regions of the state has influence on the host population in terms of income and socio-economic development. The presence of tourism depended host community is also growing with the development of these destinations. Business is the major activity available for the host community to get economic benefits directly from tourism. As the initial recipient of tourist spending, businessmen at destinations can be economically benefited directly from tourism. Tourism provides scope for different categories of business as the needs and wants of tourists are multiple and diverse. Naturally, people residing in the peripheral area of tourist centre will be the first respondent to encash the situational advantage. As such, host community engages in different category of tourism-related business with the aim of reaping economic benefits and improving their economic conditions.

Even though host community engaged in tourism-related business is expected to derive economic benefits, they may not be economically benefited or the benefits available for them may not be sufficient enough in bringing improvement to their economic conditions. This necessitates the need for studying whether the host community involved in various tourism-related businesses is really benefited or not in economic terms. Similarly, traders and businessmen engaged in all the different categories of business may be benefited economically, but they will not be benefited alike as the earning potential for businesses vary according to the category of business. The question of whether these economic benefits derived have contributed for improving their economic conditions is also to be validated.

4. Objectives and Methodology

The study aims to assess the economic benefits directly derived from tourism by the traders and businessmen belonging to host

community at the major tourist centres of Kerala and the resultant impact of these economic benefits on their economic conditions. It is descriptive as well as analytical in nature. Primary and secondary data were made use of. The primary data were collected through field surveys by using structured interview schedules. Secondary data were collected from the official records of the government, department of tourism, official publications and other secondary sources. The assessment of economic benefits of traders and businessmen was made using their Average Monthly Discretionary Income (*AMDI*). Variables such as 'asset acquisition' and 'change in indebtedness' were used for assessing the economic impact.

4. (A).Operational Definition for Host Community

For the purpose of this study, host community includes all those who reside in and around the tourist destination where the industry has an influence on the population.

4. (B). Sample Frame

Traders and businessmen belonging to the host community at major tourist centres in Kerala constitute the population for the study. A multi-stage purposive sampling was used for selecting the samples. For this, Kerala is spatially divided into three regions, as south, central and north. The method followed by the state's tourism department in compiling tourism statistics was adopted for regional classification. Further, two destinations were selected from each region and samples were selected from the host community involved in tourism-related business. Accordingly, destinations like Kovalam and Varkala from south, Fort Kochi and Kumarakam from central, Bakel and Wayanad from north region were selected. The total sample size was 150. For facilitating equal regional representation, 50 from north, 50 from central and 50 from south were selected.

4. (C). Data Collection and Analysis

Data were collected by using structured interview schedules prepared on the basis of the pilot study. In addition, many informal interviews with tourist officials and other knowledgeable people were also conducted. The data were pertaining to the period 2007-2011 and collected in 2012 by using interview schedules. Statistical tools and techniques like descriptive statistics and regression analysis were used for analysing the data.

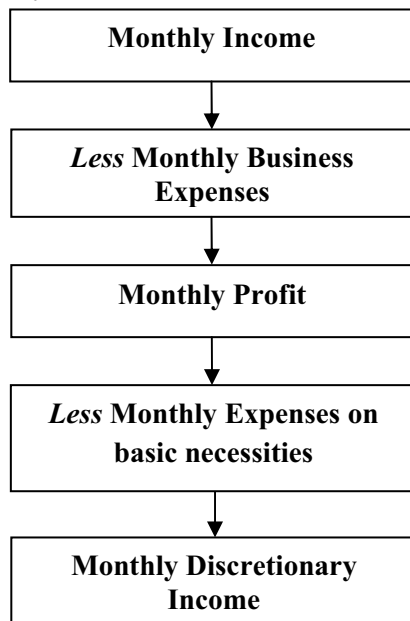## 5. Economic Benefits to Host Community

Tourism improves the economic base of the host community through diversification of income. Host community is bestowed with ample opportunities to generate economic benefits directly and indirectly from tourism. Of these, direct economic benefits are of prime importance as they decide the size of indirect benefits. Host community can derive the economic benefits directly from tourism through engaging in various tourism-related businesses. Hence, an assessment of economic benefits directly derived by traders and businessmen was made to reveal the economic prospects that tourism can bring to the host community.

5. (A) Method of Study

In the present study, the monthly discretionary income of traders and businessmen was considered as their economic benefits derived from tourism. A category-wise analysis of the economic benefits derived by traders and businessmen were done to bring out the probable variations in relation to the category of business. To enable this, the different business in which host community was engaged in were grouped into eleven categories viz. hotels and resorts, home stays, restaurants and eat-outs, tour operators, taxicab services, handicrafts, stationery, textiles, ayurvedic healthcare centres, hawkers and peddlers and others.

The diagrammatic representation of the derivation of monthly income and its subsequent transformation to monthly discretionary income for traders and businessmen belonging to the host community is shown in Figure 1.

Figure 1: Derivation of Economic Benefits by Traders and Businessmen

Monthly Income

↓

Less Monthly Business Expenses

↓

Monthly Profit

↓

Less Monthly Expenses on basic necessities

↓

Monthly Discretionary Income

5. (B) Average Monthly Discretionary Income (AMDI)

Discretionary income is the income left after meeting the necessities of life such as food, clothing, housing and so on. It is calculated by deducting the expenses on necessities from the amount of disposable income of an individual. Disposable income is the amount of personal income left after the payment of personal taxes.

The discretionary income was used for assessing the economic benefits and its impact on the host community as it decides the amount of savings, investments, debt payments and asset acquisitions, which reflect the economic stability of an individual. In the case of traders and businessmen, the *AMDI* was calculated by deducting the amount of personal taxes and expenses on necessities

like food, clothing, education, medical, personal commutation, and other household expenses from their *AMP* (Average monthly Profit). AMP is arrived at by deducting average monthly business expenses from the *AMI* (Average monthly Income). Table 1 shows the *AMI, AMP and AMDI* of traders and businessmen for the period 2007-2011 according to the category of business.

Table 1: AMDI of Traders and Businessmen - Category-wise

Category of business	AMI (₹)	AMP(₹)	AMDI (₹)
Hotels and resorts	114473	50769	38083
Home stays	30340	17532	10833
Restaurants and eat-outs	183073	40427	29328
Tour operators	36327	21064	13801
Taxi cab services	36922	18495	10990
Handicrafts	99157	41528	30620
Stationery	56244	21167	13125
Textiles	81369	27369	19036
Ayurvedic healthcare centres	62381	27244	17923
Hawkers and peddlers	16891	10224	5224
Others	93167	36938	26493
Total*	76015	29328	20290

Source: Primary Data* Traders and businessmen as a whole

From Table 1, it is found that the *AMDI* of traders and businessmen was ₹ 20290, which represented nearly 70 per cent of their profit amount. Taking all regions together, traders and businessmen engaged in hotels and resorts business had the highest amount of *AMDI* of ₹ 38083. The percentage share of discretionary income on profit (75.01per cent) was also found to be the highest for them. Both in terms of amount and percentage share of discretionary income, they were followed by handicrafts and restaurants and eat-outs respectively. The *AMDI* for traders and businessmen engaged in handicrafts and restaurants and eat-outs business were ₹ 30620 and ₹ 29328 respectively. The *AMDI* of hawkers and peddlers was found to be the lowest with ₹ 5224. On an expected line, the ranking order for most of the categories of business was same as the one showed in the case of monthly profit. The differences in ranking were visible only for a few categories

of business and they too were very marginal as the variations in ranks limited to one place.

6. Economic Impact on Host Community

It is found that traders and businessmen belonging to host community are economically benefited from tourism. The availability of discretionary income will make definite reflections in ones economic conditions as it is the amount available for saving, investments and paying-off debts. Assets and indebtedness are the two variables upon which this can be reflected. The increase in assets through fresh acquisition and reduction in indebtedness can indicate the positive changes. Hence, an assessment of the impact on economic conditions of host community was made by studying the effect of economic benefits on the acquisition of assets and changes in indebtedness.

6. (A) Method of Study

An assessment of the impact of economic benefits from tourism on the economic conditions of traders and businessmen belonging to host community was made. For further analysis, traders and businessmen were grouped into three as low, medium and high groups on the basis of their discretionary income. Accordingly, the categories of business like hawkers and peddlers, home stays and taxi cab services represented the *low* income group. The categories of stationery, tour operators, ayurvedic healthcare centres, textiles and others formed the *medium* group. The *high* income group included the categories of restaurants and eat-outs, handicrafts and hotels and resorts.

The upper limit of low income group was computed by using the formula Mean-S.D/2 and the lower limit of the high income group was calculated by using the formula Mean + S.D/2. The values arrived thus were respectively ₹ 11772 and ₹ 28808. Accordingly, the low income group included traders and businessmen with a discretionary

income up to ₹11772 and the *high* group consisted of those with a discretionary income above ₹28808. Traders and businessmen having a discretionary income between ₹11772 and ₹28808 represented the *medium* income group.

Regression analysis was carried out for assessing the impact of economic benefit on the socio-economic conditions of traders and businessmen. To enable this, the economic benefit variable discretionary income was taken as an independent variable and the variables depicting economic conditions like asset acquisitions and changes in indebtedness were used as dependent variables. Accordingly, regression equations were formed by using *AMDI* as independent variable and different elements reflecting the economic conditions like Total Personal Assets (*TPA*) and Total Business Assets (*TBA*), Change in Personal Debts (*CPD*) and Change in Business Debts (*CBD*) made during the five year period from 2007 to 2011 as dependent variables. The regression output showed the significance, sign (positive or negative) and the degree of impact exerted by the independent variable (*AMDI*) on the dependent variables. The significance level was below 0.050. It also revealed the power of *AMDI* in explaining the dependent variables.

The amount of asset acquisitions and change in indebtedness made by traders and businessmen during the period 2007-2011 is presented in Table 2.

Table 2 Amount of TPA, TBA, CPD and CBD - Discretionary Income Group-wise

| Discretionary income	TPA (₹)	TBA(₹)	CPD(₹)	CBD(₹)
Low	237442	147442	81913	154000
Medium	615833	154816	126468	173148
High	1043191	301419	189256	389815
Total	1896466	603677	397637	716963

Source: Primary Data

From Table 2, it can be seen that, traders and businessmen belonging to all the income groups have acquired personal and business assets and its amount got increased as the level of discretionary income has increased from low to high. This fully endorses the positive relationship between discretionary income of traders and businessmen and the acquisition of assets.

Traders and businessmen belonging to all the income groups have made reductions in their personal and business indebtedness. It could also be seen that the amount of *CPD* and *CBD* got increased as the level of discretionary income has increased from low to high. This substantiates the increased borrowing and repayment capacity of traders and businessmen resulting from their higher discretionary income.

6. (A) Impact on Total Personal Assets (TPA)

The discretionary income of traders and businessmen exerts impact on the personal assets acquired by them. *TPA* represented the various assets acquired by traders and businessmen like land and building, furniture and fixtures, vehicles, receivables, bank deposits and other investments. Other investments included investment in gold, chitty, insurance policies and so on.

Figure 2: Scatter diagram showing the relationship between AMDI and TPA
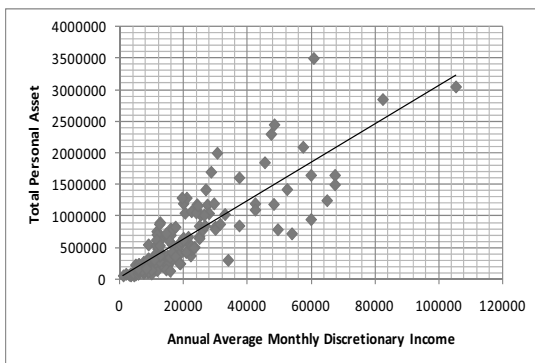
The condition of linear relationship between independent and dependent variables must be satisfied to proceed with linear regression analysis. Therefore, to see whether there is linear relationship or not, the *AMDI* and *TPA* of traders and businessmen were plotted on a scatter diagram. The scatter diagram showing the relationship between *AMDI* and *TPA* of traders and businessmen is exhibited in Figure 2.

The trend line fitted in the scatter diagram clearly establishes the linear relationship between *AMDI* and *TPA* acquired by traders and businessmen. The impact of discretionary income on personal assets acquired by traders and businessmen was assessed by using the regression model $\hat{TPA} = a + b \times AMDI$. The significance level of regression coefficient was less than 0.050. The result of regression analysis of the model for the total sample is presented in Table 3.

Table 3: Coefficients of Regression Model for TPA

	B	Sig.	R²
(Constant)	25834.727	0.545	0.706
AMDI	30.33	0.000	

Source: Primary Data

The result of regression model shows that the value of regression coefficient of *AMDI* is significant. This implies that the discretionary income of traders and businessmen has exerted significant impact on the personal assets acquired by them. The model shows a high R square value of 0.706. This indicates that 70.6 per cent of the variation in *TPA* of traders and businessmen can be explained by their discretionary income. Therefore, it can be inferred that discretionary income is a very strong variable in explaining the process of acquiring personal assets.

The regression equation of *TPA* on *AMDI* of the traders and businessmen is,

$$\hat{TPA} = 25834.727 + 30.33 \times AMDI$$

The equation indicates that for the total sample, the regression coefficient of the *AMDI* is 30.33. This implies that, the *AMDI* of traders and businessmen has exerted a positive impact on the *TPA* and regarding the degree of impact, for every rupee change in the discretionary income of traders and businessmen makes on an average 30.33 rupee change in their total personal asset. Table 4 gives the output of regression models for different discretionary income groups.

Table 4: Coefficients of the Regression Model for TPA - Discretionary Income Group-wise

Discretionary income Group		B	Sig.	R^2
Low	(Constant)	-57368.73	0.021	0.840
	AMDI	32.05	0.000	
Medium	(Constant)	58869.79	0.457	0.513
	AMDI	31.37	0.000	
High	(Constant)	62803.28	0.647	0.624
	AMDI	29.11	0.000	

Source: Primary Data

For the *low* income group, the regression coefficient value of *AMDI* is 32.05 and found to be significant. This indicates that the discretionary income of traders and businessmen belonging to *low* group has exerted significant positive impact on their personal asset acquisitions and for one rupee change in *AMDI*, the *TPA* changes on an average by rupees 32.05. The R square of the regression model is 0.840. This means that 84 per cent of the variation in *TPA* of traders and businessmen belonging to *low* income group is determined by their *AMDI*.

The regression coefficient of *AMDI* for medium income group is 31.37 and found to be significant. This shows that, the discretionary income of traders and businessmen belonging to *medium* income group has exerted significant positive impact on their personal asset acquisition and on an average, one rupee change in *AMDI* makes a

change of ₹ 31.37 in *TPA*. The R^2 of the regression model is found to be 0.513, which means that 51.3 per cent of the variation in *TPA* of traders and businessmen belonging to *medium* income group can be determined from their *AMDI*.

The regression coefficient of *AMDI* for high income group is 29.11 and found to be significant. This indicates that, the discretionary income of traders and businessmen belonging to *high* income group has exerted significant positive impact on their personal assets and on an average, one rupee change in *AMDI* makes a change of rupees 29.11 in *TBA*. The regression model for the high group shows an R^2 value of 0.624, which means that 62.4 per cent of variation in *TPA* is determined by *AMDI*.

A comparison of three groups showed that the impact of *AMDI* on *TPA* was found to be significant for all the groups. The *AMDI* of traders and businessmen has exerted positive impact on the *TPA* acquired. Regarding the degree of impact, traders and businessmen belonging to the *low* income group had the highest impact as its regression coefficient was found to be the highest. They were followed by *medium* and *high* income groups respectively. The power of discretionary income in explaining the acquisition of personal assets was also found to be relatively higher for the *low* income group.

6. (B) Impact on Total Business Assets (TBA)

The discretionary income of traders and businessmen will have an impact on their acquisition of business assets. *TBA* included assets like land and building, furniture and fixtures, vehicles, receivables, bank deposits, stock and other investments acquired by traders and businessmen during the period 2007-20011. The relationship between *AMDI* and *TBA* is exhibited in Figure 3.

Figure 3: Scatter Diagram Showing the Relationship between AMDI and TBA acquired
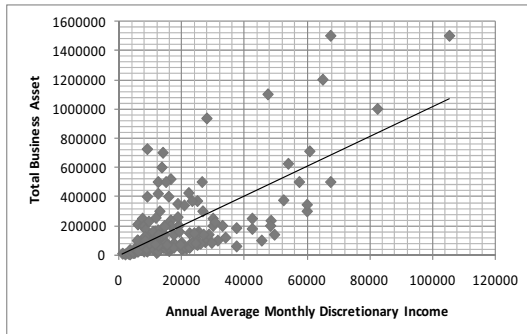
The trend line fitted in the scatter diagram clearly shows the linear relationship between the *AMDI* of traders and businessmen and the *TBA* acquired by them. The impact of discretionary income on total business assets acquired by traders and businessmen was assessed by using the regression model $\hat{TBA} = a + b \times AMDI$. The output of regression analysis of the model for total sample is given in Table 5.

Table 5: Coefficients of the Regression Model for TBA

	B	Sig.	R²
Constant	-6238.589	0.803	0.543
AMDI	10.23	0.000	

Source: Primary Data

From the output of regression model as presented in Table 5, it is found that the value regression coefficient is significant, which implies that the discretionary income of traders and businessmen exerts significant impact on business assets acquired by them. The model shows a healthy R^2 value of 0.543 also. This shows that 54.3 per cent of the variations in the *TBA* of traders and businessmen are explained by their discretionary income. Hence, it can be inferred that discretionary income of traders and businessmen is a strong variable explaining the process of acquisition of business assets.

The regression equation of *TBA* on *AMDI* of traders and businessmen is,

$$\hat{TBA} = -6238.589 + 10.23 \times AMDI$$

The equation shows that when traders and businessmen taken together, the regression coefficient of the discretionary income is 10.23. This means that, the *AMDI* of traders and businessmen has exerted positive impact on *TBA* and for one rupee change in *AMDI*, the *TBA* changes on an average by ₹ 10.23. Table 6 gives the results of regression models for traders and businessmen belonging to different discretionary income groups.

Table 6: Coefficients of the Regression Model for TBA - Discretionary Income Group-wise

Discretionary income group		B	Sig.	R²
Low	(Constant)	-15769.45	0.774	0.354
	AMDI	18.83	0.001	
Medium	(Constant)	73510.11	0.026	0.385
	AMDI	8.83	0.024	
High	(Constant)	-104133.74	0.121	0.568
	AMDI	12.54	0.000	

Source: Primary Data

The regression coefficient of *AMDI* for the *low* discretionary income group is 18.83 and found to be statistically significant. This indicates that discretionary income of traders and businessmen belonging to low income group has exerted significant positive impact on their business asset acquisition and for one rupee change in *AMDI*, the *TBA* changes on an average by ₹18.83. The R^2 of the regression model is 0.354. This means that 35.4 per cent of the variation in *TBA* of traders and businessmen belonging to low income group is determined by their *AMDI*.

The regression coefficient of *AMDI* for medium income group is 8.83, and found to be statistically significant. This shows that discretionary income of traders and businessmen belonging to medium group has exerted significant positive impact on their business asset acquisition and on an average, one rupee change in *AMDI* makes a change of ₹ 8.83 in *TBA*. The R^2 of the regression model is 0.385, which means that 38.5 per cent of the variation in *TBA* of traders and

businessmen belonging to medium income group is determined by their *AMDI*.

The regression coefficient of *AMDI* for high income group is 12.54 and found to be statistically significant. This indicates that the discretionary income of traders and businessmen belonging to high income group exert significant positive impact on their business assets and on an average, one rupee change in *AMDI* makes a change of ₹ 12.54 in *TBA*. For high income group, the R^2 value of the regression model is 0.568, which means that 56.8 per cent of the variation in *TBA* is determined by *AMDI*.

A comparison of three groups showed that the impact of *AMDI* on *TBA* was found to be significant for all groups. The *AMDI* of traders and businessmen has exerted positive impact on *TBA* acquired. Regarding the degree of impact, traders and businessmen belonging to the *low* income group had a relatively higher impact as its regression coefficient was higher than other groups. The power of discretionary income in explaining the acquisition of business assets got increased with the increase in the level of discretionary income.

6. (C) Impact on Change in Personal Debt (CPD)

The discretionary income of traders and businessmen exerts impact on the amount of change in their personal debts. *CPD* is the difference between the amount of initial personal debt and current personal debt. It shows the reduction in the amount of debt made during the period 2007-2011. The relationship between *AMDI* and *CPD* is exhibited in Figure 4.

The trend line drawn in the scatter diagram shows the linear relationship between the two variables *AMDI* and *CPD*. The impact of discretionary income on *CPD* made by traders and businessmen was assessed by using the regression model $\hat{CPD} = a + b \times AMDI$.

Figure 4: Scatter Diagram Showing the Relationship between AMDI and CPD
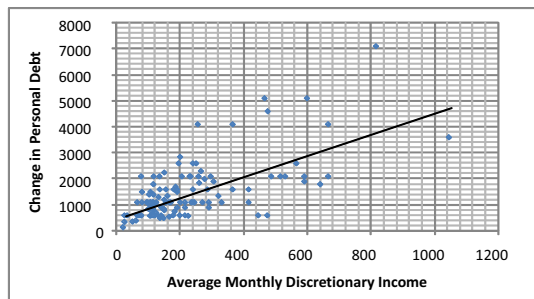
The output of regression analysis of the model for total sample is given in Table 7.

Table 7: Coefficients of the Regression Model for CPD

	B	Sig.	R^2
(Constant)	43713.875	0.002	0.423
AMDI	4.05	0.000	

Source: Primary Data

The output of regression model shows that the regression coefficient is significant, which implies that the discretionary income of traders and businessmen has exerted significant impact on their *CPD*. The model shows an R^2 value of 0.423 also. This implies that 42.3 per cent of the variations in *CPD* of traders and businessmen are explained by their discretionary income. Hence, it can be inferred that discretionary income of traders and businessmen is a strong variable explaining the process of changes made in personal debts.

The regression equation for *CPD* on the *AMDI* of the total traders and businessmen is,

$$\hat{CPD} = 43713.875 + 4.05 AMDI$$

The regression equation shows that when traders and businessmen taken together, the regression coefficient of the discretionary income is 4.05. This indicates that, the *AMDI* of traders and businessmen has exerted positive impact on *CPD* and for every rupee change in the discretionary income of traders and businessmen makes on the average 10.23 rupee change in their personal debts. Table 8 shows the results of regression models for different discretionary income groups.

The regression coefficient of *AMDI* for *low* discretionary income group of 3.71 is found to be significant. This indicates that, the discretionary income of traders and businessmen belonging to *low* income group had significant positive impact on their *CPD* and for one rupee change in *AMDI*, the *CPD* changes on an average by ₹ 3.71. The R^2 of the regression model is 0.250. This means that 25 per cent of the variation in *CPD* of traders and businessmen belonging to *low* income group can be explained by their *AMDI*.

Table 8: Coefficients of the Regression Model for CPD - Discretionary Income Group-wise

Discretionary income group		B	Sig.	R^2
Low	(Constant)	37858.514	0.060	0.250
	AMDI	3.71	0.015	
Medium	(Constant)	78463.759	0.000	0.323
	AMDI	2.49	0.012	
High	(Constant)	38394.111	0.284	0.380
	AMDI	4.21	0.000	

Source: Primary Data

For the medium income group, the regression coefficient of *AMDI* is 2.49 and found to be statistically significant. This shows that the discretionary income of traders and businessmen belonging to medium income group has exerted significant positive impact on their *CPD* and on an average, one rupee change in *AMDI* makes a change of ₹ 2.49 in *CPD*. The R^2 of the regression model is 0.323 which means that 32.3 per cent of the variation in *CPD* of traders and businessmen belonging to medium income group can be determined by their *AMDI*.

The regression coefficient of *AMDI* for the high income group is 4.21 and found to be statistically significant. This indicates that the discretionary income of traders and businessmen belonging to high income group has exerted significant positive impact on their *CPD* and on an average, one rupee change in *AMDI* makes a change of ₹ 4.21 in *CPD*. For the high income group, the R^2 value of the regression model is 0.380 which means

that 38 per cent of the variation in *CPD* is determined by *AMDI*.

A comparison of three groups showed that the impact of *AMDI* on *CPD* was significant for all groups. The *AMDI* of traders and businessmen has exerted positive impact on *CPD* and as far as the degree of impact is concerned, the impact was found to be the highest for the high income group as it had the highest regression coefficient value. A comparison of R^2 values of different groups showed that the power of discretionary income in explaining the change in personal debt was comparatively higher for the high income group.

6. (D) Impact on Change in Business Debt (CBD)

The discretionary income of traders and businessmen will have impact on the changes made in their business debts. The *CBD* represented the reduction in business debt made during the period 2007-2011. It is the difference between the amount of initial business debt and current business debt. Figure 5 shows the relationship between the *AMDI* and the *CBD* of traders and businessmen.

Figure 5: Scatter Diagram Showing the Relationship between AMDI and CBD
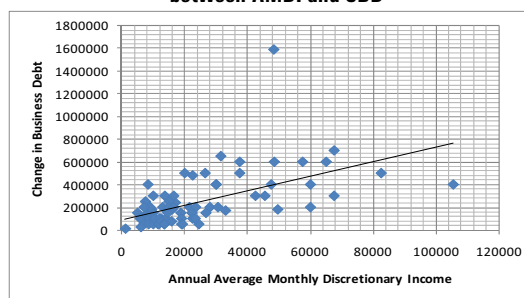
The trend line plotted in the scatter diagram establishes the linear relationship between the two variables- *AMDI* and *CBD*. The impact of discretionary income on *CBD* made by traders and businessmen was assessed by the regression model $\hat{CBD} = a + b \times AMDI$. The output of regression analysis of the model for total sample is given in Table 9.

Table 9: Coefficients of the Regression Model for CBD

	B	Sig.	R²
Constant	87580.738	0.010	0.320
AMDI	6.48	0.000	

Source: Primary Data

From the output of regression model shown in Table 9, it is found that the regression coefficient is statistically significant which implies that the discretionary income of traders and businessmen has exerted significant impact on the changes made in their business debts. The R^2 value of the model is found to be 0.320. This shows that 32 per cent of the variations in *CBD* of traders and businessmen are explained by their discretionary income. Hence, it can be inferred that discretionary income of traders and businessmen is a strong variable explaining the process of changes made in business debt.

The regression equation of *CBD* on the *AMDI* of traders and businessmen is,

$$\hat{CBD} = 87580.738 + 6.48 AMDI$$

The equation indicates that for the total sample, the coefficient of the discretionary income is 6.48, which means that the *AMDI* of traders and businessmen has exerted positive impact on *CBD* and for every rupee change in *AMDI* makes on the average 6.48 rupee variation in *CBD*.

Table 10 shows the results of regression models for traders and businessmen belonging to different discretionary income groups.

Table 10: Coefficients of the Regression Model for CBD - Discretionary income Group-wise

Discretionary income group		B	Sig.	R²
Low	Constant	94472.526	0.011	0.146
	AMDI	5.74	0.039	
Medium	(Constant)	-69324.441	0.186	0.215
	AMDI	4.12	0.044	
High	(Constant)	222760.316	0.050	0.529
	AMDI	6.21	0.000	

Source: Primary Data

The regression coefficient of *AMDI* for the *low* discretionary income group is 5.74 and found to be statistically significant. This indicates that discretionary income of traders and businessmen belonging to the low income group has exerted significant impact on the changes made in their business debts and for one rupee change in *AMDI*, the *CBD* changes on an average by ₹ 5.74. The R^2 of the regression model is 0.146, which means that only 14.6 per cent of the variation in *TBA* of traders and businessmen belonging to low income group is determined by their *AMDI*.

For medium income group, the regression coefficient of *AMDI* is 4.12 and found to be statistically significant. This indicates that discretionary income of traders and businessmen belonging to medium income group had significant impact on the changes made in their business debts and on the average, one rupee change in discretionary income makes a variation of ₹ 4.12 in *CBD*. The R^2 of the regression model is 0.215, which means that 21.5 per cent of the variation in *CBD* is determined by *AMDI*.

In the case of high income group, the value of regression coefficient of *AMDI* is 6.21 and found to be statistically significant. This implies that discretionary income of traders and businessmen belonging to high income group has exerted significant impact on the changes made in their business debts and one rupee change in discretionary income, on the average, results in a variation of ₹ 6.21 in *CBD*. The R^2 of the regression model is 0.529 which means that 52.9 per cent of the variation in *CBD* is determined by *AMDI*.

A comparison of three different groups showed that the impact of *AMDI* on *CBD* was found to be significant for all groups. The *AMDI* of traders and businessmen exerted positive impact on *CBD* and as far as the degree of impact is concerned, the impact was found to be the highest for the *high* income

group. The power of discretionary income in explaining the changes in business debt was comparatively lower and not very significant for low and medium income groups. Hence, it can be inferred that the dependency on discretionary income for paying off business debts was relatively lower for *low* and *medium* income groups. It is observed that they made of use of their savings and investments for the repayments of debts.

7. Conclusion

From the results of above analysis, it is found that traders and businessmen belonging to the host community are economically benefited from tourism. However, considerable variations could be seen in the quantum of economic benefits of traders and businessmen between almost all the categories. Among the different categories, traders and businessmen engaged in hotels and resorts enjoyed the highest economic benefits because they had the highest *AMDI*. They were followed by those engaged in handicraft business and the hawkers and peddlers had the lowest economic benefits.

Economic benefits derived from tourism by traders and businessmen have significant impact on their asset acquisitions and change in indebtedness. Despite having variations in the degree of impact, traders and businessmen representing all the groups exerted significant positive impact on all the variables reflecting their economic conditions like *TPA, TBA, CPD* and *CBD*.

The degree of impact of discretionary income on *TPA* and *TBA* were found to be the highest for the *low* income group, which included hawkers and peddlers, home stays and taxi cab services. In the case of *CPD* and *CBD*, the degree of impact was found to be the highest for the *high* income group represented by restaurants and eat-outs, handicrafts and hotels and resorts. The output of preceding analyses lead to the inference that, host community engaged in various

tourism-related businesses is economically benefited and these benefits make significant contributions in improving their economic conditions.

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