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Does International Tourism Foster Economic Growth? Evidence from SAARC Countries Business

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Abstract: In developing countries, the fast-growing capital-saving tourism sector has been a significant contributor to gross domestic product, foreign exchange reserves, employment and poverty reduction. In this perspective, this study revisited the tourism-growth nexus in the context of capital-deficient developing economies of the SAARC region by employing a panel data model approach for the sample period from 1995 to 2019. The results lend support to the tourism-led growth hypothesis when human development exerts a positive impact on the long-run economic growth in these economies. Therefore, the policies meant for tourism sector development can contribute to long-run economic growth via an increase in the quantum of capital investments in tourism and in the level of human development. Hence, the policy focus should be on infrastructure development, the promotion of investment opportunities, and human development in South Asian countries.

Keywords: International Tourism, Economic Growth, Human Development, SAARC.

1. Introduction

A cursory look into the literature on the development of tourism reveals that international tourism has quickly become one of the most important economic sectors in the world, changing its destination direction from developed nations in the 1950s and 1960s to less developed nations including that of Africa, Southeast Asia, and Latin America since 1970s (Hundt, 1996). Hieu & Yen (2019) observed that the economic contribution of tourism in Southeast Asian countries is noteworthy. Similarly, Nosheen *et al.* (2021) found that the expansion of international tourism is one of the critical essential factors for economic growth in South Asian countries. The role of international tourism is noteworthy primarily because of its contributions to foreign exchange earnings, job creation, growth of local business, growth and expansion of

other related sectors/industries, infrastructure development, government revenue, human development and poverty reduction (Mishra *et al.* 2018, 2019, 2020, 2021). Particularly, South Asian countries possess many valuable tourist resources and attractions which can act as important vehicles for reducing the widespread persistent poverty in the region (Rasul & Manandhar, 2009). Therefore, the development of the tourism sector has become an important policy focus in many developing countries (Samimi *et al.* 2013). On realization of such importance, governments in the South Asian region have been involved in tourism development activities depending on their respective economic, political and cultural considerations (Richter & Richter, 1985).

The literature describes the growth-enhancing role of tourism as the 'tourism-led growth hypothesis' (Mishra *et al.* 2011). This hypothesis considers the growth of international tourism as a significant strategic factor for economic growth (Samimi *et al.* 2011, 2013). International tourism has been argued to contribute to an increase in national income in an economy by (a) enhancing efficiency through increased competition among firms and other international tourist destinations (Krueger, 1980), (b) facilitating the exploitation of economies of scale in local firms (Helpman & Krugman, 1985), and (c) ensuring optimal use of available economic resources (Alhowaish, 2016). Such positive implications of the tourism sector on economic growth and development have been on the rise in emerging market economies especially due to several international relaxations via the deepening of globalization (Bayar *et al.* 2021). Globalization in the form of socio-economic, political and cultural integration among nations positively contributes to the development of tourism which in turn contributes to economic growth (Rasool *et al.* 2021). In this context, it has been argued that cooperation in tourism among nations in a region/bloc can benefit them all from tourism (Gupta & Singh, 2013).

Thus, South Asian Association for Regional Cooperation (SAARC) among Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka can be viewed as an important instance of international economic integration that can foster international tourism and drive their economic growth and development. At the 18th SAARC Summit 2014 held in Nepal, the importance of tourism as a growth driver of these economies was noted and the leaders agreed to promote South Asia as an attractive tourist destination in a sustainable manner through appropriate public and private collaborations (SAARC, 2014; Kaiwa, 2017). Travel and tourism in SAARC nations have had incredible positions in world competitiveness in 2018 and 2019 (see table-1). Despite the severity of the COVID-19 pandemic in these countries along with the associated multifarious socio-economic damages (Mishra & Mishra, 2020, 2021a,b), the total contribution of travel and tourism to gross domestic product remained significant in 2020 (see table-1). This indicates the significance and depth of travel and tourism in these nations, and thus, can be the growth driver in the long-run.

Table 1: Contribution of Travel & Tourism to GDP, 2018-2020

Country	*2018*	*2019*	*2020*
Bangladesh	11821.40	9419.30	6318.00
India	247290.00	1913000.00	121900.00
Maldives	3079.21	3058.00	1107.90
Nepal	2225.83	2089.00	1114.70
Pakistan	20098.90	15065.90	11579.50
Sri Lanka	11115.80	8962.70	3981.50

Note: Contribution means the total contribution of travel and tourism to GDP in USD mn.
Source: Global Economic Impact and Trend 2021, WTTC

Similarly, the total contribution of travel and tourism to the employment of total employment in the country in 2019 was 2.9 per cent (Bangladesh), 8.8 per cent (India), 53.5 per cent (Maldives), 6.9 per cent (Nepal), 5.5 per cent (Pakistan) and 10.9 per cent (Sri Lanka). However, the Coronavirus pandemic has taken a significant toll on SAARC economies in terms of job loss due to the imposition of regulatory restrictions on travel and tourism in the year 2020. Despite the total contribution of travel and tourism to the employment of total employment in the country in 2020 was 2.3 per cent (Bangladesh), 7.3 per cent (India), 40.2 per cent (Maldives), 5.5 per cent (Nepal), 4.8 per cent (Pakistan) and 8.4 per cent (Sri Lanka). Furthermore, the share of international visitor spending in total exports in 2019 was 0.8 per cent (Bangladesh), 5.8 per cent (India), 83.5 per cent (Maldives), 30.1 per cent (Nepal), 3.6 per cent (Pakistan) and 24.0 per cent (Sri Lanka). Although the COVID-19 has had a footprint on this parameter, this share in the year 2020 was 0.3 per cent (Bangladesh), 2.5 per cent (India), 49.6 per cent (Maldives), 12.9 per cent (Nepal), 2.9 per cent (Pakistan) and 8.8 per cent (Sri Lanka).

The table-2 shows the status of inbound tourism in SAARC nations in the years 2019 and 2020. All these indicate the robustness of the travel and tourism sector in SAARC countries. The aforementioned facts and figures have been taken from the World Travel & Tourism Council (WTTC), United Nations World Tourism Organization (UNWTO) and the World Bank. These facts and figures indicate that the tourism sector in SAARC countries can be catalysts for their long-run growth.

Table 2: Brief Account of Inbound Tourism in SAARC Nations, 2019-2020

Countries	*International Tourist Arrivals (in Millions)*	*Source Nations*
2019		
Bangladesh	0.323	India (53%), China (16%), Pakistan (8%), US (7%), South Korea (5%), Rest of the World (11%)
India	17.914	Bangladesh (12%), US (9%), UK (7%), Sri Lanka (2%), Canada (2%), Rest of the World (68%)
Maldives	1.703	China (19%), UK (8%), Germany (8%), Italy (7%), India (6%), Rest of the World (52%)
Nepal	1.197	India (21%), China (14%), US (8%), UK (5%), Sri Lanka (5%), Rest of the World (47%)
Pakistan	3.500	UK (33%), US (15%), India (9%), China (7%), Canada (5%), Rest of the World (31%)
Sri Lanka	2.027	India (19%), UK (10%), China (9%), Germany (7%), Australia (5%), Rest of the World (50%)
2020		
Bangladesh	0.900 (E)[#]	India (64%), China (16%), Pakistan (10%), South Korea (5%), US (5%), Rest of the World (2%)
India	2.680	Bangladesh (13%), US (5%), UK (4%), Sri Lanka (2%), Canada (2%), Rest of the World (73%)
Maldives	0.555	China (25%), India (10%), Germany (8%), UK (6%), Italy (6%), Rest of the World (45%)
Nepal	0.230	India (31%), China (13%), Sri Lanka (6%), US (5%), UK (4%), Rest of the World (41%)

Pakistan	0.875 (E)[#]	UK (26%), India (17%), US (11%), China (10%), Canada (4%), Rest of the World (32%)
Sri Lanka	0.508	India (26%), UK (7%), China (6%), Germany (6%), Russia (5%), Rest of the World (49%)

Source: Oxford Economics, UNWTO, WTTC; [#]E: Estimated

Thus, tourism can be an imperative sector in SAARC countries, and therefore has an incredible role in the growth and development of these economies. Tourism can exert an influence on economic growth and development by increasing gross capital accumulation (Bilen *et al.* 2015), contributing to infrastructure development (Selimi *et al.* 2017), increasing factor productivities (Li *et al.* 2018), improving the standard of livings (Muslija *et al.* 2017), reducing poverty (Khan *et al.* 2020), and ensuring sustainable development (Banday & Ismail, 2017; OECD, 2018). However, to understand the influence of tourism on economic growth, it is essential to estimate the impact of tourism sector expansion from a broader perspective. Therefore, this work is an attempt to estimate the impact of tourism sector development on real economic growth in SAARC nations. In this direction, this work enriches the existing literature in the following ways: (i) it uses receipts from international tourism and capital investments for tourism sector development as the parameters of tourism expansion; (ii) it validates the tourism-led growth hypothesis in SAARC economies in a broader framework; (iii) this framework includes human development, financial development and foreign direct investment as control variables; and (iv) it is perhaps the first study that addresses the tourism-growth nexus in a broader framework in the context of SAARC economies.

In the rest of the paper, the relevant literature has been reviewed to formulate the hypothesis and set the model for estimation of the likely relationship between the tourism sector expansion and real economic growth in SAARC nations. A note describing the nature and sources of data has been provided. A description of the estimation mechanism has also been provided. Finally, the findings have been interpreted to draw the policy implications.

2. Literature Review

In the literature, inbound tourism has been assigned a key role for its contribution to increase in foreign exchange earnings (McKinnon, 1964; Kruja, 2012; Yap & Saha, 2013; Kirca & Ozer, 2021), increase in government revenue (Isik *et al.* 2018), increase in investment, infrastructure building and improved human capital (Blake *et al.* 2006; Lemmetyinen & Go, 2009; Steyn & Vuuren, 2016), job creation and income generation (Lee & Chang, 2008; Pulido-Fernandez & Cardenas-Garcia, 2020), improvement in resource allocation (Alhowaish, 2016), development of other sectors such as agriculture, food and accommodation, manufacturing, construction, transport, communication and accommodation and other service industries (Weng & Wang, 2004; Croes, 2006; Vellas, 2007; Cernat & Gourdon, 2012; Alhowaish, 2016; Sokhanvar *et al.* 2018), growth of local economy (Lionetti & Gonzalez, 2012; Tang & Abosedra, 2014; Yazdi *et al.* 2017; Nunkoo *et al.* 2020), productivity growth and poverty reduction (Rasul & Manandhar, 2009; Li *et al.* 2018; Khan *et al.* 2020), increased FDI inflows (Sanford & Dong, 2000; Tang *et al.* 2007; Yazdi *et al.* 2015; Samimi *et al.* 2013; Meivitawanli, 2018; Mishra *et al.* 2020), and improved balance of payments and enhanced standard of living (Liu & Song, 2018; Paramati *et al.* 2017; Muslija *et al.* 2017). Thus, the

development of tourism in an economy contributes to human development in the long-run (Biagi *et al.* 2017; Wibowo *et al.* 2019; Croes *et al.* 2020, 2021). Therefore, tourism plays a critical role in resolving macroeconomic problems including low income and output, high unemployment, capital deficiency, shortage of foreign exchange, fiscal deficit, and balance of payments disequilibrium (Belke *et al.* 2021).

Keeping in view the above mentioned contributions of tourism in an economy, the existing literature aptly remarked that international or inbound tourism can be an important growth driver in the long-run (Mishra *et al.* 2011; Padmasree & Anchula, 2011; Jayathilake, 2013; Brida *et al.* 2014; Ohlan, 2017; Sharma, 2018; Kumar *et al.* 2018; Hieu & Yen, 2019; Kumar, 2019; Tasos *et al.* 2019; Manzoor *et al.* 2019; Balsalobre-Lorente *et al.* 2020; Haile & Megerssa, 2020; Kostakis, 2020; Selvanathan *et al.* 2020; Mishra *et al.* 2021; Perez-Rodriguez *et al.* 2021; Nosheen *et al.* 2021). However, the findings of some studies contradict this remark and establish that the expansion of the tourism sector does not contribute to economic growth in the long-run (Palamalai & Kalaivani, 2016). Some studies found evidence in favour of growth-led tourism development (Rani & Zaman, 2020). Few other studies are there which recorded mixed effects of tourism development on economic growth (Mohapatra, 2018; Skrinjaric, 2019; Alhowaish, 2016; Zhang & Cheng, 2019; Wu & Wu, 2019).

Standing at this crossroad, when we look at the studies that addressed the same issue in the context of SAARC countries, the following observations have been made. *First*, South Asian countries possess many valuable tourist resources and attractions which can be catalyzed for poverty reduction in the region (Rasul & Manandhar, 2009). *Second*, the expansion of international tourism is one of the critical factors influencing economic growth in South Asian countries (Nosheen *et al.* 2021). *Third*, the tourism sector positively contributes to the growth of the gross domestic product in South Asian countries in the long-run (Selvanathan *et al.* 2020). *Fourth*, receipts from international tourism positively influence long-run economic growth in SAARC countries (Mohapatra, 2018). *Fifth*, cooperation in tourism among the South Asian countries can benefit all the participating countries (Gupta & Singh, 2013). *Sixth*, tourism sector expansion in South Asian nations significantly increases environmental degradation and thus, does not ensure sustainable development in the long-run (Ahmad *et al.* 2020). *Last but not the least*, South Asian countries depict a mixed outcome concerning the tourism-growth nexus (Mishra *et al.* 2011; Jayathilake, 2013; Kumar, 2019; Rani & Zaman, 2020).

It is, therefore, evidenced that the issue of tourism-growth nexus is yet inconclusive, and hence a moot point. The studies on the SAARC region have not been taken up in a broader framework. There are also only a few studies relevant to SAARC countries that are insufficient to reach any conclusion. Hence, this research work is an attempt to bridge these gaps by revisiting the tourism-growth nexus in the case of SAARC economies using panel datasets.

3. Theoretical Construct

The theoretical framework of this study has been developed by identifying the indicators of economic growth, tourism sector development and the control variables for the empirical estimation. The literature predominantly uses GDP per capita at constant prices to measure the level of economic growth in a country

(Mishra *et al.* 2011, 2018, 2019, 2020, 2021). However, different indicators have been used to represent the level of tourism sector development. For instance, Van der Schyff *et al.* (2019), Kum *et al.* (2015), Ren *et al.* (2019) and Usmani *et al.* (2020) use international tourist arrivals; Simundic & Kulis (2016), Govdeli & Direkci (2017), Huseyni *et al.* (2017), Banday & Ismail (2017), Tang & Tan (2018), Danish & Wang (2018), Boga & Erkisi (2019) and Azeez (2019) use international tourism receipts; Seghir *et al.* (2015), Yazdi *et al.* (2017) and Usmani *et al.* (2020) use international tourism expenditure; and Danish & Wang (2018) and Jeje (2021) use capital investment in tourism for measuring the development/expansion of tourism sector. Furthermore, the literature uses different control variables while estimating the impact of tourism sector expansion on economic growth. For instance, Banday & Ismail (2017) controls for gross capital formation, total labour and CO_2 emissions; Danish & Wang (2018) controls for globalization; Shahbaz *et al.* (2017) and Khan *et al.* (2020) control for financial development; Tang *et al.* (2007), Selvanathan *et al.* (2012), Samimi *et al.* (2013), Fauzel *et al.* (2016), Boora & Dhankar (2017) and Matiza & Perks (2017) control for foreign direct investment while examining the tourism-growth nexus. Also, the literature argues that the development of tourism in an economy contributes to human development in the long-run (Biagi *et al.* 2017; Wibowo *et al.* 2019; Croes *et al.* 2020, 2021).

Based on the above discussions, we propose the following theoretical framework to estimate the impact of tourism sector development on real economic growth in the SAARC region.

$$EG_{it} = \left(HD_{it}, FD_{it}, FDI_{it}, CIT_{it}, ITR_{it} \right) \quad \text{.....} \quad (1)$$

Here, *EG* stands for economic growth, *HD* is the human development, *FD* stands for financial development measured by the broad money, *FDI* is the inflow of foreign direct investments, *CIT* is the capital investment in tourism, and *ITR* is the international tourism receipts. It is hypothesized that in this controlled framework, international tourism positively contributes to the long-run economic growth in SAARC nations. This study includes six South Asian countries, viz., Bangladesh, India, Maldives, Nepal, Pakistan and Sri Lanka based on the data availability.

4. Empirical Framework

Given the abovementioned theoretical construct, we estimated the impact of tourism development on economic growth in SAARC nations in a panel data framework using the following specifications:

$$EG_{it} = \alpha_0 + \alpha_1 HD_{it} + \alpha_2 FD_{it} + \alpha_3 FDI_{it} + \alpha_4 CIT_{it} + \alpha_5 ITR_{it} + \upsilon_{it} \quad \text{.....} \quad (2)$$

For estimation purposes, GDP per capita in constant 2010 USD has been taken as the proxy measure of the real economic growth in SAARC economies. The foreign direct investment inflows have been taken in current USD, the human development index has been taken as a proxy measure of human development, and the broad money has been taken as a percentage of GDP to reflect the level of financial development in a country. The international tourism receipts in current USD and capital investment in tourism in real USD have been taken to measure the tourism sector development. All these variables have been taken in their natural logarithms to avoid the likely problems of heteroskedasticity. All these correlates are expected

to have positive effects on the real economic growth in the SAARC region. The relevant data on these underlying variables have been compiled from the web sources including the World Development Indicators database of the UNDP, World Bank, the UNWTO and the WTTC for the period 1995 to 2019.

The estimation of specifications (2) requires proceeding through the following steps. *First*, the panel unit root test as proposed by Im, Pesaran & Shin (2003), generally abbreviated as IPS, has been employed to analyse the stationary properties of the underlying variables with heterogeneous cross-sections. The IPS unit roots test takes into consideration the autoregressive properties of each cross-section and uses the below-mentioned t-bar statistic: $\bar{t} = \frac{1}{N}\sum_{i=1}^{N} t_{\rho_i}$ where t_{ρ_i} is the individual t-statistic for $H_0 : \rho_i = 1 vs. H_a : |\rho_i| < 1$, given the regression model: $y_{it} = \rho_i y_{i,t-1} + \sum_{j=1}^{p_i} \phi_{ij} \Delta y_{it-j} + Z_{it}^{'}\gamma + \varepsilon_{it}$. The results reported in table-3 in the next section, indicates that the underlying variables are a mix of integrated of order zero and one. *Second*, specification (2) needs to be estimated in the Autoregressive Distributive Lag (ARDL) framework based on the Pooled Mean Group (PMG) estimators (Pesaran *et al.* 1999). This ARDL framework has been designed by including one lag of the dependent variable, and also one lag of each dynamic regressor as suggested by AIC in each case. In this framework, equation (3) has been used to estimate the short-run and long-run relationships.

$$\Delta EG_{it} = \varphi_i ECT_{it} + \sum_{j=1}^{p-1} \lambda_{ij} \Delta EG_{i,t-j} + \sum_{i=1}^{q-1} \eta_{1ij} \Delta HD_{i,t-j} + \sum_{i=1}^{r-1} \eta_{2ij} \Delta FD_{i,t-j} + \sum_{i=1}^{s-1} \eta_{3ij} \Delta FDI_{i,t-j} + \sum_{i=1}^{u-1} \eta_{4ij} \Delta CIT_{i,t-j} + \sum_{i=1}^{v-1} \eta_{5ij} \Delta ITR_{i,t-j} + \kappa_{it} \quad \text{.....} \quad (3)$$

5. Findings and Discussion

The orders of integration of underlying variables have been found out by employing the IPS unit root test, and the outcomes are presented in table-3. It is observed that all the variables except capital investment in tourism and foreign direct investment inflows are integrated of order one. The variables viz., capital investment in tourism and foreign direct investment inflows are all integrated of order zero. So this mixed outcome of the order of integration of the variables under consideration justifies the use of the PMG based ARDL model for estimation of specification (2). The results of long-run ARDL estimations are reported in table-4. The results presented in table-5 infer that the tourism sector development in terms of increase in receipts from international tourism exerts a statistically significant positive impact on real economic growth in the SAARC nations when the control variables, i.e., human development positively and substantially contributes to the long-run economic growth, and financial development negatively contribute to the long-run economic growth. The negative contribution of financial development to economic growth may mean a lack of financial depth in the SAARC region. But the growth impact of tourism depends on the development of the financial sector in the host country because it

improves the country's liquidity position, facilitates access to credit and other financial services, and increases efficiency in financial transactions by lowering the associated cost thereby increasing international tourist arrivals and their expenditure (Khan *et al.* 2020). Thus, the financial sector reforms must be undertaken in the selected SAARC nations to promote international tourism.

Table 3: Results of IPS Panel Unit Root Test

Variables	*At Level with Intercept & Trend*	*At 1st Difference with Intercept & Trend*	*Order of Integration*
EG_{it}	-0.293 (0.384)	-4.784 (0.000)*	I(1)
HD_{it}	0.505 (0.693)	-4.584 (0.000)*	I(1)
FD_{it}	1.652 (0.951)	-4.036 (0.000)*	I(1)
FDI_{it}	-3.735 (0.000)*	-	I(0)
CIT_{it}	-1.718 (0.044)**	-	I(0)
ITR_{it}	-0.504 (0.0307)	-5.192 (0.000)*	I(1)

*Note: Values within parentheses are p-values; *, ** significant at 0.01 and 0.05 levels respectively*
Source: Authors' Estimation

Table 4: Results of Long-Run Relationship (PMG based ARDL Estimation)

Variables	*Coefficients*	*Std. Error*	*t-stat.*	*p-val.*
HD_{it}	9.457*	2.624	3.604	0.000
FD_{it}	-0.541**	0.216	-2.496	0.014
FDI_{it}	-0.039	0.024	-1.589	0.114
CIT_{it}	0.101	0.062	1.652	0.101
ITR_{it}	0.102***	0.058	1.760	0.081

Note:, **, *** sig. at 0.01, 0.05 and 0.10 levels respectively; Model Selection by AIC (-5.193)*
Dependent Variable: Δ(Economic Growth); Dependent & Dynamic Regressors Lags: (1,1)
Source: Authors' Estimation

Table 5: Results of Short-Run Relationship (PMG based ARDL Estimation)

Variables	*Coefficients*	*Std. Error*	*t-stat.*	*p-val.*
$\Delta\ HD_{it}$	1.633***	0.930	1.755	0.082
$\Delta\ FD_{it}$	0.088	0.058	1.517	0.132
$\Delta\ FDI_{it}$	0.006	0.004	1.519	0.131
$\Delta\ CIT_{it}$	0.023***	0.012	1.952	0.053
$\Delta\ ITR_{it}$	0.003	0.010	0.327	0.743
C	1.957***	1.087	1.801	0.075
ECT_t	-0.078***	0.047	-1.671	0.097

*Note: *** sig. at 0.10 level; Dependent Var.: Δ(Economic Growth);* Dependent & Dynamic Regressors Lags: (1,1)
Source: Authors' Estimation

The capital investment in tourism has a positive contribution to economic growth, but it is not statistically significant. These outcomes ensure the stability of the long-run equilibrium as the error correction term is negative and statistically significant (see table-5). In the short-run, there may be deviations from this equilibrium. But the error correction term is negative and statistically significant indicates that such a deviation would be adjusted to the long-run equilibrium at a speed of 0.078 units per time. In the short-run, the control variable, i.e., human development positively contributes to economic growth. It is worthy to note that the capital investment in tourism has a statistically significant positive impact on economic growth in the short-run. But the variable, i.e., international tourism receipts is not significant. This may mean that the capital investment in the short-run may create employment opportunities and help in generating income which would increase international tourism receipts in the long-run by augmenting international tourist arrivals. Thus, the short-run outcomes are in corroboration with the long-run outcomes.

Therefore, the tourism-led growth hypothesis is validated for both short-run and long-run. Specifically, in the short-run capital investment in tourism positively determines the economic growth whereas in the long-run tourism receipts positively determine it in the SAARC region. Hence, the policy implication is that the activities which cause the growth of the tourism sector need to be fostered by increasing capital investments and by enhancing the levels of human development. This finding corroborates the outcomes of Banday & Ismail (2017), Mohapatra (2018), Roudi *et al.* (2019), Liu & Wu (2019), Balsalobre-Lorente *et al.* (2020), Selvanathan *et al.* (2020), Nosheen *et al.* (2021) and Belke *et al.* (2021).

6. Conclusions

The empirical research on the tourism-growth nexus has recently caught the attention of researchers, academicians, and policy makers may be because tourism is an important activity having resourceful socio-economic, political, cultural and environmental implications both for the source and destination territories. It has been regarded as a fast-growing and labour-intensive contributor to economic growth in countries facing capital deficiency such as SAARC countries. In these nations, inbound tourism is an important contributor to the gross domestic product, foreign exchange reserves, employment and poverty reduction. In this context, we hypothesized the positive impact of tourism sector development on the economic growth in these nations. Thus, we examined the impact of tourism development on economic growth in these countries. When the tourism sector development is represented by international tourism receipts and capital investment in tourism, we observed the robustness of the findings in favour of the tourism-led growth hypothesis in both short-run and long-run when human development has a statistically positive impact on economic growth. The immediate policy implication is that the schemes/strategies meant for tourism sector expansion can contribute to higher economic growth in the long-run. Thus, the policy circle should reorient its focus towards the robust development of tourism in these nations. It is imperative to optimize the resource mobilization process and allocate appropriate quantum of economic resources for

tourism sector expansion and development. Emphasis should be laid on increasing investments, infrastructure development, human development through improved health & education, and also on ensuring the prevalence of a congenial regulatory framework to achieve economic efficiency. Investment in human capital is of paramount importance for the growth of the tourism sector (Puah *et al.* 2018). In order to attract capital investment in tourism economies need to reorient their investment policies and ensure the presence of an investment-friendly socio-economic environment (Munyanyi & Chiromba, 2015; Khan *et al.* 2020). An important outcome of the increase in capital investments in tourism is the significant improvements in infrastructure which in the long-run would enhance international tourist arrivals (Wamboye *et al.* 2020). And, to complement this capital investment in tourism, it is essential to increase investments in human resources development (Jeje, 2021). Despite the appealing output of the study, it can further be extended to examine the impact of energy use in tourism and consequential environmental degradation on long-run economic growth in South Asian countries.

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