United International University

Factors Affecting Domestic Tourism Expenditure

Project Paper

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Letter of Transmittal

Dr. Md. Mohan Uddin

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Subject: Submission of Project Paper

Dear Sir,

With due respect, I would like to say you that I have completed my Project Paper on "Factors Affecting Domestic Tourism Expenditure". This particular report helps me to get an insight of the impact and affects domestic tourism has in regards of tourism sector in Bangladesh. This report is a comprehensive analysis of the financial aspects associated with domestic tourism of that region, highlighting key trends, patterns and insights necessary for strategic planning and policy formulation.

Finally, I would like to thank from my heart for your supportive thoughts and giving me your time for help me to make this report. At every situation, I have given my best effort to make this report. I, fervently hope that you will find this report worth reading. Please feel free for any query or clarification that you would like me to explain. Contact me by dialing +8801723235545 or email me at nhossain183021@bba.uiu.ac.bd. Hope you will appreciate my hard work and excuse the minor errors. Thanking you for your cooperation.

Sincerely yours,

Naveed Hossain

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<u>Acknowledgement</u>

At first, I would like to thank Almighty Allah for providing me with the mental and physical strength to make this report. A part of that, I am grateful to those people who gave me the support to make this report. I am extremely grateful to Dr. Md. Mohan Uddin, my respective instructor and the advisor of my Project Paper, who assigned me this topic and guided me during the entire process. He helped me complete this report successfully. I would not have been able to finish my report without his support. I would also like to thank all of the people who helped me prepare for it. This report would not have been possible without their assistance, suggestions and participation.

Abstract

This report explores relationships between socioeconomic, demographic, tourism-related, and economic factors with domestic tourism expenditure. Key socio-economic factors include income, household size and type, employment status, education attainment and foreign remittance that influence travel habits and spending patterns. Travel expenses are also greatly impacted by demographic factors such as age, gender, marital status, education, place of residence, religion, and employment status. Tourism-related factors like the duration of stay, size of the travel party, and type of trip directly affect the costs associated with domestic travel. Economic elements, including price and exchange rates, play a crucial role in the affordability and attractiveness of domestic tourism.

The report emphasizes the need for policymakers and industry stakeholders to understand these diverse influences to develop strategies that encourage domestic tourism expenditure. By addressing these factors, it is possible to establish a domestic tourist industry that is more structural and stronger, which will support overall economic growth and development.

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Chapter 1

1. <u>Introduction</u>

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1.1. Background

Domestic tourism expenditure is the tourism expenditure of the resident visitor within the economy of a country. Therefore, it is a crucial indicator of nation's internal travel patterns, economic health and social dynamics. Understanding the trends and dynamics of domestic tourism expenditure provides valuable insights into consumer behavior, economic stability and the state of the tourism sector as a whole. This report aims to analyze the recent trends and economic social input of domestic tourism within the context of Bangladesh over the past 20 years.

Expenditures related to domestic tourism are diverse which include transportation, lodging, food and beverage, entertainment and recreational activities. It represents the purchasing patterns and tastes of residents when they travel inside their own nation for leisure business or other things. Examining domestic tourism spending offers valuable insights on consumer preferences, travel motivations, and destination selections and also shows the financial impact of domestic tourism on country's economy.

1.1.1. Overview of domestic tourism trends

In recent times, Bangladesh has experienced significant changes in domestic tourism spending, influence by various factors such as economic conditions, demographic factor, technology advent, shifts in consumer behavior and many more. Now a days there is an increasing trend in tourism activities by the citizen of this country, more so than from foreigners. It is happening due to the fact that the country has a large population which is 8th largest in the world approximately

17 crores, wide range of price offering in tourist spot ranging in a way which is favorable for all kinds of people and social media made it easier to allocate this customer because of digital marketing and e-marketing.

Data shown is using current exchange rates. Data shown does reflect market impacts of Russia-Ukraine war. Most recent update: Dec 2023.

Figure 1.1 Tourism Revenue Trend of Bangladesh

Source: https://www.statista.com/outlook/mmo/travel-tourism/bangladesh
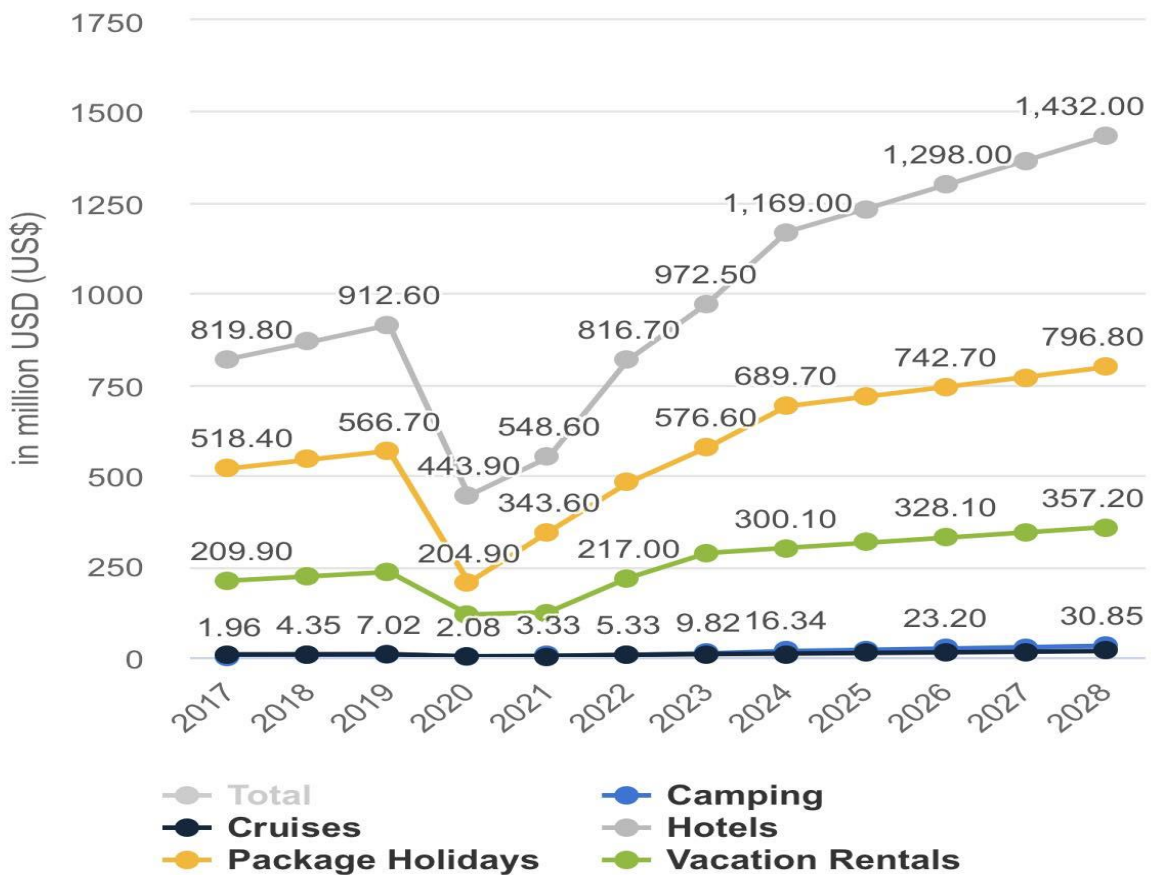
Figure 1.1 shows tourism revenue trend of Bangladesh. As we can see that there is a downward trend from the year 2019 to 2021 due to pandemic but after that there is a steady growth. As a result, we could conclude that if things remain normal than we could see more and more expenditure happening in years to come.

1.1.2. Overview of domestic tourism economic social input

Arguably, domestic tourism economic social input is influence by several factor such as income levels, lifestyle choices, marketing campaigns, accessibility to such destination and destination appeal by an individual or group. Rising disposable income (Zhang, 2020) and changing lifestyles have contributed in increased spending on tourism among the people of Bangladesh. In addition, the spread of digital platforms, social media influencers and online travel agencies (Pinto & Castro, 2019) has made it easier for people to obtain information, make reservations and have customized travel experiences. This has influenced people's purchasing habits and decisions in Bangladesh. Furthermore, domestic tourism-related advertising campaigns and infrastructure upgrades can boost economic social economic input.

In summary, domestic tourism spending is an important part of Bangladesh's tourism environment as it reflects the people's travel choices, spending patterns, and economic dynamics in my opinion. In order to develop strategies, allocate resources, and improve the sustainability and competitiveness of domestic tourism, policymakers, entrepreneurs, and stakeholders in the tourist sector may benefit greatly from an analysis of the trends. As Bangladesh continues to navigate through evolving economic social challenges and opportunities understanding the potential of domestic tourism expenditure is the key for growth, forecasting the future and can conduct necessary development in tourism sector if needed.

1.2. Objective

1.2.1. General objective

The research generally aimed at investigating to find and analyze the trends, patterns, and implications of domestic tourism expenditure within Bangladesh over a specified time period. The report aims to provide valuable insights into social economic, demographic, tourism and economic factor that affect domestic tourism expenditure.

1.2.2. Specific objectives

The specific objectives of the research are to:

- To identify how socio-economic factors affect domestic tourism expenditure

- To identify how demographic factors affect domestic tourism expenditure

- To identify how economic factors affect domestic tourism expenditure

- To identify how tourism related factors affect domestic tourism expenditure

1.3. Significance

The research has significant importance to entrepreneurs, policy makers, business management, students and many more. It is because the findings of this research contribute to highlight the impact of domestic expenditure in tourism sector of Bangladesh to help to analyze and act accordingly.

Chapter 2

2. Literature review

2.1. Socio-economic Variables

Domestic tourism expenditure can be significantly impacted by socio-economic variables such as income (Alam & Nayak, 2023) (Ocran et al., 2019) often correlate with increased spending in traveling within a country. Besides this, household size (Alam & Nayak, 2023) and type (Alam & Nayak, 2023) play a big role, as larger households tend to do more expenses related to transportation, accommodation and activities during domestic trips. Additionally, other socio-economic factors (Alam & Nayak, 2023) (Ocran et al., 2019), such as employment status (Odeny, 2019), education levels (Odeny, 2019), and international remittances (Mora-Rivera & García-Mora, 2021), can affect domestic tourism expenditure by shaping individuals' disposable income, preferences, and travel behavior. For example, employed individuals or those with higher education levels may have more money to spend and be more inclined to spend on domestic travel, which would increase the amount of money spent on tourism in the country.

2.2. Demographic Variables

Domestic tourism expenditure is subject to several factors that impact demographic characteristics. Because various age groups (Odeny, 2019) (Ocran et al., 2019) may have varying purchasing and travel patterns, as younger peoples much more prone to do tourism activities than older people. The head of the household's gender (Ocran et al., 2019; Odeny, 2019) may also have an impact, as male in general are much likely spend on tourism than their female counterparts. Marital status (Odeny, 2019) can influence spending patterns, as couples or families may have different priorities and budgets compared to single individuals as more people tend to spend more. The amount spent on domestic travel may also be influenced by education

levels, because more education is frequently linked to higher earnings resulting in higher expenditure. Travel habits may also be influenced by one's place of residence (Ocran et al., 2019; Odeny, 2019) (Castañeda et al., 2019) urban residence may spend more on domestic travel because of their better access to a wider range of services and attractions. Besides religion plays an important role like a religion that has a lot or religious event makes people to spend in those holidays than usual in tourism. The last important consideration is work status (Odeny, 2019), as those who are employed typically have more money available for leisure pursuits like domestic travel.

2.3. Tourism-related Variables

In the terms of tourism-related variables, several factors can influence domestic tourism expenditure. One important factor is the duration of stay (Alam & Nayak, 2023), longer visits usually mean more costs for lodging, meals, and activities, which adds to the total cost. So as the period of time prolong so does the expense. The size of the travel party (Alam & Nayak, 2023; Odeny, 2019) is also important, bigger groups usually result in greater expenses for housing, transportation, and group activities. Traveler spending patterns can be influenced by the kind of trip (Alam & Nayak, 2023) they take, including business trip, special events, and leisure trips, while leisure travelers tend to spend more on luxuries and extracurricular activities. Where else special events spend more than business trips. Similarly, the type of stay (Alam & Nayak, 2023), such as night stay, day long or business rentals can influence spending amounts due to the cost of lodging and related facilities. Furthermore, while inbound tourism (Castañeda et al., 2019; Rafiei & Abbaspoor, 2022) isn't directly linked to domestic spending, it may nevertheless have an indirect effect on local economies by raising demand for local products, services, and attractions, which may also encourage domestic travel expenditure.

2.4. Economic Variables

Price and currency rate fluctuations (Falk et al., 2023) are two economic factors that have a big impact on domestic travel spending. In an economy when price of goods and services decreases than people can buy their necessary goods with ease and have disposable income to spend on other things. Consumer increases the frequency and scope of their domestic travel activities as a result. Exchange rates, on the other hand, play a crucial role in determining the attractiveness of domestic tourism. A favorable exchange rate (Ocran et al., 2019; Rafiei & Abbaspoor, 2022) has the ability to increase inbound tourism and strengthen local economies by making domestic travel for foreign visitors substantially less expensive. As a result of this more and more people spend in domestic tourism.

2.5. Summary of Literature Review and Conceptual Framework

Based on the above literature review, Table 2.1 shows the summary of potential factors that influence domestic tourism expenditure.

Table 1 Shows the summary of potential factors that influence domestic tourism expenditure

Type	Factor	Relationship	Reference
Socio-Economic	Income	Positive	(Alam & Nayak, 2023; Mora-Rivera & García-Mora, 2021; Ocran et al., 2019; Odeny, 2019)
	Household type	Positive	(Alam & Nayak, 2023; Odeny, 2019)
	Household size	Positive	(Alam & Nayak, 2023; Odeny, 2019)

	Employment status	Positive	(Odeny, 2019)
	Education levels	Positive	(Alam & Nayak, 2023; Ocran et al., 2019; Odeny, 2019)
	International remittances	Positive	(Alam & Nayak, 2023; Mora-Rivera & García-Mora, 2021)
Demographic	Age of the respondents	Negative	(Ocran et al., 2019; Odeny, 2019)
	Gender of household head	Positive	(Castañeda et al., 2019; Odeny, 2019)
	Marital status	Positive	(Odeny, 2019)
	Individuals with primary and secondary education	Positive	(Alam & Nayak, 2023; Ocran et al., 2019; Odeny, 2019)
	Place of residence	Positive	(Castañeda et al., 2019; Odeny, 2019)
	Employment status	Positive	(Odeny, 2019)
	Religion	Positive	(Alam & Nayak, 2023)
Tourism-related	Length of stay	Positive	(Alam & Nayak, 2023)
	Travel party size	Positive	(Alam & Nayak, 2023)
	Type of trip	Positive	(Alam & Nayak, 2023)
	Type of stay	Positive	(Alam & Nayak, 2023; Falk et al., 2023)
	Inbound tourism	N/A	(Rafiei & Abbaspoor, 2022)

Economic	Price	Negative	(Castañeda et al., 2019; Falk et al., 2023; Ocran et al., 2019)
	Exchange Rate	Negative	(Falk et al., 2023; Rafiei & Abbaspoor, 2022)

Chapter 3

3. <u>Methodology</u>

3.1. Data & Sample

The research data and sample are based on secondary data. The data have been collected from different reports, published articles, websites, World bank (WB), Data Cat log (DCL), Wikipedia (WP) and Chat GPT. Table shows the variables and the sources:

Table 2 Show the sources of data collected for each variable

Variables	Source
Domestic tourism expenditure (DTE)	https://www.unwto.org/
Exchange rate (XRT)	https://kidb.adb.org/
Life expentancy (LFE)	https://data.worldbank.org/
GDP of per capita (GDP)	https://data.worldbank.org/
Public holidays (PBH)	https://www.timeanddate.com/
Personal remittances (PRR)	https://data.worldbank.org/
Employment (%) to population ratio (EMP)	https://data.worldbank.org/
Population female ratio (GNR)	https://data.worldbank.org/
Households' expenditure (HHE)	https://data.worldbank.org/

The data collected has a frequency of 1 calendar year from the year 2000 to 2021 of 46 countries of Asian continent.

3.2. Data Analysis

Data is analysis in excel after collecting the data from the websites. At first all the data is been compile in one single table and then taking a data set by excluding any that has missing data. After that the data set is been standardized by using mean and standard division of each variable in another table. Then I got descriptive analysis, correlation and regression using data analysis in excel.

Chapter 4

4. <u>Results & Discussion</u>

4.1. Descriptive Analysis

Table 3 Shows descriptive analysis

	XRT	LFE	GDP	PBH	PRR	EMP	GNR	HHE	DTE
Mean	2718.386	72.06221	6811.686	17.96212	6.86E+09	61.68231	50.39711	3.68E+11	7502.414
Standard E	343.5961	0.300471	651.0261	0.309424	7.73E+08	0.591162	0.104837	4.79E+10	683.6186
Median	77.72467	71.42	3428.137	17	2.1E+09	61.46	50.53786	8.34E+10	2859
Mode	3.8	70.881	#N/A	17	#N/A	59.93	#N/A	#N/A	585
Standard D	5582.776	4.882083	10577.92	5.027537	1.26E+10	9.605252	1.7034	7.78E+11	11107.49

The table 3 shows the mean, median, mode and standard division of each variable. The variable

XRT has a high mean and a very high standard deviation, indicating significant variability. The

median and mode values are much lower than the mean, suggesting that the data is right-

skewed.

4.2. Correlation

Table 4 Shows correlation

	XRT	LFE	GDP	PBH	PRR	EMP	GNR	HHE	DTE
XRT	1								
LFE	-0.12261	1							
GDP	-0.19556	0.761897	1						
PBH	-0.20169	0.068267	0.017786	1					
PRR	-0.00383	-0.13667	-0.15697	0.041626	1				
EMP	0.419521	-0.01924	-0.08902	0.085903	-0.26258	1			
GNR	-0.02648	0.167638	0.100548	0.136045	-0.25922	-0.03476	1		
HHE	-0.09868	0.627035	0.88178	-0.03875	0.158692	-0.14378	0.055037	1	
DTE	-0.07035	0.522946	0.345412	0.107147	0.139409	0.137975	-0.0585	0.390094	1

The table 4 represent a correlation matrix showing the correlation coefficients between 9

different variables. Each cell shows the correlation between the variables listed in the rows and

columns. GDP has a very strong positive correlation with HHE (0.882). This means that as GDP

increases, household expenditure also tends to increase significantly. As a result, households will

have more disposable income and will likely increase their spending on tourism.

4.3. Regression

Table 5 Regression

Regression Statistics	
Multiple R	0.644927
R Square	0.415931
Adjusted R	0.397608
Standard E	0.776139
Observatio	264

Table 6 Regression P- value

	Coefficients	andard Err	t Stat	P-value	Lower 95%	Upper 95%	ower 95.0%	pper 95.0%
Intercept	-5.3E-16	0.047768	-1.1E-14	1	-0.09407	0.09407	-0.09407	0.09407
XRT	-0.15327	0.057123	-2.68316	0.00777	-0.26576	-0.04078	-0.26576	-0.04078
LFE	0.679317	0.076531	8.876364	1.25E-16	0.528603	0.83003	0.528603	0.83003
GDP	-0.6247	0.163283	-3.82587	0.000164	-0.94625	-0.30314	-0.94625	-0.30314
PBH	0.053206	0.051592	1.031295	0.30338	-0.04839	0.154807	-0.04839	0.154807
PRR	0.081138	0.070353	1.153308	0.249864	-0.05741	0.219685	-0.05741	0.219685
EMP	0.248693	0.057113	4.354426	1.93E-05	0.13622	0.361165	0.13622	0.361165
GNR	-0.12044	0.052014	-2.31554	0.021378	-0.22287	-0.01801	-0.22287	-0.01801
HHE	0.531433	0.141336	3.760064	0.000211	0.253098	0.809767	0.253098	0.809767

In the table above adjusted r square value of 0.397608 indicates that about 39.76% of the

variance in the dependent variable is explained by the model. Significant variables are XRT,

LFE, GDP, EMP, GNR, and HHE in the table:

LFE (life expectancy) has a strong positively significant effect. It means with age people are

more likely to travel more. GDP (gross domestic product) has a strong negatively significant

effect. Meaning increase in GDP has a negative impact on tourism. EMP (employment rate) and

HHE (household expenditure) also have positively significant effect. It means employment rate and household expenditure has moderate impact in tourism expenditure. GNR (population female ratio) and XRT (exchange rate) has a negatively significant effect. Meaning female population has less interest in tourism than their male counterpart.

4.4. Discussion

XRT (exchange rate)

Ocran (Ocran et al., 2019), Rafiei & Abbaspoor (Rafiei & Abbaspoor, 2022) wrote in their paper that exchange rate plays a crucial role but the result shows that it has a negative relation.

LFE (life expectancy)

Ocran (Ocran et al., 2019) wrote in his paper wrote various age groups may have varying purchasing and travel patterns, as younger peoples much more prone to do tourism activities than older people. Also, the results proof him write as it has the strongest significant.

EMP (employment rate)

Odeny (Odeny, 2019) wrote that employment rate or status plays a vital role as they get salary and most of them have extra money to spend in tourism. As I can see in the table above it proves her right.

GNR (population female ratio)

Castaneda (Castañeda et al., 2019) and Odeny (Odeny, 2019) wrote in their paper that gender of the household head plays an important role to influence tourism. But the result show that they are wrong as female household head are not likely to spend in tourism. Although a male household head could or not but result not available.

Chapter 5

5. Conclusion

In conclusion, a wide range of socioeconomic, demographic, tourism-related, and economic factors have an impact on domestic tourist spending. Higher income, larger household size, employment status, and education levels are all related to socioeconomic. Demographic aspects such as age, gender, marital status, and urban residence additional influence on travel habits and spending plans. Tourism-related variables like the duration of stay, size of the travel party, and type of trip significantly impact on overall expenses. Additionally, economic factors, including price and currency exchange rates, determine the affordability and attractiveness of domestic travel.

This report has explored this various factor influencing domestic tourism expenditure over the past 20 years (2000-2021). Giving us some vital insides of this industry as a whole. The tourism sector by large has a lot of growth potentiality and it could be a significant part in growing the economy. As this report highlight some of the key areas that is crucial for policymakers and industry stakeholders to develop strategies that promote domestic tourism expenditure, thereby contributing to economic growth and development.

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