

Effects of tourism on the economy of the mauritius



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Abstract: This dissertation is based on tourism in Mauritius concentrating on how the country became one of the world's best tourist destination and a detailed report on how tourism influencing the economic growth of Mauritius. The overall development of the country can be assumed through the GDP and per capita income, luxury tourism sector is the main economic growth of the Mauritius which is playing a key role for the social and economic aspects. The technique which used in Mauritius has progressed them from a low-income economy based on agriculture to a middle-income diversified economy

Keywords: Tourism, GDP, per capita, low-income, diversified economy

1. Introduction

In the sub-Saharan region and in Africa Mauritius is one of the most performing and fastest growing countries. The country has moved from a mono-crop sugar-dominated economy to being services oriented. The main economic pillars of the island are textile, sugar, tourism, and services. People from different parts of the world are attracted towards the real beauty of Mauritius which is in its wild interior, waterfalls, lush forests and endemic wildlife, striking mountains, mild weather. Mauritius offers inspiring beaches and indigo waters, fascinating accommodation, world-class golf courses, spas, waterskiing, windsurfing, fishing, parasailing, and warm hospitality from the locals. [Mauritius-simply divine n. d.]

Mauritius has progressed from a low-income economy based on agriculture to a middle-income diversified economy . The main economic growth has been the result of the increase of the luxury tourism sector. When world

sugar prices have turned down and the manufacture of textiles has become economically impracticable, the country concentrated on tourist industry. Because of the limited space available for tourism and the need to maximize income while minimizing environmental impact, tourist policies in Mauritius endorse influential and specialist tourism. Low budget tourism is not promoted. The Mauritian government encourages boutique luxury hotels, 4 and 5 stars beach resorts, golf courses, and spas and beauty centers for high-end tourism.

Accordingly, thus rising from 103,000 in 1977 to 656,450 in 2000, a more than six-fold increase in tourist arrivals. Total number of nights spent by tourist was estimated to about 6.5 million, representing an increase of 13% over 1999. The usual duration of stay works out to around 10 nights and average expenditure per tourist reached about Rs. 22,000. In 2000, gross tourism receipts were 14.2 billion rupees (508.3 million US \$) and contributed to about 11% of our GDP. In 2010, tourist arrivals were estimated at about 934,000 compared to 871,000 the previous year and 2010 tourism earnings were estimated at about MUR 39.5 billion, up from MUR 35.7 billion in 2009. Gross foreign direct investment (FDI) stood at MUR 10.6 billion at the end of September 2010 against MUR 8.8 billion for the same period in 2009, a 20% gain. The investment went mainly to health and social work activities, real estate, finance and insurance. Tourists are mainly European, French and British. In 1970 Mauritius had about 18,000 visitors in and between 1985 and 2000 the size of its tourism sector, calculated by the raise in tourist arrivals, grew by approximately 340%. In 2000 Tourism created 30,000 full time job equivalents in Mauritius thus the country tends

to be a high cost tourist destination and in 2004 Tourist arrivals were almost 720, 000 and in 2008, 970 482 tourists came to Mauritius. Air travel and accommodation are reasonably expensive. Most tourists are on package holidays there is very little independent travel or backpacking. Charter flights have been banned, the resort hotels have been built to high standards and there are high standards of cuisine and service to encourage up-market tourism there are direct flights from Britain and South Africa. [Tourism in Mauritius n. d]

Despite concerns about pollution and damage to coral reefs, the amount of resorts come together in parts of the coastline is growing and policy in the country has generally been to regulate contact between Mauritian society and tourists because of concerns about cultural and social problems. The main tourist attractions in the country are its environment, with white beaches, sea, and warm climate and the friendliness of the people and its political and social stability. By attracting Foreign Direct Investment the country is equipped with a highly skilled labor force and a very good infrastructure. Over the last 3 years the average economic growth was 5.6%. As a result the standard of living has gone up the income per Capita has reached 4000 US Dollars. The Government has taken several steps to face globalization and a new economic environment. On the priority list there are high value-added, capital intensive and knowledge-based activities. The Information Technology sector is undergoing rapid changes so as to be fit for the next millennium. The aim is to make Mauritius a centre for high-tech and software services, which can be exported. [African Economic Outlook n. d]

The government of Mauritius has adopted new strategy for developing the local tourism industry which is referred as the “ opening of the sky” action plan. The main idea is to develop new markets, which include penetrating to new countries and new client profiles. Tourism to Mauritius has accomplished consistent growth in recent years and following the government efforts for developing the local tourism sector, it is most likely therefore that the tourism sector will continue growing in coming years. The developed infrastructure, access to cost effective and educated labor, attractive investment incentives and existing linkages with industry representatives in European Union and Eastern and Southern Africa put Mauritius in an excellent position to take advantage of growth opportunities. Following these efforts, the Mauritius government expects an increase in the number of tourist arrivals to as much as 2 millions tourist per annum by 2015. To have a optimistic and flourishing tourism sector Mauritius is well known in the African region. With a value added of 9. 2% of GDP and has been a key factor in the overall development of Mauritius tourism has emerged as one of the main pillars of the economy and contributes significantly to economic growth. About 65. 7% of the tourist arrivals are of European origin, with France supplying nearly half. The Government has been very helpful to investors – local and foreign – by setting clear policies, get rid of bureaucratic procedures, contributing incentives and creating an environment favorable to investment. There are many factors which attract investors offer- primarily beach tourism and the sun, our strategic location, the image that Mauritius has, hospitality of Mauritian, infrastructure, availability of skilled workers, political stability, business incentives, facilities and environment that make possible investment among many others. The Government of Mauritius

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conducts its marketing activities through the Mauritius Tourism Promotion Authority. Hotels, though, carry their own marketing and deal mainly with foreign tour operators.

The tourism sector has paying attention to considerable FDI. Recognizing the significance of Foreign Direct Investment in terms of capital for further investment and overflow of technological know-how and skills, the government has put forward openhanded incentives to attract foreign direct investment to advance increase the sector. FDI policies towards tourism were once quite preventive as there were fears at that time of creating over-capacity of hotel rooms. However, foreign investment is now permitted in restaurants, yacht, travel agencies among others. It is expected to contribute towards showing the livelihood impact of the tourism sector in terms direct and indirect employment creation, infrastructure and amenities improvement, preservation of the environment and job opportunities for women among others. It will also be a stepping stone in identifying the main challenges facing this sector from the view point of all stakeholders involved.

[Economy of Mauritius n. d]

2. Motivation

Tourism creates jobs and wealth for the countries, increase GDP/ national income, economic and educational growth of people, and broadens people's understanding of different cultures. There is a continuous flow of money between countries/states/towns. Depend heavily upon travel expenditures by foreigners as a source of taxation and as a source of income for the enterprises. Therefore, the development of tourism is often a strategy to promote a particular region for the purpose of increasing commerce through <https://assignbuster.com/effects-of-tourism-on-the-economy-of-the-mauritius/>

exporting goods and services. It provides direct employment for the people associated with occupations in bars and hotels. The standard of living of people increases well and at the same time unemployment is on the decrease. Tourism is an extremely profitable process in loads of countries, especially those in which the process of development continue to depend on this industry because this industry does not require a lot of literacy and also it yields maximum profits with less investment.

Concerning public there has been much development made for the infrastructures, many buildings has been built in coastal regions for the comfortable of tourists, road also have been built to ease the travel in those regions. It can say that much has been done to make tourist feel safe in the coastal regions and there are many police stations and police patrols (policemen patrolling on bicycles also). Much work and employment has been created in hotels, that indirectly create jobs for tour operators, tourist guide, taxi drivers. Many places have been protected and the government is doing much to preserve places, fauna and flora in the island. Thus the Tourism industry has had a much more positive impact on the industry on Mauritius and it has been a boon to the economy of the country as many foreigners come to the country and spend much money during their stay

3. Findings and Results

Using a number of statistics compiled by the Central statistical Office an analysis of tourism has done by the government authority. A number of ratios are devised and plotted as time series from 1979 onwards. The Ratios calculated are as follows: Number of Nights spent per Tourist, Discounted Earnings per Tourist, Discounted Earnings per Night, Contribution to GDP per

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Tourism Earnings, Discounted Contribution to GDP per Tourist, Percentage of Nights spent in Hotels, Nights spent per Tourist in hotels and nights spent per tourist in informal accommodation, average expenditure per tourist residing in hotels and average expenditure per tourist residing in informal accommodation.

It was brought into being that there has been a plummet in the number of nights spent per tourist for the past years and low-cost earnings per tourist has stayed flat from 1988 to 1998. It was also found that although only 25% of tourists reside outside the hotel sector, those tourists make up 40% of nights spent on the island and represent 14.5% of the earnings accrued from tourism. It was found that from 1990 to 1997, GDP (in 1997 US \$) for European countries has increased by 10% on average, and arrivals from Europe has gone from 43% of the total to 58%, discounted spending per tourist from a number of European countries has remained flat. The main results are that the constant achievement of tourism in Mauritius respites significantly on tourists existing outside the hotel sector and that in real terms Mauritius has grown to be a cheaper destination for Europeans.

Tourists in hotels spend less time in Mauritius than tourists in informal accommodation and this is due to the relative expense of staying in hotels compared to staying in informal types of accommodation. Over a lapse of six years the number of nights spent per tourists in both types of accommodation has fallen significantly and it is not a good trend [A paper on tourism in Mauritius n. d.]

Table 1: Nights per Tourist in hotelsVsNights per Tourist in informal accommodation

Year

Nights per tourist (in hotels)

Nights per Tourist (informal accommodation)

1990

9.40

18.57

1992

7.86

23

1994

9

16.36

1996

8.33

15.65

1998

7. 92

17. 18

Figure 1: Nights per tourist (in hotels) Vs Nights per tourist (informal accommodation)

Tourism industry adds considerably to economic growth and has been a key factor for the whole progress of Mauritius. In the past two decades tourist arrivals increased at an average annual rate of 9% and in 2000, gross tourism receipts contributed about 11% of the GDP of Mauritius.

Table 2: Number of tourist arrivals in Mauritius from 1974 to 2010

Year

Number of tourist arrivals(in 1000)

1974

100

1978

200

1982

300

1986

400

1990

500

1994

600

1998

700

2002

800

2006

900

2010

1000

Figure 2: Number of tourist arrivals in Mauritius

In particular, financial globalization undeniably presents new challenges and benefits to developing economies, to a small island economy (SIDS) like Mauritius. Given the special features of SIDS in terms of their economic

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vulnerability, their participation in the global financial markets raises a number of policy issues such as market access, level of financial development, international support and financial stability.

Since the late 1980s, with the onset of the financial liberalization programme the integration of the domestic financial system in the global financial markets has been high on the agenda of policy makers. The internationalization of the financial system shaped part of the overall strategy of reaping the full benefits of economic liberalization. Policy makers have been aggravated by encouraging the financial services sector as another major pillar of the economy and creating Mauritius as a regional financial center. In order to integrate the global financial markets the purpose of this work is to emphasize the institutional and policy changes, which took place in the Mauritian financial system.

In terms of capacity building; capital flows and improved competence an introduction assessment of the impact of the liberalization of trade in financial services on the financial system will be attempted. In the trade liberalization of financial services, there has been a significant increase in the volatility in net capital flows, namely foreign direct investment and portfolio investment inflows. It is hard to state that financial services liberalization has led to financial stability. In some sections of the financial sector there has been a move towards higher financial efficiency.

Domestic financial integration has greater than before but the diversification process is going at a slow pace. The banking activity remains highly concentrated and there are signs of rigidity in banks' interest rates.

Especially in terms of capacity building and governance the developments in the financial markets have been significant and number of legislations has been passed to modernize the Mauritian financial system and amalgamate the world financial markets. Following an econometric investigation of the impact of financial globalization on consumption volatility, find an evidence of a positive and significant relationship. This is an indication that the level of financial sector development has not reached the threshold level so as to reap the benefits from financial globalization. A higher level of financial sector development will be helpful to harness the benefits from financial globalization. The main policy implications is the further development of the financial sector is crucial for participating in the globalization process of financial markets and reap the benefits in terms of higher economic growth and welfare. Trade liberalization in financial services has guide to higher volatility in capital flows; policy makers should continue to implement institutional changes to integrate world financial markets. International support should be sought for financial sector development and harmonization of regulatory framework.

In 2008 real gross domestic product (GDP) grew by 4. 1% in 2010, up from 3. 1% in 2009 but lower than the 5. 5%. The government has maintained a growth path, in spite of challenges at home and abroad. In 2011, GDP growth is estimated to remain around 4%. Nevertheless, this will depend on the improvement in the main European trading partners, but could be faster if Mauritius reduces its dependence on sending exports to slow-growing traditional markets and charting a new economic model more flexible to future shocks. Projections for 2012 put economic

growth at 4. 1%. To taken as a whole 2010 budget deficit was estimated at 4. 7% of GDP against 6. 6% in 2009. It is projected to fall back to 4. 4% in 2011 and 4. 3% in 2012.

In 2010, the key Repurchase Agreement (Repo) rate was reduced from 5. 75% to 4. 75% and the headline inflation rate stood at 2. 9% compared to 2. 5% in 2009. In 2011 Inflation is expected to increase to 3. 0% and 3. 9% in 2012. The current account deficit stood at 7. 9% of GDP and is projected to rise to 9. 2% in 2011 and 9% in 2012. Amid volatility in the foreign exchange market, the Mauritius rupee (MUR) ended 2010 appreciating against major currencies. Against the US dollar (USD), it gained from an average of MUR 31. 94 in 2009 to MUR 30. 89. [Financial globalization n. d]

The government has already committed to a target of one million tourist arrivals on the short term and two million before 2020 in the up-market segment, regarding the volume of tourism. The TDP bring to a close that tourist development in Mauritius will not be controlled. Given these targeted growth Figures the tourist burden on the country in terms of environmental and social impact remains limited. with an accelerating growth especially in the last few years in correspondence with the targets for the first five-year period room capacity is increasing from 9, 024 rooms in 2001 to 12, 830 rooms in 2006.

For example the French coming through Reunion despite the ' low volume and high quality' hotel sector there are regional and domestic markets that seek inexpensive accommodation. Through the ' informal' sector this accommodation has developed. According to a survey executed for the TDP

this accommodation has substantial capacity an estimate of 7, 000 rooms resulted from this survey. In comparison with the hotel room capacity in the formal sector the occupancy rates are much lower in the informal sector Bed nights sold in the formal hotel sector are about 3. 5 times higher than in the informal sector according to the TDP. It should be emphasized that there is a complementary value of the informal sector product in the tourism product portfolio. In the 2000 survey repeat tourists accounting for 33% of the tourists interviewed and probably there are more or less captive customers of the informal sector. If this is the case a value added strategy for this sector will contribute to the economic development without undermining the high quality profile of the formal hotel sector. [Master plan for air transportation in Mauritius, n. d.]

The United States has become Mauritius second largest market. The Americans and Mauritian are expecting that the new American trading relationship will not drop out or it did in the early 1800s. Due to that today, architect of the Mauritian economy as well as Americans who are being actively trade with Mauritius. This invigorated trade with the United States comes at an important time for Mauritius. To weaken the profitability of sugar and clothing exports the country faces many confronts into the future, as a removal of preferential treatment and increased competition in world trade. The government has taken some measures to point out these issues such as investing in training and education, technology sector, introducing more competition in key services, creating an information and communication end also privatizing the communications industry. Mauritius has great hopes for future growth in the U. S. market. The Africa growth and

opportunity Act, which offers preferential access for apparel exports to the U. S. market. The country today is planning for the future with an eye in international trade just as Mauritius did in the 1790s to open the island for foreign trade. [Economic growth in Mauritius, n. d.]

4. Comparisons

From 1990 to 1997, the GDP per capita for ten European countries sources of tourists to Mauritius has increased. The average increase is of the order of 10% for the 10 countries listed below.

Table 3: GDP per capita for ten European countries sources of tourists to Mauritius

Country

Percentage increase in real GDP per capita from 1990 to 1997

GDP per capita in \$ US

(1997)

Austria

14. 7%

25550

Belgium

10. 9%

23792

France

9.8%

23786

Germany

14.9%

25592

Italy

8%

19912

Netherlands

18.6%

21370

Spain

13%

13511

Sweden

5. 5%

25735

Switzerland

0. 7%

35978

United Kingdom

12. 5%

21823

Average Increase

10. 86%

The spending per tourist expressed in 1997 has diminished by 5. 6% when the GDP per capita for the above-mentioned European countries has improved by 10%. The proportion of arrivals from the above-mentioned European countries has gone from 43. 5% in 1990 to 58. 7% in 1997 of the total arrivals respective years. Those simple figures do show evidently that for Europeans, Mauritius has become a cheaper destination. [A paper on tourism in Mauritius, n. d.]

Mauritius has received a substantial proportion of its visitors from Europe since the 1980. Today in Mauritius more than 20, 000 jobs are produced by tourism sector. Mauritius is having predominantly European Tourists. It is

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calculated that expense on tourism in Europe is going to increase stronger than its GNP. Even though the GNP-growth per capita in Europe is relatively low compared to the USA and Japan, long-term growth prospects in the European market are positive. As a matter of fact like other sectors, tourism is also a competitive market. Tourist operators are now having more number of tourist destinations in their brochure. In competing markets, like the tourist market, price sensitivity is very high. Given the quality, relative small price changes can lead to large market share changes. Globally, there are many reasons for the increasing value for money. The cost of a typical long distance holidays have dropped substantially. The air fare component is the main contributor to this decline. Mauritius may loose important market shares in the distinct originating markets. Therefore one must conclude that the current tourist strategy has some risks in it, whereas until today the image could justify the high price of the Mauritius' tourist product, this may not be the case in the future especially if promotion efforts diminish. But even if Mauritius would be able to pertain its value perception by promotion, this would bring – in some views – too few tourists with insufficient economic multiplier effects into Mauritius. The current state of the economy may require a significant increase in tourist demand volume. Recent volume developments in the up-market segment make it impossible to compensate the current lay-offs in the textile sector. Among other things the current pricing strategy in the tourism sector is not expected to provide the new employment perspectives. It can even be questioned whether Mauritius is able to retain its current market share in the up market segment as such.

Enlargements of the tourist market may imply major changes in the environmental and social structure. Careful environmental planning and <https://assignbuster.com/effects-of-tourism-on-the-economy-of-the-mauritius/>

design is essential to prevent the island from an urban sprawl of hotel developments. A good water management is necessary to take care of the increase of both the demand for drinking water and the volume of wastewater. Next to that, the residents of Mauritius will be increasingly confronted with tourists, whether in competition for the beach or in association with the 'informal' sector. Therefore the developments have to go with a balanced social program [Master plan for air transportation in Mauritius]. Rodriguez and Mauritius also have similar comparisons of tourism industry [Tourism and development n. d]. Antigua and Mauritius are the islands which have developed tourism as the major industry and along similar lines with big resorts. [Business Mega n. d.]

Figure 3: Distribution of respondents by purpose of visit, 2000

The proportion of tourists coming on holiday went up from 72% in 1998 to 74% in 2000, while honeymooners fell from 15% to 11%. In 2000, tourists coming on business or to attend seminar accounted for 9% of the sample, a figure which is more or less the same as that recorded in 1998. [Tourism Strategy n. d]

Table 4: Percentage distribution of respondents by purpose of visit, 1998 & 2000

Purpose of Visit

1998

2000

Holiday

71. 6

73. 7

Honeymoon

15. 1

11. 3

Business/Seminar

8. 7

9. 2

VFR

2. 3

3. 6

other

2. 3

2. 2

5. Conclusion and Future recommendation

This dissertation has shown how tourism industry has developed into a major pillar of economic development in a small island economy like Mauritius and

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comparisons with other countries dealing with the achievement of tourism industry and how tourism helping Mauritius both in economic and social aspects. And also about the drawback of stay in hotels and informal accommodation due to the relative expense in hotels which is not considered as a welcome trend. In future if the government will study more about this and try to solve it according to the welfare for the country's economic aspects then Mauritius will become a cheaper destination in all aspects. At present the marketing strategy of tourism in Mauritius is mainly based on European countries which can be considered as a negative aspect because if the country concentrate on the advertisements based on a global technique then it will help the economy to a better extent. Government can take necessary actions, if need be, to improve the impact of tourism on businesses, community, environment, training and infrastructure.

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