

Uncategorized Expenditure of Tourists : An empirical Study in Northeast India

UTTAMKUMAR BARUAH*

Abstract

Economic benefits generated from the tourists' visit have been well documented and recognised. Considering the multifarious economic benefits derived from tourists' spending, much emphasis has been laid down on gathering travel expenditure data. A peep at tourism literatures indicate that tourists' from diverse backgrounds behave differently at the destination areas and hence expenditures incurred by them take various forms. Interestingly, all forms of tourists' expenditures may not be beneficial for the local economy to the projected extent. As the nature of tourists' expenditure on vacations are discretionary, it is crucial to understand their spending behaviours and underlying factors affecting such behaviours. Tourists' expenditures usually can be broken-down into Categorized and Uncategorized expenditures. The findings indicate that, an emerging destination show that uncategorized form of expenditure constitutes a sizeable proportion of tourists' trip budget but the extent of such expenditures incurred by tourists significantly differs across their place of origin.

I. Introduction

TOURISM IS ONE of the fastest growing service sectors of the world economy. The economic benefits generated from the tourists' visit have been well documented and recognised. "Tourism ranked higher than equipments, clothing, textiles, iron and steel and was marginally below automobiles and crude petroleum products in 1990 (Bezbaruah, 1999)". It is amongst the top five export sectors for 83% of countries and a leading source of foreign exchange for at least one in three developing countries (Narayan, 2005) Tourism statistics (GOIMOT, 2009) show that global tourism hit a benchmark of 922 million tourists arrival in 2008 and tourism receipts accounted an injection of US\$ 944 billion into the world economy by registering a sharp increase of 10.2% over previous year. Tourism is also regarded as the industry of future. The World Tourism Organisation (WTO, 2000) projected that the International tourists' arrival is expected to surpass a figure of 1.56 billion by the year 2020. This projection obviously directs the attention of destination marketers towards

* Senior Assistant Professor in Commerce, Darrang College, The Department of Commerce, Tezpur, Sonitpur, Assam 784001, INDIA.

an emerging potential market. Encouraged with such opportunities, many countries are setting targets to gain additional income, foreign currency, employment, and tax revenue generated from visitor's spending.

Considering the multifarious economic effects of visitors' spending, much emphasis has been laid down on gathering travel expenditure data. Therefore, research interests are also extended to analysis of tourists' expenditure patterns. Ironically, the depth of economic benefit resulted from tourists' spending depends upon the nature and extent of expenditures. Tourists from different backgrounds behave differently in and around the destination area and as such the nature of their spending also varies. However, all forms of tourists' expenditures may not flourish the local economy to the projected extent. As the nature of tourists' expenditure on vacations are discretionary, it is crucial to understand their spending behaviours and underlying factors governing such behaviours. In today's competitive business environment, destination marketers are trying to expand their market share by seeking the travellers who will not only pass time but also spend money during their visit. This paper discusses the tourists' expenditure patterns in Northeast part of India and establishes that the amount of money spent by tourists for uncategorized purposes varies across the individuals originating from different place.

II. Literature review

Tourists' expenditures are often discussed in terms of accommodation, transportation, food & beverages (Llave, 2005; Wang and Qu, 2004; Wellner, 2000; Mok and Iverson, 2000). These are the primary expenditures for which visitors have to pay and therefore, considered by tour operators in their 'package' offerings. This form of expenditures can be termed as 'Prepaid' expense (Mok and Iverson, 2000) or Common expenditure. However, it is often seen that tourists also incur for various purposes like shopping which might not be included in the "package" offered by the tour operators and such expenditure may not occupy position in the tourists' travel budget and therefore, sometimes regarded as "Other" (Wall and Woodley, 1993) expenditures. This empirically means that tourists' expenditures basically consist of Prepaid or "Common" and "Other" or "Uncommon" expenditures. In case of former type of expenditures, tourists usually don't enjoy discretionary power about whether to pay for it or not. In other words, they can't skip this form of expenditures and almost all the tourists are bound to incur for it. But the latter form of expenditures can be ignored by the tourists. That is, visitors are not under compulsion to incur for it and they enjoy discretionary power over this form of expenditure. Moreover, the amount spent for this category varies from individual to individual. In this paper "Prepaid" expenditure is regarded as "Categorized" expenditure and "Other" expenditure as 'Uncategorized' expenditure.

Prepaid or Categorized expenditure constitutes a major size of visitors' total trip budget. According to data released by the University of California, Alaska and Wyoming (WREP, 1994), of every US\$ 100 spent by tourist in Arizona in 1984 about US\$ 26 was spent for food and beverages, another US\$ 26 for lodging and a little more than US\$ 23 for transportation. Tourists spending in Alberta in 1991 (as cited by Getz, Joncas and Kelly, 1994) on accommodations estimated to be 20% of the total tourists' expenditures. In

1996, tourists in Malaysia spent 32% of the trip budget on accommodation while expenditure on food and beverages accounted 18% (Business times, 1996). The single largest category that visitors' spent on when they were traveling in 5 states (California, Florida, New York, Texas and Illinois) in 1998 was the food, totaling US\$ 117.2 billion (Wellner (2000). Consumers on their trip to these 5 states of US spent nearly a quarter of their total travel budget on food, while lodging accounted for 20% of the total vacation bill. Foreign tourists spent 31.8% of their trip budget on accommodation in Malaysia in 1998 (Li, 1999). Chinese domestic tourist' expenditures on transportation, food & beverages and lodging constituted 30.4%, 16.8%, and 15.8% respectively (Wang and Qu, 2004). Visitors' spent an average US\$ 96.03 a day in December in 2004 (Lleave, 2005) in Philippines and most of their money went on accommodation and food. Thus, a major proportion of tourists, vacate bill goes for categorized expenditure.

Tourists' expenditures on uncategorized heads also constitute a significant part of their total trip budget. This form of expenditures generally include shopping and souvenir purchase (Kim and Littrel, 2001; Snepenger et al, 2003; Jansen and Verbeke; 2000; Godbey and Graefe, 1991; Timothy and Butler, 1995); purchasing handicrafts (Sarma, 2004); liquor, women's cosmetics, candy & chocolate, jewellery items (Keown 1989); agri-food, meat products and other foods (Manente, 2000); purchase of clothing (Kim and Littrel, 2001); and local arts & crafts (Jung, Cheng, Lehto and O'Leary 2004) etc. The size of this expenditure varies from place to place and is often substantial and sometimes amounts to 25% of the visitors' travel budget (Kent, Shock and Show, 1983; Kreck; 1985).

Considering the tourists spending for various discretionary purposes, it is of immense essence to understand their spending behaviours as well as underlying factors affecting such behaviours. Unfortunately limited studies have posed lack of supporting empirical data in tourists' behaviour literatures. In an effort to bridge the gap, a study was conducted in Northeast part of India in 2006-07.

II. The Study : Objective, Data and Methodology

2.1 Objective of this paper

The central idea of this paper is to analyse the 'uncategorized' (Other) expenditures of tourists in Northeast India. Hence this paper aims at attaining the following objectives;

- i. To explore the uncategorized patterns of tourists' expenditure in North East India.
- ii. To see whether the tourists can be segmented on the basis of their 'Origin' for the extent of uncategorized expenditures.
- iii. To measure the extent of expenditures incurred by tourists in Northeast India on various uncategorized expenditure heads.

3.2 Data and Research Methodology

The research plan devised to achieve the objectives comprises the review of extant literatures, conduct of pilot survey, primary data collection and data analyses. Accordingly after completion of the literatures review, a pilot survey was conducted amongst a small representative group. The final survey had started on October 2006 and continued till May 2007. A

convenient sampling survey method was performed personally among the tourists visiting North East India. The geographical parameter of the study was limited within seven sister states of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura (except Sikkim). Tourists were interviewed in four places i.e., Guwahati, Kaziranga, Shillong, and Tezpur. A total 800 questionnaires were distributed, 727 questionnaires were received back but finally a total of 535 questionnaires were found to be usable.

The Principal Component Analysis was used to extract the Factors. For the purpose of analysis, tourists were classified as Regional tourists (originated from within Northeast India), National tourists (originated from other states of the country), and Foreign tourists. ANOVA test and test of homogeneity of variances were adopted to confirm the rejection or non-rejection of Null hypothesis, i.e., equality of expenditure. On rejection of the Null hypothesis, descriptive tables were drawn by using Games-Howell post-hoc method of analysis.

Games-Howell method of Post-Hoc analysis is followed when Test of Homogeneity of Variances shows a significant value of 0.05 or less ($P < 0.05$). The data were analysed using SPSS 11.0.

The Hypothesis formulated were as follows

Null Hypothesis $H_0: \mu_A = \mu_B = \mu_C = \dots = \mu_n$ (1)

Alternate Hypothesis $H_1: \mu_A \neq \mu_B \neq \mu_C \neq \dots \neq \mu_n$ (2)

where,

Hypothesis H_0 : means that the tourists of different origins spend equal extent of money on a particular expenditure head (factor).

Hypothesis H_1 : means that the tourists of different origins don't spend equal extent of money on particular expenditure head (factor).

IV. Empirical Analysis and Results

A total of 23 statements of expenditures could be derived from the literature and pilot survey. These heads of expenditures include accommodation, transportation to the destination, transportation within the destination, local textiles, clothing, foods in the place of stay, foods outside the place of stay, sightseeing, magazine & news paper, books related to the destination, film roll & accessories, refreshments, cosmetic item, gifts, decorative items, toiletries, entrance fee, porter, tour operator, handicrafts, tips, mineral water and tobacco/liquor. Tourists' expenditures were analysed in a series of steps. First, the principal component factor analyses with Varimax rotations and Kaiser Normalization were used to reduce the expenditures into smaller groupings of internally consistent heads. Factor analysis was conducted in an exploratory manner, without a priori designations for number of factors in the analyses. The data reduction process thus employed explored five factors each of which are named based on salient themes among the items. These factors are Shopping, Local expenditure (Categorized), Travel expenditure (Categorized), Personal expenditure and Beverage as shown in Table I.

The factors explained the variance of 67.96% which is above the recommended satisfactory level of 60% (Malhotra, 2006). In next step,

Cronbach's alpha coefficient of inter-item correlation, a measure of internal reliability was set at 0.60 as the acceptable parameter for internal consistency among the items in each factor grouping. The extracted Cronbach's alpha values derived against each factors are Shopping, 0.73; Personal Expenditure, 0.82; Travel Expenditure, 0.58, Local Expenditure, 0.54 and Beverages, 0.68. The Kaiser-Mayer-Olkin (KMO) tests were also inspected for each factor analysis in order to determine whether the distribution of values was adequate for conducting factor analysis or not. The Kaiser-Mayer-Olkin score of 0.697 was recorded which is higher than acceptable parameter of 0.50. Bartlett tests of sphericity were likewise inspected for each factor analyses to identify multivariate normality of the set of distribution. For Bartlett tests, a significant value of <0.05 indicated that the data were acceptable for analysis.

Table I
New Factors (N-535)

New Components (Factors)	Heads of Expenditures	Cronbach's Alpha	Type of Expenditure
1 Shopping	Other clothing, cosmetic items, gifts, decorative item, toiletries & handicraft	0.73	Uncategorized
2 Personal Expenditure	Foods outside place of stay, magazine & news paper, books related to the destination, film roll & accessories, refreshments & entrance fee	0.82	Uncategorized
3 Travel Expenditure	Transportation to the destination, porter, tour operators ,and tips	0.58	Categorized
4 Local Expenditure	Accommodation, transportation within the destination, local textiles and foods in the place of stay	0.54	Categorized
5 Beverage	Mineral water and tobacco/liquor	0.68	Uncategorized

Source : Self Computed

The relevant statistical tests conducted to confirm the adoption of principal component analysis thus show that "Uncategorized" expenditures of tourists visiting destinations of Northeast India can be conveniently reduced to three factors of Shopping, Personal Expenditure and Beverage, each factor showing satisfactory Alpha values of 0.73, 0.82 and 0.68 respectively (see Table I).

Table II
ANOVA Table

Factors	Sig.
Shopping	0.000
Personal Expenditure	0.019
Beverage	0.000

Source : Self Computed

Once the factors were identified, the factor scores were computed to inspect pair-wise differences across the origin of the respondents. The one-way ANOVA test results show that the H_0 hypothesis can be rejected at 95% confidence level of significance for all the three factors (see Table II). To explore the pair-wise differences, descriptive tables using Games-Howell multiple comparison tables were drawn ($P < 0.05$ in all the cases). The extracts reproduced in the Table III show that the mean of Regional tourists for the factor Shopping is higher than the mean of Foreign tourists. Similar trend

could also be seen in case of the factor Personal Expenditure. On the other hand, the mean of Foreign tourists for the factor Beverage is found to be higher than the mean of National tourists. Thus, it indicates that Regional tourists spend more amounts on Shopping and Personal Expenditure than Foreign tourists while Foreign tourists incur more on Beverages than domestic tourists. However, for all the factors the differences of mean values between Regional and National tourists are not apparent. The extent of expenditures incurred by tourists of different origins on various factors are reproduced in the Figure 1.

Table III
Origin and Expenditures (mean scores)

Expenditure Heads	Regional	National	Foreign
Shopping	3.89	2.74	1.86
Personal Expenditure	4.86	3.63	1.41
Beverage	2.18	1.71	5.29

Source : Self Computed

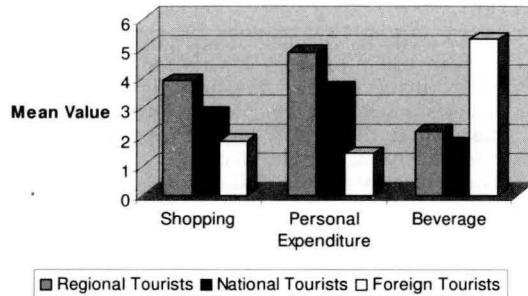


Figure 1
Extent of Expenditures

Thus it is seen that tourists can be segmented on the basis of their place of origin for extent of expenditure incurred uncategorized purposes.

To meet the third objectives of this paper i.e., to measure the extent of expenditures incurred by tourists in Northeast India on various uncategorized expenditure heads, the mean values were computed. The frequency table (Table IV) shows the mean scores for all the heads of expenditures under study. The mean values reflect the responses of the respondents given in a 10-point interval scale indicating "1" as least expenditure and "10" as highest expenditure. The data reproduced in the Table IV reveal that the extent of tourists' expenditures on uncategorized heads of expenditure constitutes a significant amount. The various heads of uncategorized expenditures and their respective mean values thus extracted are "food outside the place of stay (mean 4.8), refreshment (mean 4.0), gifts (mean 4.2), pure drinking water (mean 4.5), film roll and accessories (mean 3.0), entrance fee (mean 3.0), handicrafts (mean 3.2), clothing (2.84), tips (2.56), decorative item (2.40), books related to the destination (2.25), magazine and news paper (2.21), tobacco/liquor (2.17), cosmetic item (2.05), and toiletries (1.89)." It is seen from the figures the extent of expenditure incurred on various uncategorized heads of expenditures can't be neglected.

Table IV
Extent of Uncatergorized Expenditure*

	Expenditure heads	N Valid	Missing	Mean
i	Expenditure on other clothing	535	0	2.8355
ii	Expenditure on food outside the place of stay	535	0	4.8654
iii	Expenditure on magazine and news paper	535	0	2.2093
iv	Expenditure on books related to the destinations	535	0	2.2542
v	Purchase of film roll and accessories	535	0	3.0598
vi	Expenditure on refreshment	535	0	4.0187
vii	Purchase of cosmetic item	535	0	2.0467
viii	Expenditure on gifts	535	0	4.1776
ix	Purchase of decorative item	535	0	2.4037
x	Expenditure on toiletries	535	0	1.8897
xi	Entrance fees	535	0	3.0916
xii	Expenditure on handicrafts	535	0	3.2112
xiii	Purchase of mineral water	535	0	4.5439
xiv	Expenditure on tobacco/liquor	535	0	2.1701

Note : * Categorized heads of expenditures are excluded

4.1 Practical Implication

Uncatergorized tourists' expenditure is often neglected. It has been explored that uncatergorized tourists' expenditures in North East India constitute a substantial proportion of their trip budget. As the benefits derived by uncatergorized expenditures are subject to high multiplier potential (due to low possible leakages), there is unrealised potential to increase local economic impacts from this types expenditures. The fact lies in considering seriously the uncatergorized form of tourists' expenditure. This may help in bridging the gaps existing between the product offerings and tourists' desire. So, identifying visitors' weakness towards various activities they engage in and making arrangement accordingly might help the tourism product marketers and retailers to derive economic benefits to the maximum possible extent. This paper advocates the application of expenditure based segmentation technique to exploit the benefits of tourism to the maximum possible extent.

V Conclusion

Tourists visiting the destinations of Northeast India can be conveniently segmented for the extent of money spent on uncatergorized heads that are subjective to local economic benefits. Regional tourists spend more than the National and Foreign tourists. There is a need to analyse the reasons behind this trend and arrange the things accordingly. Further studies may be conducted to explore why National and Foreign tourists spend less for these causes. More the amount this section of tourists spends on 'Other' expenditure heads, higher will be local economic benefit.

References

- Bezbaruah, M.P., (1999), "Tourism: The Global Scenario, India Tourism beyond the millennium", Gyan Publishing House, Delhi, pp. 18
- Business Times (1996), "Accommodation, Shopping and F & B top earners", Association of Southeast Asian Nations. Kuala Lumpur, 1996
- Getz, D., D. Joncas and M. Kelly, (1994), "Tourist shopping villages in the Calvary region", *Journal of Tourism Studies*, Vol. 5, No. 1, pp. 2-15
- Godbey, G. and A. Graefe, (1991), "Repeat tourism, play and monetary spending", *Annals of Tourism Research*, pp. 213-225

- GOIMOT, (2009), "GOI Mof Figure for 2008", Ministry of Tourism, Govt. of India
- Goldman, George, Anthony Nakazawa, and David Taylor (1994), "Impact of visitor expenditure on local revenues", WREP-00145 Western Rural Development Center, Oregon Sate University USA.
- Jansen-Verbeke, M., (2000), "Leisure shopping: a magic concept for the tourism industry? *Tourism Management Towards the New Millennium*", Elsevier Science Ltd, Oxford, pp. 203-210
- Jung, O., J.Y. Cheng, C.K. Lehto, and X.Y. J. O'Leary, (2004), "Predictors of tourists' shopping behaviour :examination of socio-demographic characteristics and trip typologies", *Journal of Vacation Marketing*, Vol. 10, pp. 308
- Kent, W., P.J. Shock and R.E. Snow, (1983), "Shopping: tourists unsung hero (ine)", *Journal of Tourism Research*, Vol. 21, No. 4, pp. 27-31
- Keown, C.F., (1989), "A model of tourists' propensity to buy, the case of Japanese visitors to Hawaii", *Journal of Tourism Research*, Vol. 26, No. 3, pp. 31-34
- Kim, S. and M.A. Littrel, (2001), "Souvenir buying intentions for self versus others", *Annals of Tourism Research*, Vol. 28, No. 3, pp. 638-657
- Kreck, L., (1985), "The effect of the cross-the border commerce of Canadian tourists on the city of Spokane", *Journal of Travel Research*, Vol. 24, pp. 27-31
- Li, K. S., (1999), "Tourists spent RM 2.5 billion on shopping in Malaysia last year", *Business Times*, Kuala Lumpur, 1999
- Llave, E.M., (2005), "Special Report: Tourism Industry Report", *Business World*, Manila
- Malhotra, N. K. (2006), "Marketing Research: An applied orientation", 5th edition, Prentice Hall of India, Delhi.
- Manente, M., (2000), "Tourism consumption and interregional economic impacts in Italy", *International Journal of Contemporary Hospitality Management*, Vol. 12, No. 7, pp. 417-423.
- Mok, C. and T. J. Iverson, (2000), "Expenditure-based segmentation: Taiwanese tourists to Guam", *Tourism Management*, Vol. 21, pp. 299-305
- Narayan, P. K., (2005), "Did Rabuka's military coups have a permanent effect or a transitory effect on tourist expenditure in Fiji: evidence from Vogelsang's structural break test?" *Tourism Management*, Vol. 26, No. 4, pp. 509-515
- Sarma, M. K., (2004), "A Study on the demand pattern of tourism oriented cottage industry products in the North-East India", Unpublished project report submitted to the Maulana Abul Kalam Azad Institute of Asian Studies, Kolkata
- Snepenger, D. J., L.O. Murphy, and R.E. Gregg, (2003), "Tourists' and residents use of a shopping space", *Annals of Tourism Research*, Vol. 30, No. 3, pp. 567-580
- Timothy, D. J. and R. W. Butler, (1995), "Cross-border shopping: A North American perspective", *Annals of Tourism Research*, Vol. 22, No. 1, pp. 16-34
- Wall, G and A. Woodley, (1993), "Souvenirs Sales: a case study on the north-shore of Lake Superior", In M.E. Johnson & W. Haider (Eds.). *Communities, Resources and Tourism in the North, Northern and Regional Studies Services*, ThanderBay: Lakehead University, Center for Northern Studies, pp. 97-108
- Wang, H. and H. Qu (2004), "A comparison study of Chinese domestic tourism: China vs. the USA", *International Journal of Cotemporary Hospitality Management*, Vol. 16, No. 2, pp. 108-115
- Wellner, A.S., (2000), "Where tourists spend big. American Demographics", *Ithaca*, Vol. 22, pp. 22-23
- WTO (2000), "World Tourism Vision 2020: WTO actual data base", WTO, Geneva
- WTTC, (2004), "Global troubles took toll on tourism in 2003; growth to resume in 2004", World Travel and Tourism Council, Madrid