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The Impact of Tourism Development on Income Inequality in Iranian Provinces

Mohammad Bagher Beheshti¹

Parviz Mohammadzadeh²

Khalil Ghasemlou³

Abstract

Many development planners believe that development of tourism industry is the key factor for sustainable development. This industry can play an effective role in national, regional development as well as diversifying the national and regional economies. One of the consequences of tourism industry is its impact on regional income change and income distribution together with its economic and social effects.

This paper investigates the relationship between tourism industry development and income inequality among the provinces. For estimating the research model a panel data regression method with cross-section/ period Fixed Effects Testing model for the period of 2000- 2014 was utilized.

The paper found that there is a negative and significant between tourism industry development and income inequality among the Iran's provinces such that by developing of tourism industry, as it is, the inequality of income among the provinces will be decreased. Moreover, the increase of agricultural activities and increase of per capita public expenditures will decrease of income inequality among the provinces while the increase of production and export of industrial goods will increase of income inequality among the provinces.

Introduction

In recent decades, the tourism industry has been increasing in both developed and developing countries. This industry has had a positive impact on economic growth through gaining foreign exchange and investment, increase of tax

¹ Corresponding Author: Professor in Economics at Tabriz University (dbeheshti@gmail.com)

² Associate Professor in Economics, Tabriz University

³ Ph.D. Student in Economics, Tabriz University

revenues and create job opportunities. Therefore in case of developing tourism industry in provinces the income equality would be declined.

The income inequality among the Iran's provinces is increasing such that during 2000-2014 years the per capita income of the top province to the last one increased from 3/78 to 6/2 As a result of the increase of income inequality, people of border- situated provinces migrating to center-situated provinces that led to worsening the income distribution against more underdeveloped provinces. Since in the five-year development plans instead of whole economy, economic sectors were highly considered therefore as a result of ignorance of balanced growth of the sectors the income inequality of the provinces was devastated. Accordingly, this paper is searching to find a response to decrease the income inequality among Iran's provinces through developing the tourism industry.

Materials and Methods

In this study, for analyzing data a panel econometric model has been used, because this model constitutes both time series and cross section data such that estimation problems like autocorrelation and co-linearity will not occur. Therefore, these estimates are valid and more reliable. Meanwhile, in this research variables of agricultural activities, industrial exports and per capita public expenditure were utilized as independent variables.

The empirical findings confirm a long-run equilibrium relationship between the tourism industry, at its current position, decrease income inequality significantly.

Discussion and Conclusion

In order to attain sustainable development, by considering the negative relationship between the tourism industry and income inequality in all provinces of the country, the research recommends to the government improving infrastructure for develop tourism industry in all provinces specially in provinces with high natural capabilities and low per capita income. Moreover, the government can facilitate tourism industry through some financial policies like tax and insurance reduction incentives and technical and credit subsidies. .

Conclusions

The estimated regression model showed that the development of tourism industry improves income distribution significantly. Meanwhile, increase of agricultural production, industrial exports and the per capita public expenditure caused to a reduction in income inequality.

Keywords: Income Inequality, Tourism Industry Development, Provinces of the Country, Panel Data.

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