

## ECONOMIC AND SOCIAL EFFICIENCY OF TOURISM INDUSTRY

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**Abstract:** The tourism activity, like any other type of economic activity, is one that consumes human resources, which produces effects with a strong social character. The tourism industry trains a vast human and material potential, with profound implications for the economy, society and international relations. Under these conditions, the economic efficiency of the industry is closely related to its social efficiency. The efforts it engages and the effects it produces in the economy, prove public and private interest in relation to the factors influencing tourism, its leverage effect and particularities of economic legitimacy, which are related to this industry.

It is suggestive that the economic and social advantage generated by tourism has led many developing countries, such as the Republic of Moldova, to increase their efforts in the development and consolidation of this branch.

Due to the fact that it is necessary to correctly assess the impact caused by tourism on the national economy, through this article, the authors will establish the limits of the research area, identifying the opportunities that can accelerate the development of this branch, as well as the constraints that stop this process.

At the same time, the correct quantification of tourism from a statistical point of view will allow the evaluation of the real dimensions of this industry, to establish its impact on the Gross Domestic Product.

Based on the above, the respective study supports the scientific approach regarding the role of tourism in the economic and social cohesion on tourist destination countries, which are involved in international tourist flows.

**Keywords:** tourism, tourism economy, economic efficiency, social efficiency, tourist destination, tourist consumers.

JEL Classification: M1, Z3

## Introduction

Tourism evolves and develops under the influence of numerous factors, different in nature and role, which manifest themselves with different intensities, with positive or negative effects, with upward evolution or involution. All these factors determine for each country, the extent and structure of the trends of the tourist phenomenon.

The specialized literature abounds with numerous references to the respective factors: economic, technical, social, demographic, psychological, educational, natural, political, etc., which influence the development of tourism, but we, in this research, will focus on two of them: the economic and the social factors.

The exact assessment of their efficiency covers a particularly vast area, assuming a varied, dynamic, and differentiated research methodology. But regardless of the methodology used, effectiveness studies, in our opinion, must reflect:

- degree of tourist satisfaction with the functional means made available;
- degree of satisfaction of the economic stakeholders of the tourism market in relation to the profit margin obtained;
- the degree of satisfaction of the state with the contribution made by tourism to the formation of the Gross Domestic Product.

All the mentioned, led the authors to carry out a scientific research in the respective field, because the economic and social efficiency is the foundation on which the tourism economy is based.

## Research methods

When preparing this article, the authors used 3 research methods, as follows:

*The fundamental research* allowed the study of the evolution of tourism through the prism of the efficiency-effect relationship, at the same time reflecting the attested trends in the researched field. The investigations in the form of theoretical studies that led to the formulation of some scientifically argued practical conclusions were included in the fundamental research.

*The research for development* aimed to identify those restructuring mechanisms that can contribute to the improvement of this industry in the context of sustainable development. In order to address the diversity of problems encountered by the tourism activity, a rich literature of specialized and general interest was used, a variety of scientific research tools, comparative analyses, which highlight the complexity of tourism as a generator of economic and social benefits on a national level.

*Applied research* had the task of selecting the necessary information for directing the practical activity, in order to increase the methodical work. The selected information provides practical support in knowing the functioning mechanisms of tourism as a socio-economic activity of great complexity, in the conceptual clarifications and the appropriation of the main economic categories in the field, as well as in highlighting the determining factors, trends and forms of manifestation of programs and policies in tourism.

Going through the stages of documentation and research also meant highlighting the complexity of the concept of sustainable development of tourism, making connections with other fields of activity.

**The purpose of the research** is focused on the description of the problem related to the economic and social efficiency of tourism, in order to create a theoretical and practical scientific support, necessary for the future development of this industry.

**Relevance of the article.** Since tourism can become an important source of income for the National Public Budget of the Republic of Moldova, and taking into account the economic and social aspects of this industry, we consider it appropriate to carry out extensive scientific research on this subject.

### **Introduction**

The efficient organization of tourism through the rational use of natural and human resources is a strategic objective for most states of the world, which really want to become a top tourist destination.

Like any component of the global socio-economic system, tourism, in order to function and fulfill its mission, must consume resources and produce effects, all of which are materialized through concrete results.

The specificity of this field, reflected in the variety and nature of the resources consumed, the complexity and multitude of the processes carried out, gives the efficiency some particularities, both in terms of the meaning and the ways of evaluating the measurement indicators.

Speaking about efficiency and its meanings, it is also necessary to mention the relationship between it and the factors of production consumed: the nature of work, capital. Thus, in order to examine the socio-economic efficiency of tourism, a complex analysis of the effects produced by tourism is required, based on all the variety of resources consumed.

### **Description of the research topic**

The continuous increase in efficiency must represent a desire of the time for all kinds of activity. It is a general objective law that acts in socio-economic structures, reflects essential cause-effect relationships in any type of reproduction and is determined by the development of production forces. Tourism is no exception to this requirement.

Efficiency, as an expression of the law of the economy of time, assigns to the development of production and the provision of services, in the broadest sense, quantitative determination, and through the social form of production and services provided through the use of resources in general, qualitative determination.

The dialectical unity of the quantity and quality of activity is a measure of socio-economic development. In the opinion of the group of authors, reflected in the “Tourism Economy” manual, efficiency “*must be understood as a process, action, result of a set of technical-economic events, and the effect as a consequence of the process, of the action*” [Neacșu N, Baron P., Snak O., 2006].

Measuring efficiency is done by relating the effects to the efforts put into the process or action.

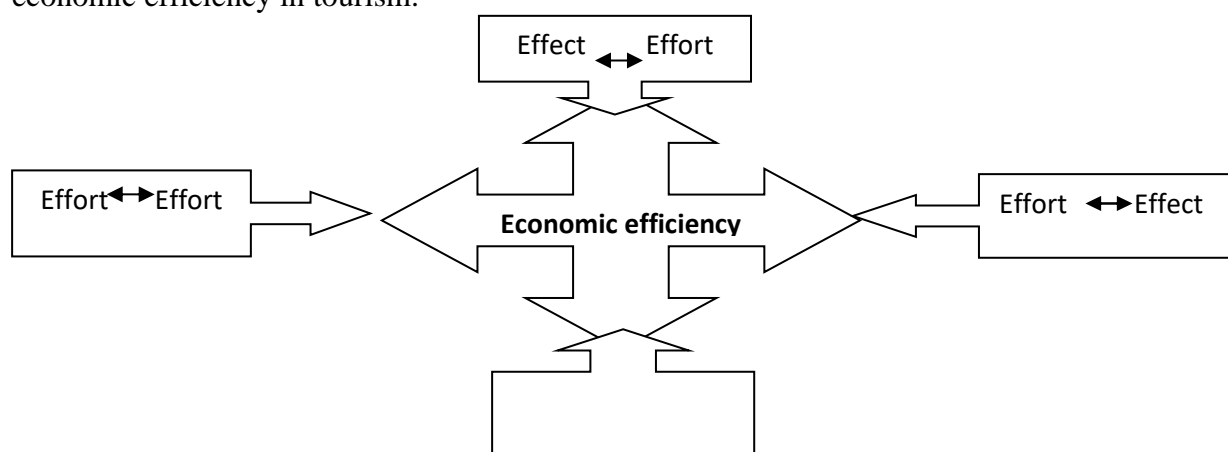
Most economists determine economic efficiency as the ratio of the effect to either the resources consumed or the resources used to achieve the effect.

The problem of efficiency appears everywhere where social work is spent and human, financial and material resources are consumed, however, in the tourism activity, in addition to comparing the effects with the efforts that determined them, other elements must also be taken into account in order to appreciate the efficiency such as: the structure of resources and results, looking not only at performance but also at the effects towards society.

It is well known that any economic activity must correspond to concrete needs of society, respond to real requirements of people's material and spiritual life. In this sense, the tourism activity has multiple tasks in terms of economic and social efficiency. Next, the authors of this study will reproduce the notion of economic and social efficiency of tourism.

*Economic efficiency in tourism* consists in determining the revenues obtained as a result of the investments made in the technical and material endowment of the industry (accommodation units, public catering establishments, leisure structures, tourist facilities, commercial premises with tourist production, etc.), conditioned by the duration of the recovery of the money invested, the yield and the profit margin obtained. It has a complex character because it expresses the result of a set of activities specific to tourism: internal, inbound and outbound.

*Social efficiency in tourism* represents the contribution that accommodation units, public catering establishments, leisure structures, tourist facilities, commercial spaces with tourism production, etc., offer to the training of a certain number of people in the respective industry, as well as the amount of income achieved, distributed to society for its community development. Starting from the unitary structure of effects and efforts, **four types of relationships** reflected in **Figure 1** are built to measure economic efficiency in tourism.



**Figure 1. Measuring economic efficiency in tourism through the effect-effort ratio**

Source: Adapted by the authors

Indicators of the **effect-effort** or **effort-effect** type are partial indicators, which reflect the efficiency of using different components of effort.

The indicators built through the **effect-effect** ratio provide information on the profitability of the services and the proportions formed between the different components of the results.

With the help of the effort-effort type indicators, the proportions between the effort components are reflected.

Thus, the action of the tourism activity manifests itself on a multitude of levels, from stimulating economic growth to improving the social structure, from capitalizing on natural and human resources, to improving living conditions.

Next, in **Table 1**, we will show the **ten** most important socio-economic effects of tourism.

*Table 1. 10 Socio-economic effects of tourism*

<b>Nb.</b>	<b>Effects</b>	<b>Impact</b>
1.	Tourism boosts the global economic system	Tourist circulation implies an increased consumption of specific goods and services, which determines the stimulation of the production of the industries with which tourism enters into relations.
2.	Tourism contributes to the diversification of business and the achievement of added value	Through its multiplier effect, tourism ensures revenue in its value chain. In addition to the traditional tourist services with which the industry operates: transport, accommodation, food and leisure, tourism favors the development of trade, agriculture, construction and telecommunications.
3.	Tourism contributes to the growth and diversification of exports	The goods and services that foreign tourists consume in a tourist destination country during the trip can be considered as exports for the visited country.
4.	Tourism alleviates regional imbalances	In the context of the economic implications, an important function that the tourism activity has consists in its contribution to the development of an area less rich in resources with high economic value, unable to ensure the development of strong enterprises or industries, but with important and attractive tourist resources, natural and anthropogenic. Thus, territorially, this can be a solution for the prosperity of disadvantaged areas.
5.	Tourism allows superior exploitation of natural and human resources	Many elements such as: the splendor of the landscape, art monuments, historical remains, etc. they find their best use, sometimes even the only one, through tourism.
6.	Tourism contributes to ensuring a balanced monetary circulation	Domestic and receiving tourism, through the expenses made by tourists, returns to circulation a part of the income obtained by them.
7.	Tourism contributes to balancing trade balances of payments	Through the receipts made from the export of tourist services, tourism contributes to reducing the gap and ensures the balancing of the balance of payments.
8.	Tourism creates jobs in the regions where it develops	Along with the development of the technical-material basis of tourism, it contributes to the creation of new jobs, involving the native population in various activities. Tourism also has the positive effect of stabilizing the active population in the rural environment and reducing the phenomenon of migration to the urban environment.

9.	Tourism generates foreign exchange flow into the country	Through the foreign exchange receipts, the inbound tourism contributes to the achievement of the foreign currency, the consolidation of the national currency and the free convertibility.
10.	Tourism intensifies and diversifies connections	International tourist traffic is an effective way of establishing contact between nations and peoples, thus contributing to the maintenance and consolidation of peace, as well as to the cultivation of a climate of mutual understanding between people. The thirst for information, the concern for knowing the life, economy, history and culture of various nations will be satisfied to an increasingly important extent precisely through direct contact with the reality of those who wish to know it.

*Source: Adapted by the authors after* [Pirvu R., 2015], [Neacșu N, Baron P., Snak O., 2006].

Tourist activity is extremely diversified. It presupposes the existence of several types of tourism market actors: tour operators, retail travel agencies, professional associations, tour offices, tourist information centers - between which economic relations of collaboration are established in order to fulfill and achieve the statutory goals. At the same time, the tourist activity cannot be practiced without adequate regulation from the state.

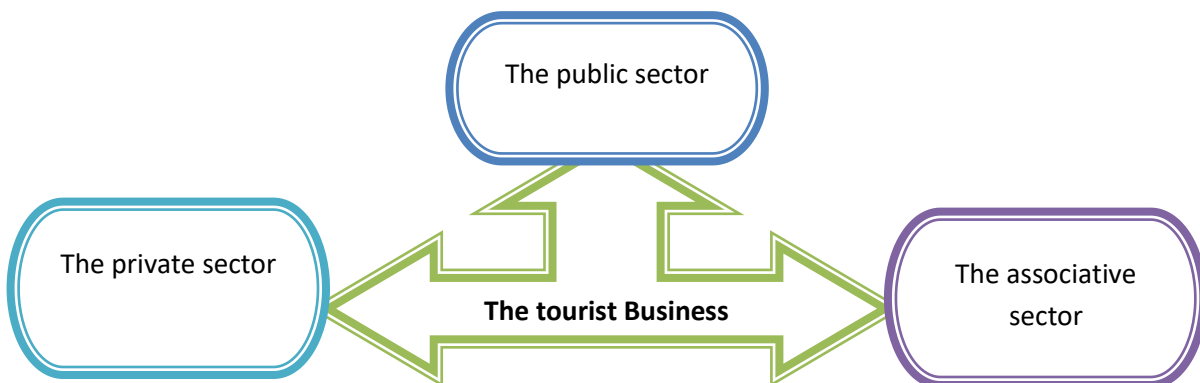
Organizations that are involved in the development and strengthening of tourism as a industry of the national economy are presented in **Figure 2**.



**Figure 2. Organizations**

*Source. Adapted by the authors*

Participants in the tourism business can also be grouped into three categories: the public sector, the private sector and the associative sector. Schematically they are presented in **Figure 3**.



**Figure 3. Participants in the tourism business**

*Source: Adapted by the authors*



*The public sector* is represented by specialized central administrations, second-level local authorities and other organizational structures financed by the state budget, whose major role is to support the development and promotion of tourism within national, regional or local policies.

*The private sector* is made up of service providers (transport companies, accommodation units, public catering establishments, leisure structures, excursion offices, tourist information centers), tour operators and retail travel agencies whose main purpose is to obtain of profit.

*The associative sector* is represented by non-governmental organizations (NGOs) and professional associations or business support organizations and trade chambers, whose aim is to promote meetings and exchanges between professionals in the tourism industry, the provision of information, the development of studies, legislative and normative expertise, which can be the basis of decisions adopted by the authorities public.

Maintaining close cooperation and coordination between the public, private and associative sectors through the process of planning, organization and implementation is essential for achieving common goals. That is why, as authors of this study, we believe that the creation of a government body, which would be assigned the role of implementer of the state policy in the field of tourism, is necessary and vital for the further development of the industry. In these conditions, joint efforts of all the participants in the tourism business can be done in an aggregate way, and the goal pursued will be to create a favorable framework necessary for the sustainable development of the tourism industry through the lenses of the economic and social aspects, taking into account the environmental and digitalization component as well.

Aggregating the efforts of all participants in the tourism business can contribute to obtaining beneficial results for the tourism industry both at the microeconomic and macroeconomic level, and the goal being to increase the economic and social efficiency of tourism, as GDP share too

If we are to analyze efficiency through the economic theory lenses, then, we consider that it “*represents the ratio between the results obtained and the force that contributed to determining the yield necessary to obtain these results, based on a responsible entity*”.

At the same time, **at the microeconomic level**, the determination of efficiency can be presented as “*a process of reviewing the stability of the main lines of action focused on the establishment and fulfillment of objectives, but also on the quality of the management system, as well as the knowledge, skills and abilities of human resources and to all factors of major importance for the organization, on which they exercise their activity*” [Popa C., 2022], but **at the macroeconomic level**, according to the authors, measuring efficiency can be presented as “*a process of ascertaining the level of economic development of a state, in which its policies: budgetary-fiscal, monetary-credit, economic, inflationary, external, social, etc. ., are rationally trained in obtaining surplus value, by increasing the Gross Domestic Product of the country in a certain period of the economic cycle*”.

Efficiency must be found in everything related to the micro and macroeconomic development of a state. Efficiency must also be found in making investments, in technological changes, in behavior, in organization, in institutional management, etc.

For most developing countries, especially those with low GDP/capita, it is not possible to achieve real human development without economic development, and economic development cannot be achieved without economic efficiency. Thus, in developing countries, the level of income is too low to, on the one hand, generate the human resources necessary for the sustained growth of the economy and, on the other hand, to ensure a minimum acceptable standard of living.

Economic efficiency is a necessary condition, but also a result of economic growth. Development takes precedence over economic growth, in the sense that the latter cannot continue in the long term without technological innovation and without structural changes, which are only possible in a developed country.

One of the main indicators whose evolution provides information on economic growth is the real Gross Domestic Product (GDP), i.e. GDP in current prices (of the year for which the calculation is made), corrected with price changes. The total level of real GDP is also the most available macroeconomic indicator for measuring activity at the level of a national economy and is particularly relevant for economic growth in tourism-developed countries, where the tourism industry has a significant share of economic results.

If we are to carry out an analysis of the tourist activity in the Republic of Moldova, based on the data presented by the detailed tourism agencies and tour operators from the Republic of Moldova to the National Bureau of Statistics, then the picture looks like it is reflected in **Table 2**.

**Table 2. Share of organized tourism in the Gross Domestic Product**

<b>N/</b> <b>o</b>	<b>Year</b>	<b>Turnover</b> <b>in tourism,</b> <b>(million lei)</b>	<b>Sales</b> <b>volume</b> <b>inbound</b> <b>tourism,</b> <b>(million lei)</b>	<b>Sales</b> <b>volume</b> <b>domestic</b> <b>tourism,</b> <b>(million lei)</b>	<b>Total</b> <b>volume of</b> <b>national</b> <b>tourism</b> <b>sales,</b> <b>(million lei)</b>	<b>The gross</b> <b>domestic</b> <b>product of</b> <b>the Republic</b> <b>of Moldova,</b> <b>(million lei)</b>	<b>Share of</b> <b>tourism</b> <b>in GDP,</b> <b>(%)</b>
1.	2018	2191,10 lei	75,4 lei	136,10 lei	211,50 lei	192509,00 lei	0,11%
2.	2019	2509,19 lei	82,4 lei	134,60 lei	217,00 lei	210378,00 lei	0,10%
3.	2020	782,80 lei	7,3 lei	56,50 lei	63,80 lei	205432,00 lei	0,03%
4.	2021	2351,50 lei	17,0 lei	133,20 lei	150,20 lei	241900,00 lei	0,06%
5.	2022	3320,20 lei	34,5 lei	194,80 lei	229,30 lei	272560,00 lei	0,08%

*Source: Adapted by the authors based on NBS data* [<https://statistica.gov.md>]

It is obvious that the tourism industry, through its multiplier effect, drives through a chain effect the development of other complementary sectors such as: transport, HORECA, trade, crafts, logistic services, etc.

In these conditions, connected to tourism and approached in a broader vision, the multiplier measures the changes produced in the level of incomes, employment results and the balance of payments, caused by the change in tourist expenses.

Taking into account the complexity of the tourism activity, the multitude of its interdependencies with other industries of the economy and the diversity of action plans, on the one hand, and the general



significance of the indicator, on the other hand, we can speak of a multiplier effect of the expenses made by tourists and a multiplier effect of investments [Platon N., 2017].

However, for the correct reflection of statistics on the impact of tourism on GDP, in our opinion, it is necessary to implement and use the account of Tourism Satellite Account, based on UNWTO recommendations [www.unwto.org]. According to the UNWTO, “*a tourism satellite account is a set of definitions, classifications integrated into tables, organized in a logical way, which allow a picture of the economic impact of tourism in terms of demand and supply*”.

At the moment, most European countries have already introduced the Tourism Satellite Account, the Republic of Moldova being lagging behind in this regard. In this sense, the tourism industry in the Republic of Moldova does not benefit from the real reflection of the effective sectorial indicators achieved in the total national economy [Platon N., 2018].

We are of the opinion that the lack of such relevant, real, current and correlated information in the field of tourism makes it difficult to carry out conclusive analyzes of the state and evolution of the tourism services market, of demand and supply, of seasonality and other determining factors of the development of this sector. Hence, big data analysis tools are crucial to monitor dynamics and real impact of tourism industry over inclusive economic growth and social development of the country.

## **Conclusion**

The variety of activities in the field of tourism and the links between them and other industries of the national economy have made tourism a real industry, whose role is in a steady the rise.

Tourism, being at the intersection between business (economic) interest and sustainability needs, is influenced by economic and social challenges, consequently generating innovative approaches in management.

However, in the Republic of Moldova, the dimensions of the tourism industry are still unclear, due to the fact that there is no relevant statistical information and one umbrella regulatory institution. Under these conditions, the relationship of tourism with the multiple industries of the national economy led the authors to research this topic, to establish its interdependence with other industries and to estimate the real share of tourism in the GDP.

We are convinced of the fact that the correct and complete reflection of the share of tourism in the GDP of the country, as well as the quantification and aggregation of the results obtained by this industry in the context of efficiency, could motivate the private sector to invest significant sums in this industry, generating as a consequence both economic and social benefits.

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