

Tourism and economy: Analysis of the connection in the context of Albania _____

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Abstract

Purpose: *This study aims to provide a deeper understanding of how tourism interacts with the economy, and how Albania can use this connection to accelerate economic growth and sustainable development. Tourism is a key sector for the Albanian economy, offering great opportunities for economic development. A special focus has been made regarding the development of sustainable tourism, which has the potential to bring lasting benefits to the economy and the environment.*

Methodology: *This analysis includes a theoretical look at the role of tourism in economic growth, using literature for economic and tourism concepts. Also, there should be research regarding the impact of various factors, including destination promotion, touristic infrastructure, and government policies in attracting tourists. To understand how Albania is facing this challenge, analyzes and comparisons were made for the practices of other developed touristic countries.*

Findings: *The result of the study shows that Albania to reach sustainable tourism, it needs to promote special touristic products, investment in training of personnel in the tourism sector to ensure a high-quality and welcoming service, and promotion of ecological tourism by ensuring that tourism development is sustainable.*

Value: *This study contributes to understanding how government and tourism industry can support sustainable tourism development and deal with different issues by implementing policies to accelerate the development of tourism and economy in Albania.*

Keywords: *Comparative analysis, economic infrastructure, tourism, government policies.*

Introduction

The link between tourism and economy at a theoretical level is essential to understand how tourism can contribute to economy growth. In many countries, tourism is a major component of their economy and contributes to economic growth and sustainable development. Tourism is not only a social and cultural but also an economic phenomenon. Tourism has received a scientific meaning around 1942, defining it as a set of events and connections that occur during a displacement and stay of individuals in a country that is not their permanent residence, where the purpose of this displacement and stay in this country is not intended to exercise a profitable activity. Different definitions and terms have been used in the following years to define the word 'tourism'. Tourism constitutes a reciprocal complex of complementary products and services, production units, physical resources, human resources that condition the realization of a series of investments in the country. Tourism involves movement from different places, for personal, business or professional purposes. Also, tourism is a mixture of private and public resources, bringing difficulties in assessing the economic impacts of touristic development and in designing an appropriate strategy of economic programming of touristic activity. The involvement of the public sector in tourism also brings public benefits, making it difficult to assess the effectiveness of the cost and benefits that the touristic activity itself implies. As a result, tourism has an impact on a country's economy, influencing the country's GDP, bringing increased investment, creating new jobs, improving the balance of payments, creating new jobs and increasing them, increasing the promotion of the country, also increasing the regional and national promotion. Most of the countries increase their efforts towards the creation of tourism infrastructure while promoting the orientation of human resources in this sector.

Literature review

For developing countries, the tourism sector is growing at significant levels, as a 'new economy' for these countries. In addition to positive impacts, tourism in an economy also brings its cultural and social side, some negative impacts, where we can mention the use of children for work, crimes, emigration, environmental pollution, traffic, noise, etc. The types of tourism are different such as: sun and beach tourism, rural tourism, natural tourism, cultural tourism, business and conference tourism. Tourism enables socio-economic development, job

creation and poverty reduction, promotes prosperity, has significant positive social impact, offering unique opportunities for women, minorities and youth.

Before the pandemic, Travel and Tourism was one of the largest sectors in the world, accounting for 1 in 4 of all new jobs created in the world, 10.3% of all jobs (333 million), and 10.3% of global GDP (9.6 trillion USD). Meanwhile, spending by international visitors reached \$1.8 trillion in 2019. In 2020, 62 million jobs were lost, leaving only 271 million employed across the sector globally. This 18.6% decline was felt across the sector, with small and medium-sized enterprises (SMEs) which make up around 80% of all global businesses in the sector, particularly affected alongside women, youth and minorities.

The role of governments is very important in the stability and growth of this sector and the policies undertaken.

The well-known models at the theoretical level and concepts that explain the connection between tourism and the economy are cited as follows.

The multiplier model: an economic concept which is used to explain how the expenses spent by tourists can create income in an economy. In this context, when a tourist visits a touristic destination, he/she spends on booking, accommodation, shopping, food, entertainment and other services, expenses which turn into income for the business (domestic economy).

The multiplier is related to the fact that these incomes in businesses (the country's economy) continue to be increased by other expenses. For example, the increase in the demand for these services leads to the increase in the number of employees, and the increase in wages, these increases lead to an increase in their spending in more local stores and not only, thus bringing the stimulation of economic growth at different levels. Such a process brings an exponential increase in income, making tourism an important part of the local economy and not only. This multiplication process turns a small touristic investment into a further increase in income in a local community.

- *The theory of comparative advantage;* this theory suggests a country which can specialize in its most advantaged sectors, such as the tourism sector. Different countries have different resources such as natural, cultural, infrastructural, local cuisines, art and creativity industry, innovation, technology, sports tourism, cultural exchanges etc. where all these cases and not only can be used to attract tourists. Focusing on their advantages, which different countries and Albania also have, brings a focus on the development of tourism, creating competitive advantages with a positive effect on their economies. Albania has a great natural and cultural wealth including the beautiful coasts, mountains, historical monuments and cultural heritage as advantages for attracting tourists, it also has low-cost touristic products. Albania, through offering a diversity of touristic offers, gives a wide range of tourist activities such as coastal tourism, cultural tourism, rural tourism,

adventure tourism, and brings an advantage of adapting the different needs of tourists.

- *The theory of entrepreneurship and investments*; Tourism affects economic growth also through the increase of investments and entrepreneurship. The development of touristic infrastructure, such as the construction of touristic facilities, requires large investments. This brings increased investment in the country and can create new business and employment opportunities. The growth of enterprises encourages the development of small and medium-sized businesses in the tourism services sector, including hotels, restaurants, etc. Investments in infrastructure, marketing and workforce training can serve as catalysts for the growth of the tourism industry.

- *The wave effect theory*; In some cases, tourism can influence economic growth through the 'wave' effect of tourists. When a touristic destination becomes popular and preferred, tourist arrivals increase greatly creating a new wave of spending and increased economic activity. Among 185 different countries, the WTTC (World Travel & Tourism Council) assesses the economic impact of Travel & Tourism in terms of key indicators of GDP contribution, employment, foreign visitors, domestic visitor spending and capital investment, for the years 2019 and 2021. From this report in terms of 'Travel & Tourism Total Contribution to GDP, 2019 and 2021', in 2019 the United States leads, in the first rank with a value of 1979.1 bn USD, rich from China in the country second with a value of 1856.6 bn USD, in third place Germany with a value of 391.2 bn USD, Italy in 7th place with a value of 214.5 bn USD. In 2021, the indicator continues to have the United States, China and Germany in the first three places, but with lower values, while Italy climbs two places higher in this global ranking to fifth place, with a value of 214.5 bn USD. While for the year 2021 the increase in % for Travel & Tourism GDP Growth, was as follows: 2021, Montenegro leads, with a value of 260.1%, Albania in the fifth place, with an increase of 81.1%, leaving behind Greece (74.9%), Turkey (60.6%) and Italy in 19th place with 58.5%. For the report of Travel & Tourism Relative Contribution to GDP, in 2021, Albania ranks 14th with a value of 17.4%, leaving behind Croatia with 16.1% and Greece with 14.9%. (Council), 2023)

The forecast for the period 2022-2032 for Europe is estimated to accelerate the pace of recovery where the sector is expected to grow at an average annual rate of 3.3%. By the end of 2032, the sector is estimated to create nearly 8 million new jobs compared to 2022. (Council), 2023)

Regardless of the models or theories that explain this relationship only in a theoretical model, it should also be considered how the special situations of a country affect this relationship.

Research shows that the dominant part of factors influencing tourism development include destination promotion, political infrastructure, and

government policies. As an actual issue in Albania and not only, which can borrow methods and models used in other countries that have shown success in this profile, and update with the conditions and situations in which Albania is located, where the efforts are taken into account to promote sustainable tourism, a comparison of Albania's practices in the tourism sector with other developed tourist countries brings an identification of the challenges and potentials that Albania has in attracting more tourists and increasing the contribution of tourism to the local economy

Methodology

On this paper, theoretical research methods were used on identifying interdependent links between tourism and economy, economy theory, economic literature of the level of tourism for this role in economic analysis, research on economic relationships. Also, research was done on high-level economic relationships in the case of Albania, combined with in-depth information searches from scientific articles, books, conference scientific reports, organizations and opinions, reports of scientific portals.

Results & discussion

The development of the tourism industry has a wide impact on the economy of a country. Different methods, at a theoretical level, are used to understand the relationship between tourism and the economy of a country, such as: The Multiplier Model, the theory of comparative advantage, the theory of entrepreneurship and investment and currency effects. The influencing factors in this connection are as follows.

Factors	Description
The use of natural resources	Beaches, cultural heritage, historical monuments, beautiful nature
Contribution to GDP	Includes tourism-related activities, accommodation, restaurants, traveling, etc
Creation of jobs	Employment in hotels, restaurants, travel agencies, (increasing employment of young people and local women).
Distribution of income	It distributes income to local communities, reduces poverty and increases the standard of living.
Investments in infrastructures	To complement the growth of tourism, countries invest in roads, airports, ports, energy infrastructure, thus, bringing new opportunities for development.
Foreign currencies effect	The increase of the country's foreign currency reserves and the help it brings to the balance of payments.

Opportunity to promote local products	The interest of tourists to try local food and products, brings development of the agriculture and handicraft sector
Season effects	The seasonal effects that tourism can have, with free and busy periods
Negative influence	Negative impacts on the environment and culture, increased pressure on natural resources and energy consumption

In the case of Albania, for the analysis of the last decade, the annual number of non-resident visitors has had a very significant increase of more than 67%, from 2021 compared to the first 9 months of 2023, as in table below.

TABLE 1: The annual number of non-resident visitors, to Albania

Year	No.
2018	581,031.00
2019	784,709.00
2020	275,981.00
2021	685,081.00
2022	710,169.00
Jan-Sep. 2023	1,143,109.00

(INSTAT, 2023/b)

The peak of foreign arrivals in Albania for the purposes of “holidays and visiting relatives”, for the years 2014-2022, reaches its peak in 2022 with a figure of 7,067,487 visitors. From the entry of foreign citizens in Albania, for the last 5 years (2018-2022), dominate citizens from Southern Europe, with an increase of 2.42 times more from 2020 compared to 2022, the smallest number was from Africa, East Asia and South Asia. In 2020 there was a significant decrease, with an increase again in 2021 and 2022. The increase of non-resident visitors over the years, for the period from 2018 with a value of 581,031 until January - September 2023, with a value of 1,143,109, is dominated by the countries of Kosovo, North Macedonia, Greece, and Montenegro. Meanwhile, Albania in the last 10 years has shown an increase in the number of construction permits (hotels and similar), this leads between the years 2017-2019, there was a decrease for 2020 then the growth continues again in 2021 and 2022.

TABLE 2: Number of approved building permits (Hotels and similar)

Year	2010	2011	2012	2013	214	2015	2016
Number	42	30	1	62	5	3	11

Year	2017	2018	2019	2020	2021	2022	
Number	53	75	67	23	33	51	

(INSTAT, 2023/b)

The number of performances from institutions of cultural heritage, for the period 2018-2022 and the number of spectators after a significant decrease in 2020, was increased again for both variables mentioned above in 2021 and after. The number of enterprises with “Accommodation” activity has increased from 2012 to 2018 by 2.29 times more, having a decrease in 2019, then continues its growth in 2021, almost the same trend is maintained for the income of these subjects in total. Their profit in 2021 reaches the total value of 3,591 million LEK.

TABLE 3: Number of Spectators of Cultural Heritage Institutions, Variable and Year

Activity	Number of Spectators				
	2018	2019	2020	2021	2022
National People's Theatre	39,503	3,479	5,252	6,446	12,391
National Experimental Theatre	65,989	64,684	16,044	11,981	26,763
National Theater of Opera, Ballet and Popular Ensemble	54,438	70,647	7,476	7,151	15,639
National Center of Culture for Children	22,051	31,795	6,274	10,149	27,023
National Circus	34,969	21,698	3,286	2,364	2,255
Total	216,950	223,614	38,332	38,091	104,366

(INSTAT, 2023)

Post-pandemic tourism sets a record of 6.4 million foreign tourists in 2019. From 840 accommodation structures in 2013, there became about 2,900 of such structures with active (NIPT) tax registers nowadays.

The promotion of tourism in Albania is carried out in addition to social networks by the “National Tourism Agency”, through national and international tourism fairs, publication of promotional materials, family trips, with various international tour operators, media, exhibitions, etc. The quality of touristic services is a very important factor in increasing the value of tourism and the impact on the economic parameters of a country. As a quality of touristic services, we can mention the technical quality, which is related to the quality or in other words the condition of the infrastructure, the social quality which is related to the level of service, professionalism and the quality of the environment. The quality of the environment has to do with ecology, the standard of living of the local population, housing and municipal services. Closely related to this element is the promotion

of the country as a welcoming tourist destination, and a safe place. A country must have consolidated tourism offers with authentic products.

The number of visitors to Museums, Archaeological Parks, Castles and other monuments has reached a value of 1,065,081 in 2019, with a decrease to 190,467 visitors in 2020, followed by an increase in 2021 and 2022 in the amount of 689,283 visitors. (INSTAT, 2023) An advantage in tourism is the increase of students' interest to study in the field of arts, in 2022 compared to 2018, the increase in the number of students in these fields is 112% more, but there was a decrease in the interest of language studies, for the foreigners there was a decrease of 54% in the number of students in this field, and also a decrease of 40% for students in the field of journalism and information. The number of international tourists' arrival in Europe in 2022 is 549.9 million. (INSTAT, 2023)

Joint touristic packages with operators and agencies, from other countries, such as Kosovo, Macedonia, Montenegro, and of course with Serbia and Greece, etc. so, with neighboring countries, have brought growth and advantages in many parameters regarding the industry of tourism in Albania. In all the above-mentioned indicator parameters, the pre-pandemic period has been growing and positive along with the post-pandemic part, from which the indicators clearly show very fast growth.

The World Tourism and Travel Council (WTTC) predicts that the direct impact of this industry on GDP will increase by about 5.4% until 2026, bringing the total increase to about 8%. (Council), 2023)

The objectives aimed at the sustainability of tourism development of a country are the centralization of the planning process in tourism, the reform of institutions, the reform of agencies that deal with tourism, and the establishment of market rules for all economic operators in the field of tourism, starting with the agencies as mentioned above, touristic operators, guides, hospitality structures, and detailed control of the quality and standards of the hospitality structures.

Conclusions and recommendations

The conclusions of the study have drawn some recommendations for government policies to accelerate the development of tourism and economy in Albania, such as: good road infrastructure, airports to facilitate visitor access to touristic destinations, allocation of funds dedicated to the promotion of tourism at the international level, increasing sensitivity and interest from potential tourists. Also, more needs to be done regarding development of special touristic products, investment in training of personnel in the tourism sector to ensure a high-quality and welcoming service, and promotion of ecological tourism by

ensuring that tourism development is sustainable. Government policies that facilitate private investments in the tourism sector need to be drafted, providing fiscal and administrative facilities and also cooperation with local communities, to help create a favorable environment for tourists.

Tourism plays an important role in the development of relations between countries, contributing to the local economy. The tourism sector is an important generator of income.

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