

**Does Inflation Influence the Elasticity of Tourism Expenditure?
Evidence from a Household Survey in India**

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ABSTRACT

There is broad consensus that tourism is a key driver of economic growth. As countries increasingly shift their focus inward to strengthen domestic demand, understanding the dynamics of domestic tourism becomes particularly important. At the same time, inflation remains a persistent concern for emerging and developing economies. While moderate inflation may stimulate growth by encouraging consumption and investment, high inflation erodes purchasing power and increases costs, potentially dampening consumer sentiment.

This study investigates whether inflation influences the elasticity of tourism expenditure in the Indian context. Specifically, it examines how the relationship between income and tourism spending varies across income groups under different inflationary conditions. Using nationally representative household survey data and robust econometric models, the findings reveal that inflation reduces the elasticity of tourism expenditure, particularly among the bottom 75% of the income distribution. In these households, rising income does not proportionately increase tourism participation or spending when inflation is also rising. In contrast, for the top 25% of income earners, inflation has an insignificant effect on tourism decisions—suggesting that higher-income households are relatively insulated from inflationary pressures in this domain. These results highlight the unequal impact of inflation on tourism participation and call for targeted policy interventions to sustain inclusive growth in the tourism sector.

Keywords: Tourism, Inflation, Tourism Elasticity, India

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