

Impact of Tourism Sector in Indian Economy

Ms. Minu Biswas,

Assistant Professor, Department of Commerce,

Bidhan Chandra College, (Affiliated under University of Calcutta)

Abstract: *This paper tries to study the trend of Employment generation, FEEs, FTAs, and GDP in tourism sector on the basis of secondary data during the period from 2000 to 2015 in India. This sector is purely service providing industry which is most significant from very beginning, in Indian economy. There are a lot of different types of activity as a multi-dimensional industry. It is mostly significant for generating new employment, increasing foreign exchange earnings and growing GDP in India. This industry is expansion with formalized and globalised sketch as a relevant matter of economic development in India. India is promoting the tourism industry to achieve the economic and social objects in the world.*

Key Words: *Tourism, Trend, Foreign Exchange Earnings (FEEs), Foreign Tourist Arrival (FTA), Gross Domestic Product (GDP).*

I. 0: Introduction

Tourism concept is very extensive. Tourism is a chimneyless industry. It is a service providing & multidisciplinary industry. Recently it has been growing rapidly worldwide. This sector is a most significant for economic development of any country. Tourism is temporary travels of people to the destinations of outside their normal residential & working place for seeking the pleasure, enjoyment & happiness. It means movements of people across the border or within their own country. Three elements, namely man, space and time are composed there. The main purpose of travelling determines the type of tourism. And it can be classified on the basis of geographical location, purpose and number of people travelling etc. Tourism is world's largest industry. And it is very antique in India. Today it is a largest service industry in India with a contribution of country's GDP and total employment of the nation. In ranking by contribution of travel and tourism to GDP (% of GDP) including 171 countries, India has the 84th rank. We know that India is 3rd largest in area and 4th largest populated country in the world. Moreover 1.32 billion peoples are living there in peace and harmony. Moreover a very popular destination for recreation, leisure, business and learning are there. Kashmir, Himachal Pradesh, Assam states are the heaven of natural beauty with full of green trees. Rajasthan and Tamilnaru and Uttarpradesh are famous for cultural and spiritual space. The sweet sceneries of meeting of air, clouds, hills, rivers, people of different ethnic communities, their lifestyle, their rich, diverse heritage are really original and natural. Many tourists come to visit here due to climate variety & bio-diversity exists and to know the art and architecture of India. So tourism is a very talented developing tool for India.

Indian Tourism Development Corporation Ltd (ITDC) came into existence in October 1966 and has been the prime mover in the progressive development, promotion and expansion of tourism in the

country. Then tourism industry is guided by the Travel & Tourism Act 1982 which is revised in 2002 in Indian. Ministry of Tourism plays a crucial role in formulation of policies and programme as well as coordinating and supplanting the efforts of the state / union territory government and private sector in improving the quality of tourism sector. Such ministry has some public sector undertaking namely, IITM, IITM, NCHMCT, and IHM. Maximum earnings of tourism industry receive from Agra, Andhra Pradesh, Kerela, Tamil Nadu and Rajasthan. This industry contributed large employment, FEEs & GDP. Tourism is the third largest revenue generators of foreign exchange for India. And India had the second highest total tourism GDP contribution in Asia- Pacific, behind China in 2016.

2.0: Review of Literature

- a) **Hall (1994)** also suggested a model of the tourism policy-making process defining the government's role in the tourism industry. Actually, an analysis of tourism policy is an effective way to identify government roles in attracting FDI toward tourism and eventually understand the influence of FDI on tourism (Zhang & Chong, 1999; Eizi et al 2013; sadeghi et al 2013; Khaksar 2011) ⁱ
- b) **Chandana Chakraborty and Peter Nunnenkamp (2006)** assess the growth implication of FDI in India. They find that the growth effects of FDI vary widely across sectors and only transitory effects of FDI on output in the services sector which attracted the bulk of FDI in the post-reform period. ⁱⁱ
- c) **Balasubramanyam and Sapsford (2007)** stated in their article "Does India need a lot more FDI" compared the levels of FDI inflows in India and China, and found that FDI in India is one tenth of that of china. ⁱⁱⁱ
- d) **Tang et al. (2007)** assessed empirically the causality relationships among FDI, economic growth and tourism in China by using an ECM method from 1978 to 2005. The results indicated that there is a one-way causality link from FDI to tourism. ^{iv}
- e) **Saroja Selvanathan, et al, (April 2009)**, have investigated the causal relationship between foreign direct investment (FDI) and the number of foreign tourist arrivals (TOUR) in India. ^v
- f) **Phukan H., et al. (2012)** Spirituality, in general, has recently become an important subject of research in social and business areas. This has added a new dimension to the tourism industry, called spiritual tourism. Spiritual tourism, also termed as religious heritage tourism, includes all the religions, religious places associated with, emotional attachment to these centers and infrastructure facilities for the tourists. This can also be referred to as pilgrimage tourism, as clients are not looking for luxury but arduous journeys to meet the divine goal or simple life ^{vi}.

- g) **Selvanathan et al. (2012)** investigated the causal link between FDI and the tourism industry in India under a value at risk (VAR) statically analysis, by employing quarterly statistics from 1995 to 2007.^{vii}
- h) **Sharma, P. K., et al. (2012)**, their research paper tries to define the factors moving of foreign direct investment (FDI) in Tourism area, assesses the policies accepted to attract FDI, and examines the benefits of foreign direct invest (FDI) in the development of Tourism sector.^{viii}
- i) **Sharma A., et al. (2012)** FDI plays a significant role in expanding the tourism sector in India. This shows that appropriate policy to explore tourism resources and plans to develop new tourist venues and facilities may need to be considered in order to meet the increasing demand of tourism in India expected as a result of continued strong foreign direct investment. The Travel & Tourism industry provides tremendous opportunity to India in terms of contribution to its GDP and employment generation^{ix}.
- j) **Ramachandran D. and Sundhararaman R. (2013)** It is responsible for promotion of India as a tourist destination, development of tourism Infrastructure and facilities in the country, and performing regulatory functions in the field of tourism. It has four regional offices at Delhi, Mumbai, Kolkata, and Chennai and a sub-regional office at Guhawati. The regional offices supervise the working of other tourist offices situated at different places throughout the country. Tourist offices are also located at various places abroad^x.

3.0: Research Gap

The literature so far observed there is no research reported in the area of impact of tourism industry in Indian economy. This article to carry the present research on this topic;

4.0: Objective of the Study

- (i) To get an idea about arrival of tourist [i.e. FTAs & DTAs] in India,
- (ii) To get an idea about employment [directly & indirectly] in Indian tourism sector,
- (iii) To examine the trend of FEEs from tourism industry in India and
- (iv) To get an idea about GDP from this sector in India,

5.0: Methodology and Data Analyzing of the Study-

Data used in the study are secondary in nature and mostly collected from annual report of Ministry of tourism sector of the Government of India. The study covers a period from 2000 to 2015 in India. The study analyses published books, published research works, newspaper, magazines, reports of various government authorities, and related websites.

5.2.0: Tourism Industry in India

Tourism industry is an extraordinary industry in the world. This industry is most influential for FEEs & generating of employment opportunities. And this sector helps to advertise the country in different parts in the world. It facilities cultural swap of various cultural concepts of other countries where they visit. And local people can learn their language, art, skill, culture etc and vice versa. It is the source of income for both public and private sectors of a country. Contribution of travel and tourism to GDP of India increased from 59 billion US dollars in 1997 to 208.9 billion US dollars in 2016 growing at an average annual rate of 7.57 % [Source –WTTC]. The data of this industry i.e. tourist arrival, FEEs, employment, GDP and FDI equity inflow during the last 15 years [2000-2015] of India collected various source and compiled which is shown by the following **table –1**.

Table –1

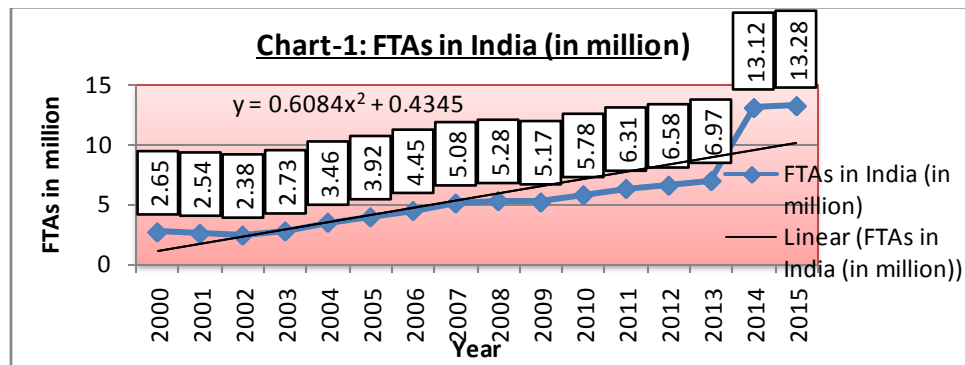
Year	Employment (Total) x	Employment (Direct) x ¹	FTAs x ²	DTVs to States/Uts x ³	No. of Indian Nationals' Departures x ⁴	FEEs from Tourism in India x ⁵	FDI in Hotel & Tourism Sector x ⁶	GDP Growth rate of India x ⁷	GDP Growth rate of TTs of India x ⁸
	No. (in million)		No. (in millions)			(in US\$) million.		In (%)	
2000	47,552.20	23247.8	2.65	220.11	4.42	3460	13.2	4.9	2.9
2001	40,176.30	19928.9	2.54	236.47	4.56	3198	32.12	3.9	-13.6
2002	45,416.60	22062.2	2.38	269.6	4.94	3103	33.75	7.9	20.4
2003	48,600.40	23400.1	2.73	309.04	5.35	4463	49.36	7.8	13.9
2004	49,477.90	23696.1	3.46	366.27	6.21	6170	37.01	9.3	5.2
2005	42,586.00	22328.7	3.92	392.04	7.18	7493	71.78	9.3	-20
2006	42,879.20	24341.8	4.45	462.44	8.34	8634	195.66	9.8	5.8
2007	46,827.90	23166.3	5.08	526.7	9.78	10729	421.47	3.9	16.1
2008	38,691.60	24952.6	5.28	563.03	10.87	11832	463.92	8.5	4.8
2009	36,717.50	23826.6	5.17	668.8	11.07	11136	753.02	10.3	0.7
2010	35,950.40	23010.7	5.78	747.7	12.99	14193	308.05	6.6	6.4
2011	36,928.30	23358.1	6.31	864.53	13.99	16564	992.86	5.5	5.2
2012	37,328.20	23508.4	6.58	1045.05	14.92	17737	3259.05	6.5	5.6
2013	37,815.00	23778.2	6.97	1142.53	16.63	18445	486.38	7.2	5.5
2014	38,812.20	24352.2	13.12	1282.8	18.33	20236	777.01	7.9	8
2015	39,432.80	24785.5	13.28	1431.97	20.38	21071	1332.69	6.8	9.2
2016	40,343.00	25394.7	NA	NA	NA	NA	NA	7.2	8.3

[Source-Data compile from DIPP, RBI, WTTC & IMF]

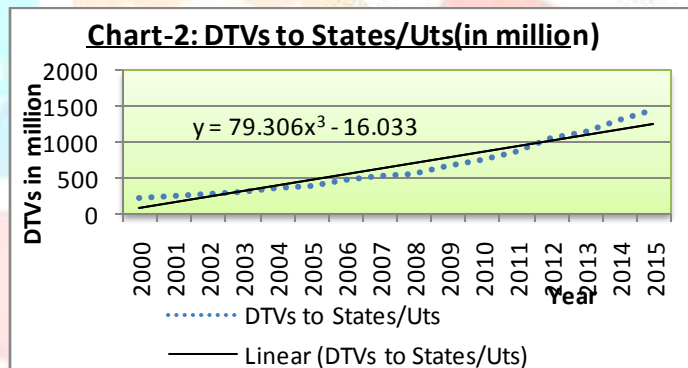
5.2.1: Foreign Tourist Arrival (FTAs) In India [2000-2015]

India is a centre of pilgrimage and heritage. India is famous for spiritual tourism. Various life styles, cultural heritage, colorful fairs and festivals of India are a special attraction for the tourists. In geographical view i.e. beautiful beaches, forests and wild life and landscapes, snow, river and mountain peaks of India are more attraction for the tourist. And Indian handicrafts particularly, jewellery, carpets, leather goods, ivory and brass work are another attraction for foreign tourists. Number of foreign tourist arrivals (FTAs) in India increased

from 2.65million in 2000 to 13.28 million in 2015(showing by chart- 1). From this chart it is found that foreign tourist arrival in India is increases continually and the trend is upward. Here $y = 0.6084x^2 + 0.4345$.



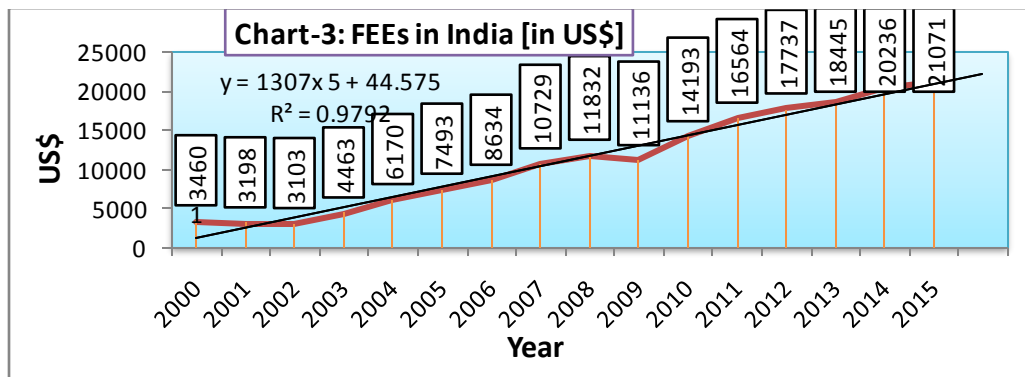
In the table -2, it is show that Domestic Tourist Visits (DTVs) in the states and UTs are increased from 220.11 million to 1431.97 million during the period 2000-to 2015 in India. And the slope of the trend line of DTVs is positive i.e $y = 79.306x^3 - 16.033$. And the correlation between FTAs and DTVs is highly positive $r_x^2 \cdot x^3 = 0.9307$ although the correlation between the growths of them [FTAs and DTVs] is 0.2161.



And the correlation between FDI equity inflow in tourism sector and FTAs in India is $r_x^2 \cdot x^6 = 0.471$. So it can say that if FDI inflow in tourism sector is increased, likely the chance of increasing FTAs in India and vice verse.

5.2.2: Foreign Exchange Earnings (FEEs) in India (2000-2015)

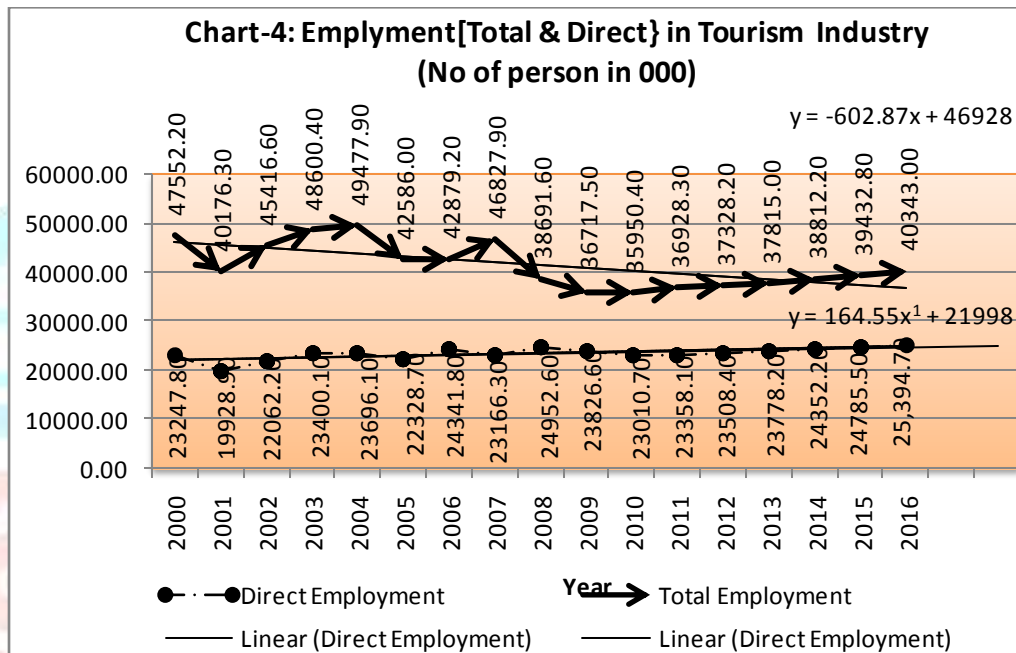
Tourism sector is most important for Foreign Exchange Earnings (FEEs) In India. FEEs (in US\$) is increased from 3460 million in 2000 to 21,071 million in 2015. And it is clear from the following chart-3, that the Foreign Exchange Earnings (FEEs) In India is continually increased. Here the slop of the trend line is positive or upward and the equation is $y = 1307x^5 + 44.575$.



Here the correlation between FDI equity inflow in US\$ in hotel and tourism sector and FEEs in US\$ from tourism sector is $r_{x^5 x^6} = 0.6464$. Therefore it can say that the chance of FEEs from tourism sector is increased if the FDI inflow is increased there.

5.2.3: Employment Contribution in Indian Tourism Industry (2000-2016):

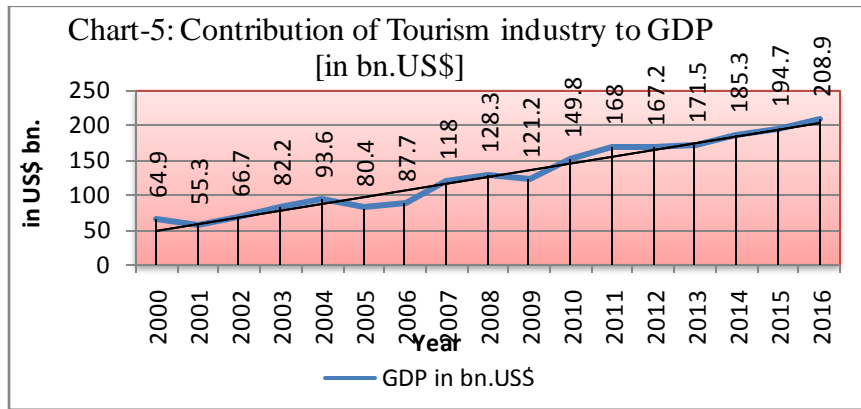
Tourism sector is a large employment generating sector. Directly and indirectly many people are engaged there. Total employment is 40343.00 [no. of person (000)] in the year 2016. Direct employment and total employment in the tourism industry in India are shown by the following chart-4. Here we find that direct employment contribution is increased and the slope of trend line is positive in Indian tourism industry. Though total employment contribution is fluctuated substantially in recent years, it tended to decrease through 2007 - 2016 period ending at 5.8 % share in 2016.



Here it is clear that from 2009, the trend of direct employment in tourism sector in % change over previous year is continuously increase although it tended to fluctuate during the year 2005-2010. And contribution of travel and tourism to employment in % of GDP is 9.26 % in 2016 [Source-WTTC].

5.2.4: Tourism's Total Contribution To GDP In US\$ Bn .(2000-2016)

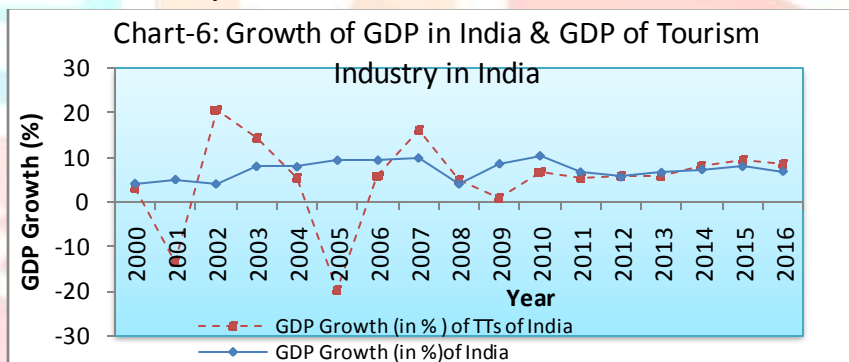
World's total contribution of Travel & Tourism sector to GDP in US\$ bn was estimated at 6,593.4 US\$ bn in 2016. India has ranked 6th in the world. India is being the top 6th country by total contribution of travel & tourism sector to GDP in US\$ bn is 208.9 (US\$ bn) in 2016 in the world for 9.6 % of the world's total contribution to GDP - US\$ bn. Contribution of tourism industry to GDP in US\$ during the period 2000 to 2016 are showing by the chart-5. From chart-5 it is clear that GDP of tourism industry in India is upward and the equation of the trend line is positive slope .i.e $y = 9.7316x + 38.515$.



Here GDP growth rate is increase from 2.9% in 2000 to 8.3% in 2016 in India. India contribution of travel and tourism to GDP (% of GDP) fluctuated substantially in recent years; it tended to decrease through 2007 - 2016 period ending at 8.3%.

5.3: Comparison among Growth of GDP in India & GDP of Tourism Sector in India (2000-16):

From the table -1 it observed that highest GDP growth rate of tourism industry of India is 20.4% in the year 2002. Then decline gradually to 13.9, in 2003 and again declining drastically to 5.2, and -20.0, in the year 2004 and 2005 respectively. Then the growth rate is increase 16.1% in 2007 then further declined in 2009 and finally this rate is increased.



From the chart-6 it is found that the trend of GDP growth of TTs in India is upward which is higher than the GDP growth of India. And the correlation between the GDP growth of India and GDP growth in tourism industry of India is negative i.e $r_{x^8,7} = -0.082$. And the equation of the trend line of GDP growth rate of tourism industry of India is $y = 9.7316x^8 + 38.515$.

6.0: Findings:

From the above analysis it is found that -

- The number of foreign tourist's arrivals (FTAs) and domestic tourism visited (DTV) in India has increased from 2.65 to 13.28 in millions and from 220.11 to 1431.97 in millions respectively during the period 2000 to 2015. And the correlation between them are $r_{x^2,3} = 0.9307$. The propensity about tourism is good-looking among people.
- In the tourism sector skilled human resources are not sufficient. Total numbers of employees' in tourism industry are reduced but direct employments are increased. And correlation between total employment and GDP growth rate of tourism sector in India is negative.

- c) Since the correlation between total employment and direct employment in tourism sector is negative i.e. $r_{xx}^1 = -0.062$. This is notify that this sector is have a propensity to formalize.
- d) The FEEs from tourism sector is increased frequently from 3460 to 21071(in US\$) million during the period 2000 to 2015.
- e) The foreign tourist's arrival led to a robust growth in the foreign exchange earnings. And the correlation between FTAs and FEEs from tourism industry in India is highly positive i.e $r_{xx}^{2,5} = 0.886$
- f) The GDP growth rate of tourism industry of India is greater than the GDP growth rate of India. And the correlation between GDP growth rate of tourism industry of India and GDP growth rate of India is negative i.e $r_{xx}^{8,7} = -0.082$.
- g) The FEEs and FDI equity inflow in tourism industry is increased continually and the correlation between them is positive i.e $r_{xx}^{5,6} = 0.6464$. This is warning that this sector is having a propensity to globalization.

7.0: Limitation of the study:

The study of Impact of Tourism Sector in Indian Economy has some limitations on the following arguments-

- a. This analyzing is fully quantitative such as number of FTAs, DTAs, amount of FEEs, and rate of GDP. So qualitative analysis is not shown here.
- b. The area wise or state wise impact of tourism industry is not analyzed here.
- c. The study is only during the period 2000-2015, not cover the year 2016 to till date and
- d. The analysis is fully secondary data base.

8.0: Possible Recommendation:

Being a large country in the world map, different climate, cultural beauty & hospitality, art, skills and traditions are there, which is help to advancement directly of tourism industry in India. There a few possible recommendations for development of this industry are as follows-

1. Safety and security- Today the Crisis of safety and security among tourist in India is a blunder, on such situation the proper and peaceful security are very essential.
2. Awareness of digitalization- Due to digitalization all over world, there the upgrading of information and communication providing system for tourism industry urgently require for development of this industry.
3. Financing mobilization- Banking and financial system is not sufficiently developed the prime essential factor for tourism. So progression of such factor is vital for availing food, accommodation, shopping.
4. Training & workshop- Due to decreasing trend of total employment in tourism sector, the scope of development of human resource management is huge which is required for enlarge tourism.
5. Infrastructure development - the way of journey, purpose of visit- shopper's paradise - climate and weather - games and activities - nightlife - potential to be international destination etc are require to build up.
6. Behavior of country residents- there is lack of education particularly among the taxi/auto rickshaw drivers and service providers of tourism in India which are ill-treated foreign tourists at tourist spots. And the locals are just not willing to help a foreigner in normal circumstances. There development of this tendency is essential.

9.0: Conclusion:

Tourism sector is developing in public and private both sector in India. This sector has vast potential for generating employment and earning foreign exchange and growing GDP in India with upward economic growth in India. It has a significance share in countries GDP. Growth of countries GDP and growth of GDP of tourism sector are very significant. Since tourism sector is multi activities, the different activities which are directly and indirectly related to the growth of our country's economy. This sector does not only develop in our countries economy, it explores the countries social and cultural environment directly and indirectly all over world. There are needed a few proceed. Tourism sector is not only imperative in economic performance; perform highly in non economic performance in our country. Overall it can say, for highlighted and development the countries social, cultural, legal, political and economical environment, tourism is most essential.

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