



GOVERNING FACTORS OF ECONOMIC DEVELOPMENT THROUGH PROMOTION OF TOURISM

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ABSTRACT

This paper is an effort to evaluate the development of economy through promotion of tourism. The most important economic feature of activities related to the tourism sector is that they contribute to three high-priority goals of developing countries: the generation of income, employment, and foreign-exchange earnings. In this respect, the tourism sector can play an important role as a driving force of economic development. The impact this industry can have in the different stages of economic development depends on the specific characteristics of each country. Given the complexity of tourism consumption, its economic impact is felt widely in other production sectors, contributing in each case toward achieving the aims of accelerated development. Tourism is considered a competent driver of development in emerging economies. This study assesses the role of tourism in shaping the fundamental pillars of development in developing economies. Governments in the developing world support and promote tourism due to its high multiplier effects in terms of generating employment, increasing foreign exchange earnings, having a positive impact on the balance of payment, and stimulating the supply sectors of tourism; also, all these activities help to alleviate poverty.

Key words: Tourism, Development, Industry, Promotion, Economic Development

INTRODUCTION

What is tourism?

Tourism, the act and process of spending time away from home in pursuit of recreation, relaxation, and pleasure, while making use of the commercial provision of services. As such, tourism is a product of modern social arrangements.

What is economic development?

Economic Development is programs, policies or activities that seek to improve the economic well-being and quality of life for a community.

Role Does Tourism Play in Economic Development

Tourism and hospitality is an important parameter of socio-cultural identity and heritage of a country. In the era of globalization tourism and hospitality enhances the economic growth by job creation, source of foreign exchange and development of regions with potential for tourism. For a country with 30 world heritage sites and a rich culture, tourism and hospitality industry has great potential to enhance tourist flow and accelerate economic growth due to multiplier effect of tourism on job creation. In India tourism and hospitality has emerged as a sunrise industry with rise in number of foreign tourists. The tourism industry of India is economically important and grows rapidly. The World Travel & Tourism Council calculated that tourism generated INR6.4 trillion or 6.6% of the nation's GDP in 2012. It supported 39.5 million jobs, 7.7% of its total employment. The sector is predicted to grow at an average annual rate of 7.9% from 2013 to 2023. This gives India the third rank among countries with the fastest growing tourism industries over the next decade. India has a large medical tourism sector which is expected to grow at an estimated rate of 30% annually. Indian Tourism offers a potpourri of different cultures, traditions, festivals, and places of interest. There are a lot of options for the tourists. India is a country with rich cultural and traditional diversity. This aspect is even reflected in its tourism. The different parts of the country offer wide variety of interesting places to visit.

Travel and tourism constitute an integral part of India. Tourism is considered as an engine of growth. It is also a generator of employment. The sector has the capability to produce employment for the various sections of the society in a large scale manner including both direct and indirect. Indian tourism development has passed through different stages. Tourist facilities development in a planned manner was taken up in 1956. India Tourism development Corporation was formed in 1966 to promote India as a tourist destination. Later government took a lot of measures for the development of tourism in the country. The major initiative taken by the government for the tourist expansion include 'Hunar se Rozgar' Programme and Visa on Arrival. With 30 worlds heritage sites and strong creative industries India scored 8th rank in

natural resources and 24th rank in cultural resources. Indian air transportation network scored 39th and ground transport infrastructure 43rd.

In India the major organizations involved in tourism are:

- Department of Tourism
- India Tourism Development Corporation
- Indian Institute of Tourism and Travel management
- National Council for Hotel management and Catering Technology and ☐
- Tourism Finance Corporation of India Limited
- The major tourist attractions in India includes wide ranging life styles, vast cultural heritage, beautiful sun bathing beaches, colorful fairs and festivals, forests and wild life, attractive fauna and flora, wonderful architecture, technological parks and science museum, yoga, ayurveda and handicrafts especially jeweler, carpets, leather goods, ivory and brass work.
- Different tourism products in India include: ☐
- Medical/Health Tourism
- Spiritual Tourism ☐
- MICE Tourism ☐
- Adventure & Wild Life Tourism ☐
- Heritage & Culture Tourism ☐
- Cruise Tourism ☐
- Polo Tourism
- Eco Tourism and ☐
- Film Tourism ☐
- Growth of Tourism in India

THE DEVELOPMENT OF ECONOMY THROUGH PROMOTION OF TOURISM

Various factors lead to development of an economy. Tourism is one among the many factors that lead to development of an economy. It plays an important role in the direct as well as indirect development of the economy. The development of tourism industry led to the development of the localities by increasing the income of the people as a result of the increase in the tourist expenditure. Tourism contributes to the development of other sectors of the economy and also encourages the cultural exchange in the locality.

As a result the impacts created by tourism are varied. Generally they are divided into Economic Impacts, Social and Cultural Impacts and Environmental Impacts. The most important impact created by tourism is upon the economic condition of the economy. So the major economic impacts are increase in the employment opportunities, increase in investment, development and infrastructure spending, increase in tax

revenue, create new business opportunities and contribute to income and standard of living of the people. The effects of tourism upon the economy can be classified into direct effects, indirect effects and induced effects. Direct effects are related directly with the visitor spending. On the other hand indirect effects are changes in the economy as result of the secondary rounds of purchases made in the direct spending. But the induced effects are related to the changes in the economy as a result of income received from the tourist expenditure (either directly or indirectly).

The important positive social and cultural impacts which are created by tourism include increase in the amenities like parks, recreation facilities etc., improvement in the quality of life of the people, improves understanding of different communities and investment in arts and culture. Below are few ways in which the tourism positively impacts the Indian economy:

1. Generating Income and Employment: Different services like transportation services, hotel and restaurants, entertainment centers, amusement parks, sales outlets, tourist resorts, handicrafts and jewelleryes are included in tourism industry. Tourism in India has emerged as an instrument of income and employment generation, poverty alleviation and sustainable human development. It contributes 6.23% to the national GDP and 8.78% of the total employment in India. Almost 20 million people are now working in the India's tourism industry. As it is a highly labor intensive industry it provides employment to skilled, semi-skilled and unskilled persons. The labor-capital ratio is highest in this sector. Women workers are also high in this sector and they are employed in different sectors like travel agencies, cultural activities airline services, handicraft and hotels.

2. Source of Foreign Exchange Earnings: Tourism is an important source of foreign exchange earnings in India. This has favorable impact on the balance of payment of the country. The tourism industry in India generated about US\$100 billion in 2008 and that is expected to increase to US\$275.5 billion by 2018 at a 9.4% annual growth rate.

3. Preservation of National Heritage and Environment: Tourism helps preserve several places which are of historical importance by declaring them as heritage sites. For instance, the Taj Mahal, the Qutab Miner, Ajanta and Ellora temples, etc. would have been decayed and destroyed had it not been for the efforts taken by Tourism Department to preserve them. Likewise, tourism also helps in conserving the natural habitats of many endangered species.

4. Developing Infrastructure: Tourism tends to encourage the development of multiple-use infrastructure that benefits the host community, including various means of transports, health care facilities, and sports centers, in addition to the hotels and high-end restaurants that cater to foreign visitors. The development of infrastructure has in turn induced the development of other directly productive activities.

5. Promoting Peace and Stability: The tourism industry can also help promote peace and stability in developing country like India by providing jobs, generating income, diversifying the economy, protecting the environment, and promoting cross-cultural awareness. However, key challenges like adoption of

regulatory frameworks, mechanisms to reduce crime and corruption, etc, must be addressed if peace-enhancing benefits from this industry are to be realized.

6. Raising Tax Revenue: Tourism also contributes to the economy as tax revenue. In India for the tourism promotion, we are giving tax concession to a lot of related industries. It accounts for 1.15 per cent of the total tax revenue. The tourism receipt in the form of indirect tax is generated from two categories of taxes-specific tourist taxes and general taxes. Specific tourist taxes are generated from supporting constituents like hotel room sale, airport entry and exit taxes. On the other hand general taxes are generated from consumption. However, the international tourists pay extra taxes at various attractions in the form of entry fees, museum fees; parking fees etc. the increase or decrease of taxation also depends upon the impact of tourism activity on a destination. The mass tourism activity brings congestion, overcrowded streets, over consumption, psychological stress, faster deterioration of natural resources and public services, resulting in higher maintenance costs and the loss of aesthetic value. With the imposition of higher taxes, the restoration process of destinations, which involves fund, can be done by the government.

7. Transformation of Regional Economy: Tourism also contributes to the transformation of unknown villages into internationally known places. These unknown villages were initially characterized by depressed economic activities and inhabited by traditional rural folks. Later the introduction of tourism contributes to the international recognition and higher economic development.

THE ECONOMIC IMPACT OF TOURISM

Economic Impact Tourists contribute to the economy as their expenditure. As a result the economic impact assessment focuses on the changes in employment, sales and income of the economy resulting from tourism activities. So the economic impact of tourism covers the effects of visitors in an area, their performances and their spending. These effects include the economic changes like ☐

- Earnings including wages, dividends, interest, rent and profits
- Business proceeds ☐
- Employment generation
- Government revenue including taxes, receipts of government enterprises, user fees and fines ☐
- Value added to the gross domestic and regional products ☐
- Changes in government spending ☐
- Changes in the foreign exchange rates ☐
- Externalities and public goods ☐
- Changes in the distribution of income ☐
- Multiplier effects on transactions, output, income, employment and government revenue
- Changes in the property and asset values ☐
- New business formation including business investment in plant and equipment

- Changes in imports, exports and balance of payments.

As a result tourism is considered as a vehicle for economic development. International tourism is an invisible export. Where, currency flows from foreign country to the tourist country. So it directly contributes to the balance of payment current account. This flow generates employment, business turnover, household income and government revenue. This primary effects lead to the secondary effects of further economic activity. The primary sectors which directly affected by tourism are amusements, lodging, transportation, retail trade and restaurants. The positive economic effects of tourism can be understood under through the generation of national income, generation of foreign exchange, rising of tax revenue, expansion of employment opportunities and transformation of regional economy.

CONCLUSION

Thus to conclude, we can say that Indian tourism has a vast potential for generating employment and foreign exchange earnings. Since it is a multi-dimensional and service oriented industry all divisions of the Central and State governments, private sector and voluntary organizations become active partners in the attempt to attain sustainable growth in tourism of the country. The total number of foreign tourist arrivals in the country has augmented several times. It showed an increasing trend except few years during the study period. It denotes that the Indian government is giving attention both on the development of the tourism and linked almost all the known tourist spots by road, railway and civil aviation. The foreign exchange earnings of the country through tourism have increased more than seven times from 2000 to 2014. It proves that the economical, political and social amity has positive impact on the arrival and receipts of the tourist industry in countries.

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