



## **Tourism sector contributions towards Indian economic growth**

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### **Abstract**

Tourism has emerged as a key sector of the world economy and has become a major workforce in the global trade. It has been making a revolutionary and significant impact in the world economic scenario and it is also been identified as the major export industry globally. The multifaceted nature of this industry is a catalyst to economic development and helps in balanced regional development. It is a low capital, labour intensive industry with economic multiplier and offers opportunity to earn foreign exchange at low social cost. Tourism industry acts as a powerful agent to both economic and social change. It stimulates employment and investment, modifies economic structure and makes positive contributions towards balance of payments. The money spent by the foreign tourists in a country is multiplied several times. In the process, the total income earned from tourism is a number of times more than the actual spending. The multiplier effect of tourism receipts is completely recognized as spreading to secondary and tertiary spheres of the economic activities of a nation. It encompasses economic, social cultural, educational and political significance. Marketing and promotion are of vital importance in tourism because of the competitive nature of the industry both within and between the generating countries. Tourism creates direct, indirect and induced employment. It produces a vast spectrum of employment from highly qualified and trained managers of five-star hotels to room boys, sales girls, and artisans. With its faster growth, new horizons of employment open up for the unemployed and underemployed youth of the developing countries.

**Keywords:** tourism, nodal agency, cultural heritage, contribution to Indian economy

### **Introduction**

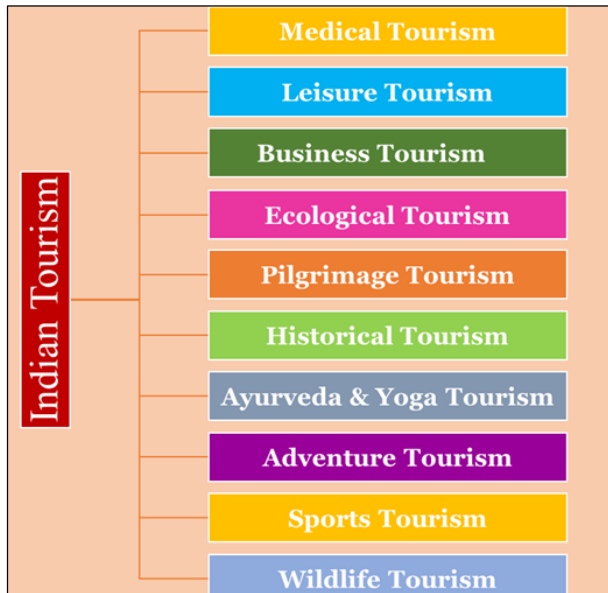
India is an ancient country with historical monuments, archaeological wealth and relics spread all over the country. Therefore, people of various countries come to India every year to see innumerable lovely spots, historic sites and places of pilgrimage. During travel a tourist assimilates the multi colorful culture, rich history, beautiful landscapes, breathtaking architecture and a wide variety of attractive tourist spots. This ancient Indian culture and diversity along with the treatment and healthcare methods like naturopathy and ayurveda also attract tourists from worldwide to India. Due to these factors tourism improves the economy of the country and also provides wide employment opportunities for the Indians. Simultaneously, this also results in cultural exchange, better international relations and brings foreign investment to the country.

### **Significance of tourism**

The concept of tourism has become a new coinage in the field of travelling. In the yester years, travelling was a term which men used in case of tour. People now are more habituated with the concept of 'tourism' and express an urge to know the unknown historic sites and also to see the unseen. In India, from the Himalayas to Kanyakumari there are so many wonderful tourist spots, historic sites, places of pilgrimages, including Musjids and cathedrals spread over the country. In the ancient times, Uttaranchal was identified as the land of

God while Badrinath, Kedarnath, Amarnath, Gangotri, and Hemkund - the snow-capped peaks attracts the pious souls and tourists places like Simla, Nainital and Ranikhet the snow-clad ranges to Kanyakumari, the southernmost tip of land in India, to Chennai, Mumbai and Goa are equally excellent. The major Indian tourist spots are Tajmahal of Agra, the Red-Fort of Delhi, the ruins of Nalanda, cave-temples of Ajanta and Ellora, shrines of Mathura, Somnath and Benaras charm the tourists. Kashmir and Shillong are also great places in the tourist Map.

Tourism plays an important role in the Indian Economy. The Central and State Governments acknowledge the importance of tourism industry and has introduced tour as a part of education. Tourism helps the visitors get acquainted with the culture, customs, language and the way of life of the local people. The modern lives of the Indian people has become complex and in such a circumstance, Tour and holidays brings the much-needed relaxation to the mind, body and soul resulting in refreshment and fitness. Tourism is a flourishing industry today and the economy of many tourist places depends upon tourism. Presently, tourism industry is a big source of income of foreign money and has turned out as an important sector of the Indian economy. A study suggests that in 2016, around 10% of India's GDP was contributed by tourism. The ever growing tourism industry of India is likely to take up an even bigger chunk of India's economy in the future.



**Fig 1:** Types of Tourism In India

India showcases a variety of tourism options like Medical Tourism, Leisure Tourism, Business Tourism, Ecological Tourism, Pilgrimage Tourism, Historical Tourism, Adventure Tourism, Sports Tourism, Wildlife Tourism and the upcoming Ayurveda Tourism. So Tourism in India could be broadly classified on the basis of the above mentioned categories with so many tourist places. India ranks 14th in the world in terms of its tourism sector's contribution to the GDP compared to the contribution of the other nations. At the time of publication, the World Travel and Tourism Council predict that India will sustain the fifth largest amount of growth in the tourism sector of any country. Tourism can offer direct and indirect aid to a nation's economy. Direct benefits include economic support for hotels, retail shops, transportation services, entertainment venues and attractions, while indirect benefits include government spending on related infrastructure, and domestic spending of Indians employed in the tourism sector additionally.

### Statement of the problem

Today tourism is the largest service industry in India, with a contribution of 6.23% to the national GDP by providing 8.78% of the total employment. India witnesses more than 5 million annual foreign tourist arrivals and 562 million domestic tourism visitors. As recently as 2003, India was receiving fewer than 3 million foreign tourist arrivals each year, but the numbers have changed drastically since then. Foreign tourist arrival numbers in 2017 exceeded 10 million, and analysts expect to see more than 15 million tourists visiting India annually by 2025. India's rapidly growing tourism sector now plays a huge role in the nation's economy, supporting millions of jobs and generating billions of dollars each year.

The Ministry of Tourism is the nodal agency for the development and promotion of tourism in India and promotes the "Incredible India" campaign. According to World Travel

and Tourism Council, India is a tourism hotspot from 2010-2020, having the highest 10-year growth potential. As per the Travel and Tourism Competitiveness Report 2009 by the World Economic Forum, India is ranked 11th in the Asia Pacific region and 62nd overall, moving up three places on the list of the world's attractive destinations. In 2017, tourism generated about \$230 billion in India, making up 9.4 percent of the country's gross domestic product, and the tourism and hospitality sector is one among the top 10 sectors in the Indian economy, attracting foreign investments. On top of that, tourism and hospitality supported nearly 42 million jobs in 2017. The sector is expected to only keep expanding from here, with India projected to make the world's top five business travel markets by 2030 and its tourism sector predicted to generate \$490 billion per year by 2028. The Indian government is leaning into this boom in tourism by investing in the market, hoping to attract international hotel chains and foreign spending in an effort to continue growing the nation's economy. The government signed a \$40 million loan agreement with the World Bank for a tourism development project, and the 2018-2019 budgets for the country allots nearly \$200 million for the development of tourist circuits.

Thus the researcher finds it is very significant to make a study for gathering information in the following areas:

- How Tourism is significant in the Indian Economy?
- How tourism sector contributes to the Indian economic growth?
- What is the role and present position of tourism in India?

In order to answer the above said questions the following objectives were framed and analyses was done accordingly.

### Objectives of the study

- To find out the significance of tourism in India
- To evaluate the contribution of tourism sector to Indian economic growth
- To comprehend the present scenario of Indian Tourism sector

### Methodology

The present study is based on the secondary data published by various agencies and organizations. The present study makes use of data and information provided by UNWTO, Ministry of Tourism, Ministry of Statistics and Programme Implementation, Newspapers, Magazines, Books, Economic journals, Internet etc.

### Framework of analysis

The study covers a period of 18 years from 2000 to 2018 (up to June 2018). The Foreign Exchange Earnings through tourism and the month wise tourist arrivals to India are calculated for 6 years from 2013 to 2018 (up to June for 2018). To compute the growth of Tourism sector, Compound Annual Growth Rate is calculated. In order to analyze the contribution of tourism sector to Indian economy, percentage wise growth analysis is used in the present study.

## Analysis and inferences

**Table 1:** Inbound Tourism: Foreign Tourist Arrivals (FTAs) From 2000-2018 (till June)

Year	FTAs in India (in millions)	Percentage(%) change over previous year
2000	2.65	6.7
2001	2.54	-4.2
2002	2.38	-6
2003	2.73	14.3
2004	3.46	26.8
2005	3.92	13.3
2006	4.45	13.5
2007	5.08	14.3
2008	5.28	4
2009	5.17	-2.2
2010	5.78	11.8
2011	6.31	9.2
2012	6.58	4.3
2013	6.97	5.9
2014	7.68	10.2
2015	8.03	4.5
2016	8.8	9.7
2017	10.04	14
2018(P) (Jan-June)	5.16	7.9
CAGR (%)	8.151	

**Source:** (i) Bureau of Immigration, Govt. of India  
(P) Provisional, @ Growth rate over Jan-June, 2017

From the table it is found that the Foreign Tourist Arrivals to India has increased year to year from the year 2000 to 2018. The Foreign Tourist Arrivals was higher in the year 2017 compared to the all the years with 10.04 millions. The percentage change over previous year is 14% that is greater than the year 2016. Foreign Tourist Arrivals for the year 2018 till the month of June also has achieved the target of 5.16

million with the percentage change of over 7.9% comparatively half of the portion of the year 2017. This indicates the stability in the growth of tourism sector and the Compound Annual Growth calculated is 8.151 which indicate the increasing trend of the foreign tourist arrivals to India for the past 18 years.

**Table 2:** Share of India in International Tourist Arrivals (ITAs) in World and Asia & the Pacific Region, 2000 – 2017

Year	ITAs (in millions)			Percentage (%) share and rank of India in World		Percentage (%) share and rank of India in Asia and the Pacific	
	World	Asia and the Pacific	India	% Share	Rank	%Share	Rank
2000	683.3	109.3	2.65	0.39	50th	2.42	11th
2001	683.4	114.5	2.54	0.37	51th	2.22	12th
2002	703.2	123.4	2.38	0.34	54th	1.93	12th
2003	691.0	111.9	2.73	0.39	51st	2.44	11th
2004	762.0	143.4	3.46	0.45	44th	2.41	11th
2005	803.4	154.6	3.92	0.49	43th	2.53	11th
2006	846.0	166.0	4.45	0.53	44th	2.68	11th
2007	894.0	182.0	5.08	0.57	41st	2.79	11th
2008	917.0	184.1	5.28	0.58	41st	2.87	11th
2009	883.0	181.1	5.17	0.59	41st	2.85	11th
2010	948.0	204.9	5.78	0.61	42nd	2.82	11th
2011	994.0	218.5	6.31	0.63	38th	2.89	9th
2012	1039.0	233.6	6.58	0.63	41st	2.82	11th
2013	1087.0	249.7	6.97	0.64	41st	2.79	11th
2014	1137.0	269.5	13.11	1.15	24th	4.86	8th
2015	1195.0	284.1	13.28	1.11	24th	4.68	7th
2016	1239.0	305.9	14.57	1.18	26th	4.76	8th
2017	1323.0	323.2	15.54	1.17	26th	4.81	7th

**Source:** India Tourism Statistics 2018

It is inferred from the above table that the Indian Tourist Arrivals to India has shown a tremendous increase in the past 17 years. The above table projects the share of India in International Tourist Arrivals in worldwide and Asia Pacific Region. The Percentage of share is calculated and India ranks at 26<sup>th</sup> position in worldwide comparing to all other countries

with the share of 1.17% contributing International Tourist Arrivals of 15.54 millions. While comparing the same with the Asia and the Pacific Region India ranks the 7<sup>th</sup> position with 4.81% in the year 2017. Thus Indian tourism sector plays a vital role for the Indian economic growth through the contribution of tourism income.

**Table 3: Month-wise Foreign Tourist Arrivals in India (In Millions)**

Month	2013	2014	2015	2016	2017	2018(P)
January	720321	757786	790854	844533	964109	1047948
February	688569	755678	761007	848782	931025	1052766
March	639530	690441	729154	809107	885936	1025830
April	450580	535321	541551	592004	717899	749477
May	417453	465043	509869	527466	622408	606043
June	451223	502028	512341	546972	663470	681279
July	506427	5688871	628323	733834	779309	
August	486338	575750	599478	652111	719129	
September	453561	509142	542600	608177	719964	
October	598095	668398	683286	741770	866976	
November	733923	765497	815947	878280	997738	
December	821581	885144	912723	1021375	1167840	
Total	6967601	7679099	8027133	8804411	10035803	5163343
CAGR (%)	1.102	1.303	1.201	1.597	1.61	

Source: Bureau of Immigration, India

(P) Provisional from January - June

It is depicted from the above table that the Month wise Foreign Tourist Arrivals in India has exhibited a accelerated growth from 2013 – 2018 with the various initiatives taken by the Government of India and the Nodal Agency – Ministry of Tourism. The Compound Annual Growth Rate calculated for the Month – wise arrivals shows an upward trend from the year 2013 – 2017. CAGR was highest in the year 2017 with 1.61% along with the total arrivals of 10035803 million. Comparatively in the year 2018, Tourist Arrivals boosted up to the total of 5163343 million within 6 months period till June 2018.

**Table 4: Foreign Exchange Earnings from Tourism in India from 2000 to 2017**

Year	FEEs from Tourism in India (In US Billions) (in Rs. Crore)	Percentage (%) change over the previous year
2000	15626	20.7
2001	15083	-3.5
2002	15064	-0.1
2003	20729	37.6
2004	27944	34.8
2005	33123	18.5
2006	39025	17.8
2007	44362	13.7
2008	51294	15.6
2009	53754	4.8
2010	66172	23.1
2011	83036	25.5
2012	95607	15.1
2013	107563	12.5
2014	120367	11.9
2015	134844	12.0
2016	154146	14.3
2017	177874	15.4
2018 (Jan-June)	95713	12.2@

Source: (i) Reserve Bank of India, for 2000 -2015

@: Growth Rate over Jan-June, 2017

(ii) Ministry of Tourism, Govt. of India for 2016-2018

The Foreign Exchange Earnings through tourism for the past 17 years has been presented in table 4. From the year 2000 foreign exchange earnings have upgraded year to year and were found highest in the year 2017 with the value of \$177874 billion. The percentage change over previous year’s income 2017 was found to be 15.4%. The lowest value of foreign exchange earnings was found in the year 2000 with

the earnings of \$15626 billion. The most highlighted feature of foreign exchange earnings was found in the year 2018 from January to June with \$95713 billion which is greater than the half yearly earnings of the year 2017. The percentage change over previous year’s income was found to be 12.2%

**Table 5: Month-wise Foreign Exchange Earnings (FEEs) from January 2013 – June 2018 (In Rs. Crore)**

Month	2013	2014	2015	2016	2017	2018
January	10785	11664	12100	13,671	15,799	17,805
February	10255	11510	11642	13,661	15,353	17,817
March	9545	10479	11133	12,985	14,667	17,294
April	7226	9179	10091	11,495	14,260	15,713
May	6627	7936	9505	10,260	12,255	12,742
June	7149	8366	9564	10,677	12,971	14,342
July	8620	10284	11982	14,285	14,796	
August	8351	10385	11411	12,553	13,811	
September	7811	9057	10415	11,642	13,840	
October	8645	10041	10549	12,100	14,213	
November	10663	11431	12649	14,259	16,528	
December	11994	12988	14152	16,558	19,381	
Total	107671	123320	135193	1,54,146	1,77,874	95,713 (P)
CAGR (%)	0.889	0.9	1.314	1.609	1.717	

Source: Ministry of Tourism, Govt of India

(P) Provisional from January – June

The above table presents the month - wise foreign exchange earnings from the year 2013 – 2018. It is inferred that the total of month – wise foreign exchange earnings was greater in the year 2017 with Rs.1, 77,874 crores along with the CAGR of 1.717%. While comparing the FEEs from January to December it was found that in each year there is an acceleration of income from January to December. The provisional total of total FEEs in the year 2018 is Rs. 95,713 crores which is greater than the half yearly earnings of the year 2017 comparatively, and it is relatively good.

**Findings and Suggestions**

- The Inbound Tourism sector has shown an improvement of foreign tourist arrivals to India from the year 2000 – 2018. It is inferred that CAGR is 8.151% which is a symbol of accelerated growth of Indian tourism sector.
- According to the table Share of India in International Tourist Arrivals (ITAs) in World and Asia & the Pacific Region from the year 2000 – 2017, it was resulted that India occupied a 26<sup>th</sup> position in worldwide international

tourist arrivals and occupied a 7<sup>th</sup> position in Asia and Pacific Region during 2017 depicting the major contribution of tourism sector in Indian economic growth.

- The Foreign Exchange Earnings from the tourism sector has shown a tremendous increase between the years 2000 – 2018. The percentage change over the income comparing to the previous year is found to be 15.4% that directly contributes to National Income.
- The Month – wise Foreign Exchange Earnings are geared up from the beginning of January till the completion of December and it is depicted for all the years from 2013 – 2017. In the year 2018 there is a fluctuation in Foreign Exchange Earnings from January to June whereas the total of FEEs contributes higher than the half yearly earnings of the year 2017 with the provisional total of Rs.95713 crores and the Compound Annual Growth Rate was found to be higher in the year 2017 with 1.717%
- Tourism is labor intensive and has the potential to reach and benefit large numbers of people to its wide supply chain. Rural tourism supports economic diversification and creates employment for rural youth and ethnic minorities. Thus it is necessary to concentrate on the tourism sector for improvisation.
- Digital platforms are transforming the way travel is researched, purchased, provided and experienced, offering many new and more informal ways to earn money through tourism. Thus the Government of India can take initiatives to generate the Income through tourism via Travel Technology.
- On the whole, Tourism and hospitality is now the second fastest-growing industry in terms of foreign direct investment (FDI). Tourism sector development often results in improvements in basic infrastructure, such as airports, roads, water supply, energy, and medical services. It is thus suggested that Government of India can take major initiatives for the improvisation of tourism sector, while other sectors too develop simultaneously by making India become a developed country in the near future.

## Conclusion

Tourism attracts and invites numerous visitors across the world to come and visit a country and is a wonderful way for cultural exchange. It has been making a revolutionary and significant impact in the world economic scenario by establishing as the major export industry in the world. Tourism industry acts as a powerful agent of both economic and social changes. It stimulates employment and investment, alters structure of an economy, significant contribution toward foreign exchange earnings and maintaining favorable balance of payment. The money spent by the tourist in a country is turned over several times in the process; the total income earned from tourism is a number of times more than actual spending. The multiplier effect of tourism receipts is completely recognized as spreading to secondary and tertiary sectors of an economy. Tourism consist economic, social, cultural, educational and political significance. Tourism in India should be developed in such a way that it accommodates and entertains visitors in a way that is minimally intrusive or destructive to the environment and sustains & supports the native cultures in the locations it is operating in. Moreover, since tourism is a multi-dimensional activity, and basically a service industry, it would be necessary that all wings of the Central and State

governments, private sector and voluntary organizations become active partners in the endeavor to attain sustainable growth in tourism if India is to become a world player in the tourism industry.

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