

Contribution of tourism industry in Indian economy

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Abstract

In this Paper authors make an attempt to publish its views on importance of tourism in growth of the Indian economy from different perspectives. Authors focus upon various issues that are needed to be addressed to boost tourism so that various objectives to meet economic interests can be achieved. The paper is divided in three sections first section of the paper provides a brief introduction, second section focuses on various parameters with respect to tourism which are important for economic development and the third section provides detailed analysis of data with suggestions to all the stakeholders in tourism industry.

Keywords: Tourism, Economic Development, Growth, Economy

1. Introduction

Tourism is among the fastest growing industries in the world. Tourism today is one of the booming sectors in the economy of many countries. India's large area, historical monuments, National parks and bird sanctuaries, geographical divisions, heritage culture and biodiversity provide a strong base for the development of tourism. It is an industry without chimney. Economic growth, Foreign exchange earnings, contributions to Government revenues, generation of employment and income and regional development are recognized as the major economic benefits of tourism. As per the UNWTO World Tourism Barometer, December 2013, India's rank in the World Tourism Receipts during 2012 was 16th and rank in international tourists arrival was 41. The rank of India was 7th among Asia & the Pacific Region in terms of tourism receipts during 2012 (press information bureau: GOI, ministry of tourism) and is the largest foreign exchange earner for the country. A very high employment potential has been noticed in tourism with approximately 90 jobs creation per Rs. 10 lacs of investment (Annual Report 2015-16) [10]. Present paper is based on secondary data highlighting the importance of tourism. The aim of the paper is to highlight how the tourism industry is playing a vital role in the economic growth of India.

2. Indian Tourism Industry and Economic Growth

'Incredible India' is the marketing slogan that attracts tourists to India from around the globe. According to the World Travel and Tourism Council, despite a global recession in the year 2010 revenue from Indian Tourism increased by 6.9% to about \$42 billion. This compares to a worldwide tourism industry that remained flat during the same period. As Indians increasingly visited other areas of their country, the domestic tourism fueled much of the growth, not only this international tourists also played an important role in the expansion of tourism industry. During last three years the number of foreign tourist arrivals has increased gradually reaching to around 7.46 million during January-December 2014. Foreign exchange earnings from tourism grew by 7.1% in terms of US dollar during Jan-Dec.2014 as compared to 5.9% over the corresponding period of 2013. The tourist visa on arrival

scheme enabled by electronic travel, authorization launched by the Government of India in 2014 for 43 countries has led to a growth of 1214.9%

To attract the highest Foreign Direct Investment (FDI) the tourism and hospitality sector is among the top 15 sectors in India. According to the data released by department of industrial policy and promotion, during April 2000-Feb 2015, the Indian tourism sector attracted around US\$7862.08 million of FDI. For domestic and international tourists India has been recognized as a destination for spiritual and medical tourism. By 2015, India is expected to receive nearly half a million medical tourists, indicating an annual growth of about 30%. According to World Tourism Organization (WTO), foreign tourists arrivals (FTA) are expected to increase to 13.42 million by 2024. (Indian Tourism Industry at a glance in 2014-15)

3. Benefits of Tourism

Tourism benefits India in many ways but the important benefits derived includes employment, foreign currency and infrastructure development.

- **Foreign Exchange earnings:** Bettering the tourism will provide a good source of foreign exchange earnings for the country without exporting anything to foreign countries.
- **Contribution to Government revenues:** Government revenues from the tourism sector can be categorized as direct and indirect. Contributions generated via income tax for tourism employment, business, and direct charges on tourists such as economic tax or departure taxes are classified as direct taxes. Indirect contributions are derived from taxes and duties on goods and services consumed by tourists e.g taxes on alcohol, restaurants etc.
- **Employment generation:** Tourism provides employment opportunities for both the skilled and unskilled labour of the region/ country.
- **Stimulation of infrastructure investment:** Increase in tourism will give the state government initiative to improve the infrastructure by bettering water and sewage

systems, roads, electricity, telephone & public transportation networks. (source: Veena; 2015) [7]. Manpower dedicated in India’s tourist industry is over 20 million which is distributed in various sectors like hotels, transport, site attractions, tourist guides and tour companies. Other indirect benefit incorporate restaurants and retail shops. Tourism generates over \$1.1 billion in foreign currency, assisting the country’s trade balance. Tourism also finds its application as feedback measure in context with infrastructure development such as hotel construction, airport improvements and ground transportation systems. As an example, the government set a deadline for opening a major expansion of Delhi’s metro system concurrent with the opening of the 2010 Common Wealth Games. The city met the deadline and welcomed thousands of tourists with improved transportation throughout the city (source: about the importance of tourism in India) one of the major benefit of tourism is that it promotes understanding among people, both among Indians from different parts of the country, and with the foreigners. Tourism also helps to protect the culture and historical sites of the nation.

4. GDP and Employment growth through Tourism

Tourism industry plays an important role in the contribution of GDP of the economy. GDP in tourism industry over the years has increased. “National Accounts (prepared every year by Ministry of Statistics &PI) measure the growth and contribution of various sectors like manufacturing agriculture and services such as banking, transport, insurance etc. while

computing the GDP of the country. However the growth and contribution of Tourism in GDP is not measured by system of National Accounts. This is because tourism is not an industry in the way industry is defined in the system of National Accounts. Instead tourism is a demand based concept defined not by its output but by its use. Industries defined in National Accounts, such as air transport, hotels& restaurants, etc. produce the same output irrespective of weather it is consumed by tourist or non-tourist while the total output of these industries is captured by the National Accounts, it is only the consumption by tourists that defines the tourism economy. To assess the specific contribution of tourism, the need for a Tourism Satellite Account (TSA) thus arises.

- In the year 2006 the 1st Tourism Satellite Account for India (TSAI) for the reference year 2002-2003 was prepared. In 2012 the 2nd TSAI was prepared for the reference year 2009-10”.(Annual Report 2015-16) [10] As per the 2nd TSAI-2009-10 and subsequent estimation for the next three years i.e. 2010-11,2011-12 and 2012-13 the contribution of tourism towards total GDP and employment of the country are shown below in the table I & through figure I & II also. In the year 2009-10, contribution of tourism in GDP of the country was 6.77%, a slight fall from 6.77% to 6.76% in GDP has been noticed but it has again increased to 6.88% in the year 2012-13. Whereas contribution of tourism in employment of the country was 10.17% in the year 2009-10; it has increased to 10.78% in the year 2010-11, 11.49% in 2011-12 & 12.36% in the year 2012-13.

Table 1: Contribution of Tourism in GDP & employment (%)

Year	Contribution of tourism in GDP of the country (%)			Contribution of tourism in employment of the country (%)		
	Direct	Indirect	Total	Direct	Indirect	Total
2009-10	3.68	3.09	6.77	4.37	5.80	10.17
2010-11	3.67	3.09	6.76	4.63	6.15	10.78
2011-12	3.67	3.09	6.76	4.94	6.55	11.49
2012-13	3.74	3.14	6.88	5.31	7.05	12.36

Source: Annual Report 2015-16; Ministry of Tourism; GOI; tourism.gov.in/sites/default/files/annual%20Report% 202015-16.pdf

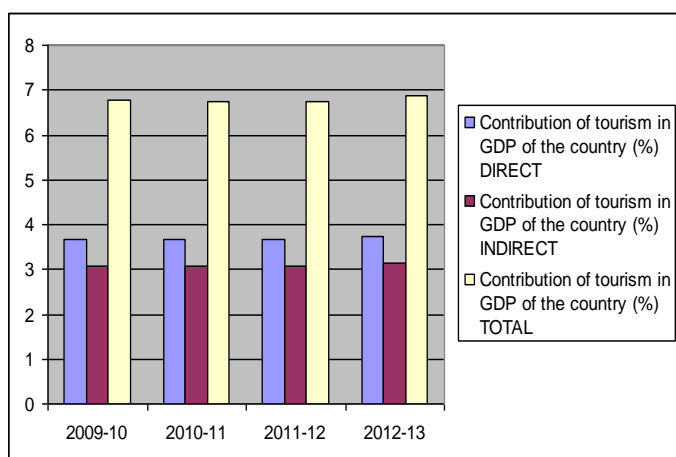


Fig 1: Contribution of tourism in GDP of the country (%)

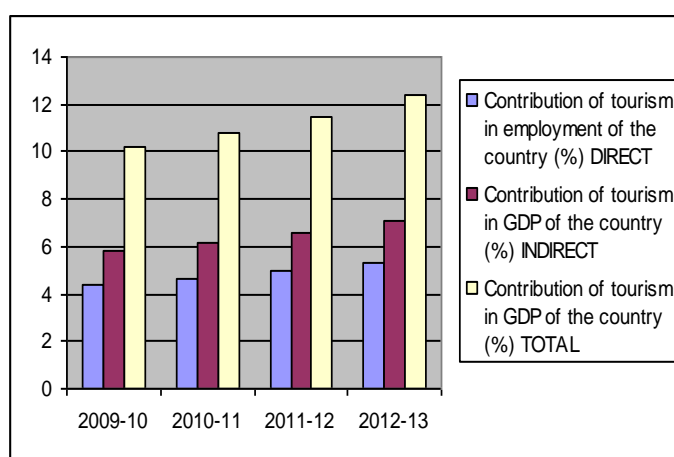


Fig 2: Contribution of tourism in employment of the country (%)

Agriculture sector provides employment to 54.6% workforce of the country but its contribution in GDP of the economy was 21.9% in the year 2004-05 and has fallen to 16.8% in 2010-11 and to 16.1% in 2011-12 depicting a decrease in GDP over the years despite various measures and schemes undertaken by the government of India for the welfare of the farmers. (www.quora.com)

After the analysis of the data provided in above table I it can be concluded that tourism industry must be given proper

attention. Authors also suggest that hidden destinations all over India must be explored and be provided with proper facilities required for tourists so that arrival of tourist in India should increase over the years & as a result more employment as well as entrepreneurial opportunities may be generated for coming generations.

In this paper authors also analyzes impact of foreign tourist arrivals and foreign exchange earnings on tourism industry. The data has been summarized in table 2

Table 2: Foreign Tourist Arrivals in India and Foreign Exchange Earnings through Tourism in India

Year	Foreign tourist arrivals (in nos.)	Percentage change over previous year	Foreign exchange earnings (rs. Crore)	Percentage change over previous year	Foreign exchange earnings (million us\$)	Percentage change over previous year
2000	26,49,378	6.7	15,626	20.6	3,460	15.0
2001	25,37,282	(-)4.2	15,083	-3.5	3,198	-7.6
2002	23,84,364	(-)6.0	15,064	-0.1	3,103	-3.0
2003	27,26,214	14.3	20,729	37.6	4,463	43.8
2004	34,57,477	26.8	27,944	34.8	6,170	38.2
2005	39,18,610	13.3	33,123	18.5	7,493	21.4
2006	44,47,167	13.5	39,025	17.8	8,634	15.2
2007	50,81,504	14.3	44,360	13.7	10,729	24.3
2008	52,82,603	4.0	51,294	15.6	11,832	10.3
2009	51,67,699	(-)2.2	53,700	4.7	11,136	-5.9
2010	57,75,692	11.8	64,889(p)	20.8	14,193(p)	27.5
2011	63,09,022	9.2	77,591(p)	19.6	16,564(p)	16.7
2012	65,77,745	4.3	94,487(p)	21.8	17,737(p)	7.1
2013	69,67,601	5.9	1,07,671(pr)	14.0	18,445(pr)	4.0
2014	76,79,099	10.2	1,23,320(pr)	14.5	20,236(pr)	9.7
2015	80,27,133	4.5	1,35,193(pr)	9.6	21,071(pr)	4.1

(P) Provisional (PR) Provisionally revised estimates

Source: Indian Tourism at Glance 2015; www.tourism.gov.in; Annual Report; Ministry of Tourism; GOI; 2015-16; tourism.gov.in/sites/default/files/annual%20Report.%202015-16.pdf

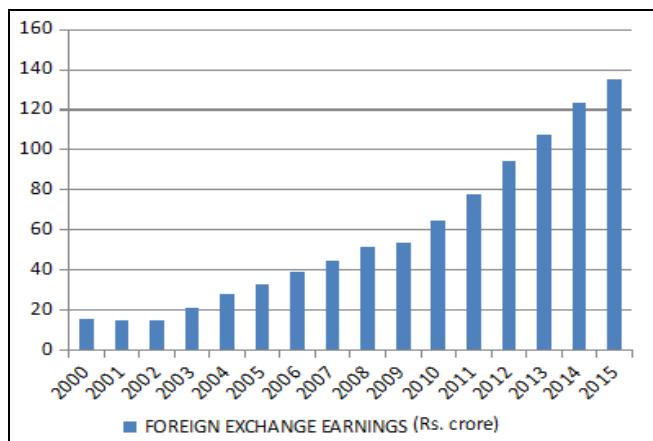


Fig 3

Table 2 shows foreign tourist arrivals in India from the year 2000 to 2015. A general view of table shows that foreign tourist arrival in India has increased over the years and as a result of that foreign exchange earnings has also increased over the years but a down fall has been noticed during the year 2001, 2002&2009. In the year 2000 only 26,49,378 tourist visited India but in 2001& 2002 their no. has declined to 25,37, 282 & 23,84,364 respectively; In 2005 their no. has increased to 39,18,610 and it has increased to 52,82,603 in 2008 but in 2009 their no. has again declined to 51,67,699 and after that up to 2015 FTA has increased; as far as foreign exchange earnings are concerned it were \$3,460 million in

2000; but in the year 2001 & 2002 it has declined to \$3,198 million & \$3,103 million respectively due to fall in FTA & has further increased to \$ 7,493 million in 2005 and \$11,832 million in 2008 but FEE has again declined in 2009 and it has declined from \$11,832million to\$ 11,136 million in 2009 and after that it had increased up till 2015.

From the analysis of the data in the table it can be clearly concluded that tourism enhances employment, foreign currency earnings in the country, generates employment opportunities and makes contribution in GDP of the economy. Therefore, authors suggest to all stake holders to speed up in putting more efforts and investments for the growth of tourism industry as tourism promotes understanding among people, both among Indians and from different parts of the country, and with the foreigners. Not only has this it also protected the culture and historical sites of the nation.

5. Recommendations

The following recommendations are formulated on the basis of study for the growth of tourism in India:

- Various departments like archaeology, devasthan, Municipal Corporation, state government etc. should made an effort for the coordination, preservation, conservation and upkeep of tourist’s sites. Efforts should be made for the revival of traditional buildings. Government should invest in tourism infrastructure and should made efforts for better utilization of idle heritage assets and for the preservation and protection of our monuments.

- Role of private sector in tourism should be increased. Between state government and private entrepreneur's sale, lease or joint venture of significant properties should be promoted. Large industrial houses must adopt some of the heritage sites for conserving them for posterities.
- As far as growth of tourism industry is concerned special emphasis should also be given to basic amenities, supportive infrastructure cleanings and non-core activities.
- "Gondolas cable cars and other ropeway systems in hilly regions should be developed.
- The State should provide land on concessional rates or land on lease to the private sector so as to encourage the setting up of hotels/tourist accommodation for common tourist.
- Initiatives should be launched in the sphere of medical tourism and cruise tourism in partnership with the private sector. An expert committee should be set up to draw a plan and criteria for the accreditation of hospitals and related agencies.
- Large convention centers with exhibition facilities should be set up thereby promoting our ancient Indian handicrafts. These centers will fetch large amount of foreign exchange and boost other economic activities.
- Night Bazars should be set up as a tourist attraction. Such bazars should provide a unique shopping experience and healthy cultural entertainment. The first such night bazaar was successfully held at Chankaya Puri in New Delhi. In Jammu, such night bazars can potentially be held at Mubarkh Mandi and the exhibition ground.
- Atithi Devo Bhavah Campaign: The aim of this campaign should be to create awareness about the effect of tourism and sensitizing people about the preservation of our rich heritage and culture, cleanliness and warm hospitality. It will help instill a sense of responsibility towards our *atithi*, ie tourist and reinforce their confidence towards India as a preferred holiday destination." (veena; 2015) [7].
- Cultural tourism areas including historical places, monument complexes, places of fair and festivals, religious tourism areas like pilgrimage centres and temple towns should be developed properly in order to enhance tourism.

6. Conclusion

Tourism is among the fastest growing industries in the world which leads to the overall development of the economy. The above study reveals the fact that contribution of tourism in employment of the country has increased over the years and has increased from 10.17% in 2009-10 to 12.36% in the year 2012-13 & its contribution in GDP of the country has also increased from 6.77% in the year 2009-10 to 6.88% in the year 2012-13. Along with it FTA & FEE has also increased over the years, FTA has increased from 26,49,378 in the year 2000 to 80,27,133 in 2015 & FEE has also increased from \$3460 million in 2000 to \$21,071 (pr) million in 2015 which is a good sign for the growth of the economy, not only this it will also promote economic co-operation within the Indian sub-continent. After analyzing the data collected from various sources, tourism industry is expected to show healthy growth in the coming years. Being a labour intensive industry, it will provide employment opportunities to both skilled and unskilled labour. It will encourage the infrastructural

development of the economy which will generate foreign exchange earnings, enhance income and pay scales. It will reinforce the preservation of not only our rich cultural heritage and traditions but also our artists and musicians by creating job opportunities for them and other performing artists. Over all, it will help eliminate language barriers, socio-cultural barriers, class barriers, racial barriers and will provide International understanding and peace.

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