

Review Article

The Role of Tourism Industry in The Development of the Indian Economy

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Abstract - The tourism industry has been an integral part of Indian Cultural and Tradition. It is the most vibrant tertiary activity and a multibillion industry in India. The travel and Tourism Industry significantly contributes towards socio-economic development through employment generation, foreign exchange earnings, and development of infrastructure. India in recent years has gained good exponential growth in the Tourism Industry. Today India is the preferred destination for both overseas and domestic travellers. India provides the facility for tourists of international origin to understand and experience the cultural diversity of the country. According to Indian official estimates, tourism in India has outperformed the global tourism industry in accordance with the growth, the volume of foreign tourists, and even the revenue.

India's tourism industry is experienced a strong period of growth which is derived from the burgeoning Indian middle class and high spending foreign tourists with coordinated government campaigns to promote 'Incredible India'. India is a large market for travel and tourism. It offers a diverse portfolio of niche tourism products - cruises, adventure, medical, wellness, sports, MICE, eco-tourism, film, rural and religious tourism. India has been recognized as a destination for spiritual tourism for domestic and international tourists. This paper is based on secondary data and tries to infer the total contribution of the Tourism industry for the Indian GDP and alleviation of poverty in particular and Socio-Economic development of the country in the general and significant contribution by the Tourism sector in India in terms of Foreign Exchange Earnings, Foreign Tourists Arrival, etc.

Keywords - Travel & Tourism, GDP, FEEs, FTAs, Employment, Trend and Government Initiatives

I. INTRODUCTION

Tourism is the most important industry in the service sector of the Indian economy. It is one of the world's fastest-growing industries, and it can play a role in accelerating the economic development of the country is widely recognized. It has generated a number of social and economic benefits, promoted national integration and international understanding, and created employment opportunities for a large number of people and foreign exchange earnings.

Tourism also supports local handicrafts and cultural activities for many developing countries. They are mainly dependent upon tourism; this tourism offers a more reliable source of income for them.

The number of factors, such as population growth, shorter working days, larger paid holidays, increase in general awareness among people for travelling, and the need for recuperation from tensions of modern life, have created favourable conditions for the growth of tourism. So this industry has registered tremendous growth all over the world during the last few years.

Over the years, tourism has emerged as a major segment of the Indian economy, contributing substantially to foreign exchange earnings and creating large-scale employment opportunities. In its annual analysis quantifying the global economic and employment impact of Travel & Tourism in 185 countries and 25 regions, the World Travel & Tourism Council's (WTTC) research reveals that the sector accounted for 10.4% of global GDP and 319 million jobs or 10% of total employment in 2018. This growth, in turn, enables job creation. Travel & Tourism, which already supports one in every ten jobs on the planet, and has accounted for one in five of all jobs created across the world over the past five years, is a dynamic engine of employment opportunities. Jobs in Travel & Tourism particularly support women, youth, and other, often marginalized groups of society.

The launch of several branding and marketing initiatives by the Government of India, such as 'Incredible India!' and 'Atithi Devo Bhava', has provided a focused impetus to growth. The Indian government has also released a fresh category of visas - the medical visa or M visa, to encourage medical tourism in the country. Incredible India 2.0 campaign was launched in September 2017.

The Government has also been making serious efforts to boost investments in the tourism sector. In the hotel and tourism sector, 100 per cent FDI is allowed through the automatic route. A five-year tax holiday has been offered for 2, 3, and 4-star category hotels located around UNESCO World Heritage sites (except Delhi and Mumbai). The investment in the tourism sector is expected to be US\$ 12.4 billion in the 12th Five Year Plan; of these, private investments are likely to total US\$ 9.2 billion. Total FDI received



by the Indian tourism & hospitality sector was US\$ 10.48 billion up to Q1 FY18.

II. EVOLUTION OF THE INDIAN TOURISM AND HOSPITALITY SECTOR

Pre-1990	The National Tourism Policy was announced in 1982 The government formulated a comprehensive plan in 1988 to promote tourism
1990–2000	Various states in India declared tourism as an industry The government stressed private-public partnership in the sector Government policies give a fillip to the hotel industry
2000–05	A national policy on tourism was announced in 2002, focusing on developing a robust infrastructure Online travel portals and low-cost carrier airlines gave a boost to domestic tourism
2005 onwards	The government has undertaken various marketing initiatives to attract tourists In April 2008, the Ministry of Tourism opened its first tourist office in Beijing, marking its first office in China and only it is 14th overseas Domestic spending on tourism accounted for over 82.7 per cent of total tourism revenues in April 2016 Nearly 891,000 foreign tourists visited India from January 2016 to November 2016, registering a growth of 10.4% over the previous year.

Source: WTTC, Ministry of Tourism, TechSci Research, 2017

III. Indian Tourism Industry – An Overview

Tourism is the most important industry in the service sector of the Indian economy. It is one of the world's fastest-growing industries, and it can play a role in accelerating the economic development of the country is widely recognized. It has generated a number of social and economic benefits, promoted national integration and international understanding, and created employment opportunities for a large number of people and foreign exchange earnings. Tourism also supports local handicrafts and cultural activities for many developing countries. They are mainly dependent upon tourism; this tourism offers a more reliable source of income for them.

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creating large-scale employment opportunities.

IV. GROWTH OF TOURISM IN INDIA

As evidenced by the following data, the tourism industry has recorded substantial growth in India over the years.

Foreign Tourist Arrivals (FTAs) in India: - Tourism is an important sector of the economy and contributes significantly to the country's GDP as well as Foreign Exchange Earnings (FEE). With its backward and forward linkages with other sectors of the economy like transport, construction, handicrafts, manufacturing, horticulture, agriculture, etc., tourism has the potential to not only be the economic driver but also become an effective tool for poverty alleviation and ensuring growth with equity.

Domestic travel on the rise:-

With a rich culture, ancient monuments, and mesmerizing natural beauty, India is one of the leading tourist destinations in the world. This holds true not only for foreign tourists but also for the increasingly moneyed middle-class of the country who are spending more time and money than ever before on domestic travel. In 2017, the domestic expenditure on tourism was around 186 billion U.S. dollars. At the same time, the collective government spending on the tourism sector that year was about 2.61 billion dollars.

In 2016, foreign tourists' arrival in India stood at 8.8 million. Foreign tourist arrivals into the country are forecast to increase at a CAGR of 7.1 per cent during 2005–25. In 2017, India was expected to attract 9.45 million international tourist arrivals, and by 2027, it is expected to reach 17.3 million. In December 2016, over 1,62,250 foreign tourists arrived on e-Tourist Visa, in comparison with 103,617 foreign tourists in December 2015, registering a growth of 56.6 per cent over the previous year. As of December 2016, 8.8 million tourists have visited India, mostly from UK, US & Bangladesh. This has been due to flexible government policies, developed rail & road infrastructure, ease in availability of e-visas to foreign tourists. The number of Foreign Tourist Arrivals (FTAs) in September 2017 was 723,000 as compared to FTAs of 608,000 in September 2016 and 543,000 in September 2015. The growth rate in FTAs in September 2017 over September 2016 was 18.8 per cent compared to 12.1 per cent in September 2016 over September 2015.

The following table shows the number of foreign tourists arrivals in India during 2007-2017.

Table 1. Foreign Tourists Arrivals (FTAs) in India from 2007-2017

Year	FTAs from Tourism in India	
	(in millions)	Percentage change over the previous year
2007	5.08	14.3
2008	5.28	4.0
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	8.80	9.7
2017	10.04	14.0

Source: 1. Annual Report of Tourism Dept. 2017

2. Bureau of Immigration, Govt. of India, for 2000-2018.

It is understood from Table 1 that the Foreign Tourists Arrivals (FTAs) in India continued to grow from 5.08 million in 2007 to 10.04 million in 2017. During the year 2017, FTAs in India registered a growth of 14.0% over 2016. The growth in FTAs in India during the eighties and nineties did not follow any consistent pattern. While the years, viz., 2007, 2010, 2014, and 2017 saw double-digit positive growth, there was negative growth in the year 2009.

V. FOREIGN EXCHANGE EARNINGS (FEES) FROM TOURISM IN INDIA:

Tourism plays an important role in the Indian economy. Tourism is one of the important sectors in India for foreign exchange earnings (FEE). Based on the credit data of Travel Head from Balance of Payments of RBI for the previous year, the Ministry of Tourism estimates monthly Foreign Exchange Earnings (FEEs) through tourism in India. FEEs during the month of March 2018 were Rs.17 294 crores as compared to Rs. 14 667 crores in March 2017 and Rs. 12 985 crores in March 2016.

The growth rate in FEEs in rupee terms in March 2018 over March 2017 was 17.9%, compared to the growth of 13.0% in March 2017 over March 2016. FEEs during the period January- March 2018 were Rs. 52, 916 crores with a growth of 15.5%, as compared to the FEE of Rs. 45, 819 crores in January-March 2017 with a growth of 13.6% over January- March 2016.

The FEEs from tourism in India, in terms of rupees, from 2007-to 2017 are given in Table 2.

Table 2. Foreign Exchange Earnings from Tourism in India during 2007-2018

Year	FEEs in Rs.	
	Rs. in Crores	% Change over previous year
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

Source: UNWTO World Tourism Barometer 2018.

Table 2 indicates FEEs from tourism in India from 2007-to 2017. FEEs were 44362 crores in 2007. It was increased to 177874 crores in 2017 with a percentage change over the years was 15.4. The percentage of FEEs was the highest in the years 2010 and 2011. It was least in the year 2009. The study concludes that the FEEs in crores trend was continuously growing from 2007 to 2017.

VI. TRAVEL & TOURISM SHARE IN THE TOTAL CONTRIBUTION TO EMPLOYMENT IN INDIA:

UNWTO studies show that tourism volumes and related receipts like GDP, employment, and export earnings are expected to move away from the developed countries and towards the less developed countries as a result of favourable economic, motivational, technological and policy factors.

The Tourism industry in India is a very promising industry and has the power to become one of the leading employers of Indians. The tourism industry has emerged as an important instrument in the economic development of the Indian economy, particularly in remote backward rural areas. Due to its strong backward and forward linkages, it generates employment in different profiles and thus increases the living standard of people who are directly or indirectly linked with this economically immense profitable activity. Visitor expenditure on accommodation, food & drink, local transport, entertainment, and shopping is an important contributor to the economy of every tourist destination creating much-needed employment and opportunities for development.

The sector has been a key source of employment as well, directly accounting for 26.7 million jobs in 2018. Further, the total jobs from indirect and

induced activity stood at 42.7 million. The number is estimated to reach 43.7 million in 2019, accounting for 8.1% of the total employment in the country. By 2029, the sector is expected to provide employment to nearly 53 million people, directly and indirectly

Table 3. Number of employment in travel and tourism sector and share in total employment from 2007 to 2018 in India

Year	Travel and Tourism Contribution To Employment		
	Number In thousand	Real Growth (%)	Share in Employment (%)
2007	47770.9	10.4	10.1
2008	39928.5	-16.4	8.3
2009	38145.8	-4.4	7.8
2010	33931.0	-0.8	7.8
2011	34854	3.8	7.8
2012	35255	0.5	7.9
2013	35736	-0.2	7.6
2014	36693	1.3	9.4
2015	37315	1.7	8.7
2016	38386	1.9	9.3
2017	41600	2.05	11.38
2018	42700	2.10	11.68

Source: World Travel & Tourism report 2018.

Table 3 shows that in the year 2007 around 47770.9 thousand people were employed in travel and tourism. The real growth rate was 2.10 per cent, and the percentage share in total employment was 11.68 in the year 2018. Employment in this sector was the highest in the years 2007. There was a constant share trend of employment in the years 2009, 2010, and 2011. The trend was moving with a high degree of positive from 2016 to 2018.

VII. TRAVEL & TOURISM TOTAL CONTRIBUTION TO INDIA'S GDP (INR TRILLION)

India ranked 7th among 184 countries in terms of travel & tourism's total contribution to GDP. India is the 8th largest country in terms of contribution to travel & tourism GDP. The sector generated USD 247.3 billion (INR 16.91 trillion) in 2018, growing 6.7% during the year and accounting for 9.2% of the total economy. The country is the largest market in South Asia and has been the key driver for the growth of the sector in the region.⁴ In 2019, the sector is expected to grow by 8.5% to contribute INR 18.34 trillion to the economy and account for 9.3% of the GDP. Further, by 2029, it is forecast to grow at 6.7% p.a to reach INR 35 trillion and take its share to 9.6% of GDP.

Table 4. Contribution of Travel and Tourism Industry to Indian GDP

Year	FEEs in Rs.	
	Rs. in Crores	% Change over previous year
2007	15.2	--
2008	5.3	-65.12
2009	0.9	-82.58
2010	7.3	691.66
2011	5.0	-30.98
2012	5.9	17.40
2013	6.4	8.02
2014	7.3	14.69
2015	8.5	15.98
2016	9.1	7.22
2017	5.6	-38.88
2018	6.6	19.03

Source: India Tourism Statistics at a Glance, 2018

Table 4 reveals the contribution of the Travel and Tourism Industry to Indian GDP over a period of 12 years. In 2018, the contribution of travel and tourism to GDP growth for India was 6.6 %. Though India's contribution of travel and tourism to GDP growth fluctuated substantially in recent years, it tended to increase through the 2007 - 2018 period ending at 6.6 % in 2018.

VIII. TREND AND GOVERNMENT INITIATIVES IN THE TOURISM INDUSTRY IN INDIA

The Tourism and Hospitality industry is one of the largest service industries in India. Tourism is an integral pillar of the Make in India program. Tourism plays a role of significant economic multiplier and becomes critical since India has to grow at rapid rates and create jobs.

Market Size:- India is the most digitally-advanced traveller nation in terms of digital tools being used for planning, booking, and experiencing a journey; India's rising middle class and increasing disposable incomes have continued to support the growth of domestic and outbound tourism. During 2018, foreign tourist arrivals (FTAs) in India stood at 10.56 million, achieving a growth rate of 5.20 per cent year-on-year. FTAs in January 2019 stood at 1.10 million, up 5.30 per cent compared to 1.05 million year-on-year. During May 2019, arrivals through e-tourist visas increased by 21.70 per cent year-on-year to 1.23 million.

The travel & tourism sector in India accounted for 8 per cent of the total employment opportunities generated in the country in 2017, providing employment to around 41.6 million people during the

same year. The number is expected to rise by 2 per cent annum to 52.3 million jobs by 2028.

International hotel chains are increasing their presence in the country, as it will account for around 47 per cent share in the Tourism & Hospitality sector of India by 2020 & 50 per cent by 2022

Investments:- During the period April 2000-March 2019, the hotel and tourism sector attracted around US\$ 12.35 billion of FDI, according to the data released by the Department for Promotion of Industry and Internal Trade (DPI).

IX. GOVERNMENT INITIATIVES

The Indian government has realized the country's potential in the tourism industry and has taken several steps to make India a global tourism hub.

Some of the major initiatives planned by the Government of India to give a boost to the tourism and hospitality sector of India are as follows:

1. The Statue of Sardar Vallabhbhai Patel, also known as the 'State of Unity', was inaugurated in October 2018. It is the highest-standing statue in the world at the height of 182 meters. It is expected to boost the tourism sector in the country and put India on the world tourism map.
2. The Government of India is working to achieve a 1 per cent share in the world's international tourist arrivals by 2020 and a 2 per cent share by 2025.
3. Under Budget 2019-20, the government allotted Rs 1,160 crore (US\$ 160.78 million) for the development of tourist circuits under Swadesh Darshan.
4. Under Budget 2019-20, the government allotted Rs 160.50 crore (US\$ 22.25 million) for the development of tourist circuits under Swadesh Darshan.

Achievements

Following are the achievements of the government during 2017-18:

1. During 2018-19, a total of seven projects worth Rs 384.67 crore (US\$ 54.81 million) were sanctioned under the Swadesh Darshan scheme.
2. As of July 2018, 14 states had deployed tourist police. In November 2018, Nagaland also deployed separate tourist police in the state.

X. CONCLUSION

The tourism sector is a major engine of economic growth that contributes significantly in terms of GDP, foreign exchange earnings, and employment. The government has taken various policy initiatives and measures to promote Health and Medical Tourism in India along with the Public-Private Initiatives in the Tourism sector. India has emerged as a major Medical Tourism destination.

The Ministry of Tourism has recognized Medical and Wellness Tourism, including Ayurveda, as a Niche product in order to overcome the aspect of 'seasonality' and to promote India as a 365 days' destination and attract tourists with specific interests.

India is known for its traditions and rituals. The Tourism authorities and office bearers need to follow a systematic approach to attract more foreign tourists and, at the same time, urgent need to formulate stringent policies towards environmental issues. They should have the vision to provide a hygienic and hassle-free environment in all the tourist places.

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