



RESEARCH ARTICLE

AN ANALYTICAL STUDY ON CONTRIBUTIONS OF TOURISM INDUSTRY IN INDIA

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ABSTRACT

This paper is an attempt to explore the significance of tourism economy for the development of India. Tourism is the integral part of Indian culture and tradition. Tourism industry is the vigorous triennial action and a multibillion industry in India. The potential and performance of Indian tourism industry needs an indicator in terms of its economic magnitudes. It also consider the effects of tourism economic growth in India, major players to the economic growth, Role of Indian tourism industry in GDP, contribution of Indian tourism industry in foreign exchange, FDI and employment generation. Tourism is the world's largest and fast growing labour intensive industry in the nation with gigantic potentials for its further expansion and diversification. Tourism as a service industry plays a pivotal role for the nation's economic development. While tourism is no universal elixir, the development of tourism can play a much more significant role in the future than it does at present. Analysis of the economic effects of tourism based on a comparison of the nation's shows that mobilising the demand and supply chain for tourism services has extremely beneficial effects on employment and the current balance of payments. The nations have a major responsibility to promote the economic role of tourism, towards both themselves and the entire international community, especially to under develop and developing countries.

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INTRODUCTION

Tourism has emerged as a key sector of the world economy and has become a major workforce in global trade. It has been making a revolutionary and significant impact on the world economic scenario. Tourism's importance, as an instrument for economic development and employment generation, particularly in remote and backward areas, has been well recognized the world over. The multifaceted nature of this industry makes it a catalyst to economic development and helps balanced regional development. It is a low capital, labour intensive industry with economic multiplier and offers and opportunity to earn foreign exchange at low social cost. Globalization of development programmes has raised the foreign exchange requirements of developed as well as the developing countries. A number of manufacturing and non-manufacturing, traditional and non-traditional industries, no doubt, have helped them in their stupendous task of industrial transformation but at the same time, the harmful side effects have resulted in atmospheric pollution. In addition, the inadequacy of financial resources has also been an important barrier in speeding up the process of economic transformation.

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The magnitude of competition is found at peak, which necessitates world-Class excellence for excelling competition. Amidst all these constraints, the development of tourism industry appears to be an important solution. Tourism, both international and domestic, brings about an intermingling of people from diverse social and cultural backgrounds, and also a considerable spatial redistribution of spending power, which has significant impact on the economy of the destination area.

Literature Review

An extensive literature relating to the concept of economic significance of tourism industry in Asia and related subject has been collected and reviewed to understand the broader areas of previous research works and also to know the existing research gap. Fateme Tohid Ardahaey in his work Economic Impacts of Tourism Industry defines short-term and long-term strategic planning and using the specific abilities and tourism products of developing countries, which suffer from some indices as unemployment, limits in earning and currency flows, inflation and other problems, most of their economic problems can be solved. Mahalakshmi Venkatesh and Dr.P. Stanley Joseph Michal Raj explain about the tourism Contributors to economic growth, Role of Tourism industry in India's GDP, Foreign versus Domestic Tourists. Tourism is one of the fastest

growing service industries in the country with great potentials for its further expansion and diversification. Tourism industry plays a major role in any country's economic development. Daniel J. Stynes in his article economic impact of tourism describes about the economic impact of the tourism and analysis of the economic impact and direct, indirect and induced effect of tourism, he also states regional economic model and multiplier effect of tourism. WTTC 2015 report on Travel & Tourism Economic impact 2015 Asia Pacific describes about statistic of contribution of travel & tourism towards GDP, support to the employment, visitor exports, and investments in the financial year 2015.

Statement of Problem

India's bounteous heritage includes not just breathtakingly beautiful architecture, rich traditions and diverse cultures but also mesmerizing and scenic landscapes. From the challenging snow-clad peaks of the Himalayas and the cool hill stations of the north, to the alluring beaches on the western and eastern coasts and the ornate temples of the south, India has the variety to satiate the interests of all those travelling through the country. Tourism in India has grown in leaps and bounds over the years, with each region of India contributing something to its splendour and exuberance. It is a treasure house of cultural and traditional embellishes as reflected in its artefacts, scenic beauties of the rivers, sea and mountains, thus enabling it to gain a prestige in the international arena. As per the Travel and Tourism competitiveness Report 2015 by the World Economic Forum, India is ranked 12th in the South East Asia region and 52nd overall, moving up three places on the list of the world's attractive destinations. It is ranked the 17th best tourist destination for its natural resources and 10th for its cultural resources, with many World heritage sites, both natural and cultural, rich fauna, and strong creative industries in the country. India also bagged 35th rank for its air transport network. The India travel and tourism industry ranked 5th in the long-term [10-year] growth and is expected to be the second largest employer in the world by 2019.

1. What is the present economic development of tourism in India?
2. What are the factors affecting for the economic growth of tourism in India?

Objective of the study

The objectives of this study are the following:-

1. To assess the present economic development of tourism in India.
2. To evaluate the factors affecting for the economic growth of tourism in India.

Research Design and Methodology

Research is designed on the basis of descriptive method here the study will investigate tourism economic significance in India. The data will be collected through various reports of trustable sources such as UNWTO Economic Impact Report, WTTC Annual travel and Tourism Report, World Economic Forum Report, Ministry of tourism, Government of India Report etc., to gather the statistical data to process the study. The information gathered from various authentic sources are analysed and reported in the study.

Significance of Tourism Economy in India

The growth and performance of tourism industry in India needs to scale in terms of its economic magnitudes. It also tests the impact of economic growth of India in tourism, major players to economic growth, Role of Tourism industry in India's GDP, International versus Domestic Tourists. Tourism is world's fastest growing service industry which plays major role in the country with ample potentials for its further expansion and diversification. Tourism industry plays an important role in any nation's economic development. It helps significantly to the nation for generating the employment opportunities to the huge number of persons. Moreover, it is also one of the essential engines to attract more international currency exchanges with its potential. We need to concentrate to have friendly policies, flexibility in taxes, comprehensive package and so on to motivate tourist and foreign investment. There is also a need to raise the government's role to make India flourishing in tourism and established in the international market. India has gigantic source in tourism for the establishment of the brand. That's why India has been launched the Incredible India to make tourism better and better.

Share of India in International Tourism Receipts in World and Asia & the Pacific Region, 1999-2015

Year	International Tourism receipts (in US \$ billion)		FEEs in India (in US\$ In million)	Percentage (%) share and rank of India in World		Percentage (%) share and rank of India in Asia and the Pacific	
	World	Asia and the Pacific		Share (%)	Rank	Share (%)	Rank
1999	458.2	79.1	3009	0.66	35	3.80	-
2000	475.3	85.3	3460	0.73	36 th	4.06	10 th
2001	463.8	88.1	3198	0.69	36 th	3.63	12 th
2002	481.9	96.5	3103	0.64	37 th	3.22	13 th
2003	529.3	93.7	4463	0.84	37 th	4.76	9 th
2004	633.2	124.1	6170	0.97	26 th	4.97	8 th
2005	679.6	135.0	7493	1.10	22 nd	5.55	7 th
2006	744.0	156.9	8634	1.16	22 nd	5.50	7 th
2007	857.0	187.0	10729	1.25	22 nd	5.74	6 th
2008	939.0	208.6	11832	1.26	22 nd	5.67	6 th
2009	853.0	204.2	11136	1.31	20 th	5.45	7 th
2010	931.0	255.3	14193	1.52	17 th	5.56	7 th
2011	1042.0	289.4	16564	1.59	18 th	5.72	8 th
2012	1117.0	329.4	17737	1.59	16 th	5.38	7 th
2013	1198.0	360.2	18445	1.54	16 th	5.12	8 th
2014	1295.0	420.1	20236	1.56	15 th	4.82	7 th
2015	1232.0	418.9	21071	1.71	14 th	5.03	7 th

P: Provisional

Source: - (i) UNWTO Tourism Market Trends 2007 Edition, for the years up to 2005

1. UNWTO Barometer June 2009 for 2006 & 2007
2. UNWTO Tourism Highlights 2011 Edition for 2008 and 2012 Edition for 2009.
3. UNWTO Barometer April 2014 for 2010, 2011 & 2012
4. UNWTO Barometer August 2015 for 2013
5. UNWTO Barometer May 2016 for 2014 & 2015

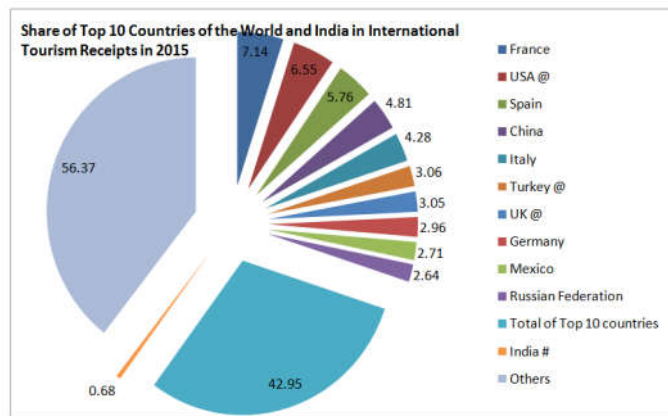
Indian tourism industry growing rapidly and progressing towards become major tourist destination of Asia as well as rest of the world. India massively attracting international tourist by its vivid tourism resources. In the year 1999 international receipts were 458.2 billion and it reached 1232.0 billion in 2015 with 21071 million US\$ foreign exchange

earnings at the rate of 1.71% share in the world and ranked 7th in Asia pacific region in 2015.

Share of Top 10 Countries of the World and India in International Tourist Arrivals in 2015

Rank	Country	International Tourist Arrivals (P) in million	Percentage (%) Share
1	France	84.5	7.14
2	USA @	77.5	6.55
3	Spain	68.2	5.76
4	China	56.9	4.81
5	Italy	50.7	4.28
6	Turkey @	36.2	3.06
7	UK @	36.1	3.05
8	Germany	35.0	2.96
9	Mexico	32.1	2.71
10	Russian Federation	31.3	2.64
Total of Top 10 countries		508.5	42.95
	India #	8.03	0.68
	Others	667.5	56.37
Total		1184.0	100.00

(P) : Provisional. # : Excludes Nationals of the country residing abroad. Source : UNWTO Barometer May 2015 and Bureau of Immigration (BOI) @ : Country's respective website.



Generation of Foreign Exchange

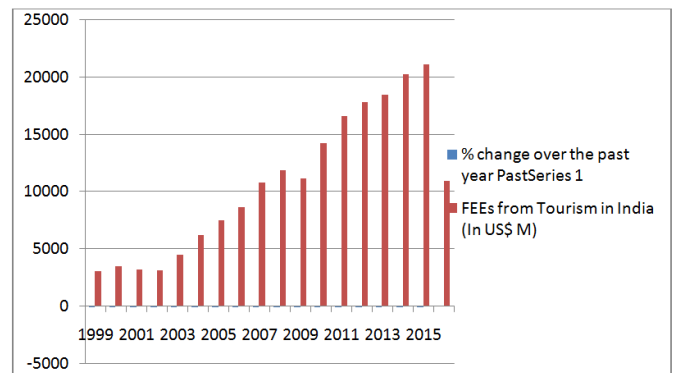
Foreign Exchange Earnings (FEEs), in US\$ million, from Tourism in India, 1999-2016 (till June)

Year	FEEs from Tourism in India (in US\$ million)	Percentage(%) change over the previous year
1999	3009	2.1
2000	3460	15.0
2001	3198	-7.6
2002	3103	-3.0
2003	4463	43.8
2004	6170	38.2
2005	7493	21.4
2006	8634	15.2
2007	10729	24.3
2008	11832	10.3
2009	11136	-5.9
2010#1	14193	27.5
2011#1	16564	16.7
2012#1	17737	7.1
2013#2	18445	4.0
2014#2	20236	9.7
2015 #2	21071	4.1
2016#1 (Jan to June)	10865	6.5 @

#1: Provisional estimates (based on Provisional FTAs), @ : Growth Rate over Jan-June, 2015

#2 : Provisionally Revised estimates (based on the final FTAs received from BOI)

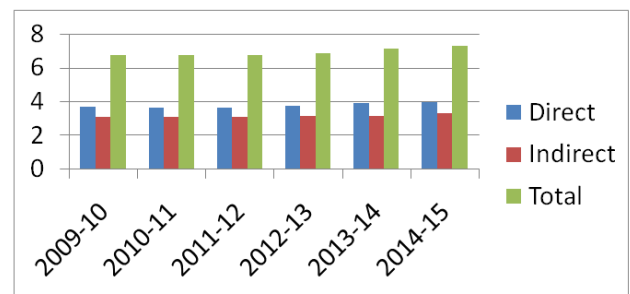
Source: (i) Reserve Bank of India, for 1999 -2010, (ii) Ministry of Tourism, Govt. of India, for 2011-2016



This sector of the economy is found efficacious in generating the foreign exchange reserve. To be more specific the contribution of world tourism to the foreign exchange is supposed to be the succulent benefit of tourism industry. In India Foreign exchange earnings (FEE) from tourism grew by 4.1 percent in terms of US\$ in 2015 as compared to 2014, although the FTA growth was much lower; this also indicates an impressive growth in the exchange earnings per tourist that was realized despite the ongoing slowdown in developed country markets, an increase in the cost of travelling and a fluctuating exchange rate. Foreign tourists tend to spend more in India than almost any other country worldwide. These are positive signs for the industry, and indicate significant potential going forward.

Increase in GDP

Year	Contribution of Tourism in GDP of the Country (%)		
	Direct	Indirect	Total
2009-10	3.68	3.09	6.77
2010-11	3.67	3.09	6.76
2011-12	3.67	3.09	6.76
2012-13	3.74	3.14	6.88
2013-14	3.94	3.17	7.11
2014-15	3.98	3.33	7.31



Tourism is key factor for developing GDP of a nation. If we see the Indian scenario the direct contribution of Travel & Tourism to GDP in 2014 was INR 2,364.8bn (3.1% of GDP). This is forecast to rise by 3.7% to INR 3,593.2bn. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. The direct contribution of Travel & Tourism to GDP was USD2, 229.8bn (3.0% of total GDP) in 2015, and is forecast to rise by 3.3% in 2016, and to rise by 4.2% pa, from 2016-2026, to USD3, 469.1bn (3.4% of total GDP) in 2026. The total contribution of Travel & Tourism to GDP was USD7, 170.3bn (9.8% of GDP) in 2015, and is forecast to rise by 3.5% in 2016, and to rise by 4.0% pa to USD10, 986.5bn (10.8% of GDP) in 2026.

Employment Opportunities

The travel and tourism sector supported 23,454,500 jobs directly in 2015 (5.5% of total employment) and this is forecast to grow by 3.2% in 2016 to 24,197,500 (5.6% of total employment). This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. By 2026, Travel & Tourism will account for 29,629,000 jobs directly, an increase of 2.0% pa over the next ten years. Applying this multiplier impact, the travel and tourism sector supported a total employment of 2 crore jobs in 2015 constituting 7.9 per cent of the whole economy employment. This implies that for every job directly supported by the tourism sector, an additional 0.6 job is supported in the economy when the indirect and induced effects of tourism are considered. (Source: WTTC Travel & Tourism Economic Impact 2016, India)

Opportunity for Getting FDI

According to a WTTC report, India's travel and tourism industry will directly contribute INR 3,345 billion (USD 61 billion) to the GDP by 2019, allowing 100% foreign direct investment in hotel infrastructure development. This will prove to be a major growth driver for the industry and also identified the investment opportunity of about \$8-10 billion in the next 5 years in tourism sector. India has significant potential for becoming a major global tourist destination. It is estimated that tourism in India could contribute Rs.8,50,000 crores to the GDP by 2020 (approx. 1800 million USD) if India properly plan to develop and invest on Connectivity Infrastructure, Tourism Infrastructure, Tourism Products, Capacity Building and Promotion & Marketing (WTTC report). It is estimated there is a need of around 10 Billion US \$ required for development of tourism as per the different state tourism estimates for the next five years. Thinking about the long term capital requirement of all states, it is estimated around 56 billion US \$ for the next 20 years.

Raising of Tax Revenue

The tourism sector contributes a lot to the exchequer in the shape of taxes. This is collected from its different segments. Particularly in the Indian context, this industry has not been making handsome contribution to the tax revenue since the tax concession is allowed at different stages. It is natural, especially at the initial stage of development. Gradually, the magnitude of tax concessions allowed shows a downward trend and the contribution of this sector to the tax revenue reaches its peak. Globally the tourism sector accounts for 10.5 percent of GDP while in India tourism accounts for only 1.15 percent of DGDP. The finance ministry has admitted the service sector (of which tourism is major part) contributes as much as 50 percent to the GDP.

Growth of tourism and development of infrastructure

The tourism industry can maximize on the infrastructure development part by providing priority to tourism, tax, incentives to private sector, specialized norms for single window clearance for foreign investments, creating land, bank financial assistance mainly long term loan on low rate of interest, free flow of foreign exchange in the country,

involving professionals and less interference by bureaucrats or free from red-tape. This is the right approach and only way to boost infrastructure. Tourism is most attractive if a country has all possible types of alternative transport facilities both in its major and minor networks. About 97% of international tourists arrive in India today by air. Within the country, 82% of them travel by air as compared to 11% by sea and water routes and 7% by land routes. India is having 19 international airports & more than 75 domestic airports to facilitate tourists. Indian Railways (IR) is one of the world's largest rail networks with 64,460 route kilometres of route lengths. All major attractions are well connected by roads because of its tourism resources.

Balance of Payment

A severe drop in India's foreign exchange reserves and a large balance of payments deficit were the two most immediate reasons which forced India to seek the help of the IMF and the World Bank to tide over the economic crisis in 1991. In improving India's foreign exchange reserve and balance of payments position, tourism industry played an invaluable role by earning maximum foreign exchange.

Regional Imbalance

Tourism can contribute significantly towards reducing regional imbalances in development. This is particularly important for India as there is wide disparity in the level of development achieved by different regions of the country. Throughout the world, tourism brings money to cities and countries. Tourism also provides jobs for the local residents, further benefiting the destination. India has realized the profits available from this sector & its growing economy and promoting itself as a culturally rich and diverse nation, India's tourism industry now brings billions of dollars into the economy each year.

Conclusion

While tourism is no universal elixir, the development of tourism can play a much more significant role in the future than it does at present. Analysis of the economic effects of tourism based on a comparison of the nation's shows that mobilising the demand and supply chain for tourism services has extremely beneficial effects on employment and the current balance of payments. The nations have a major responsibility to promote the economic role of tourism, towards both themselves and the entire international community, especially the host country. In order to do so, India can promote significant use of tourism as a factor of economic development and job creation by setting up specific initiatives. Tourism is playing vital role in the economic development of India which we are observed by various facts and figures of this article. Tourism significantly helping to generate foreign exchange, infrastructure development, Direct & Induced employment, increasing revenue, opportunities for FDI etc. is the key factors for the development of the nation.

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