

# An Economic Evaluation of Indian Tourism Industry

Lateef Ahmad Mir

Research Scholar Vikram University, Ujjain (M.P.)

**Abstract-** The paper exposes the economic viability of the Indian tourism industry by employing secondary data taken from various national and international reports, journals, books, magazines and other pertinent literature of this discipline. The Indian tourism industry is playing an important role in economic development of many sectors of our economy by generating employment both for skilled and unskilled labour force, by improving living standard, particularly of remote rural areas, foreign exchange earnings, infrastructure development, and boosts the world famous Indian traditional Art and craft. Tourism is an important catalyst in the socio-economic development of both rural and urban areas since the last two decades, contributing in several ways and strengthens the inter-connected processes. Tourism industry has potential to strengthen the inclusive economic development. It is a limitless industry with immense growth potential having clear remarkable positive impact on economic and social aspects of Indian economy.

**Index Terms-** Tourism, Development, Employment, Foreign exchange earnings.

## I. OBJECTIVES

To find out the impact of tourism industry on various economic aspects of Indian economy.

To understand the present status and scenario of Indian tourism industry.

To enumerate how tourism is important for the overall development of Indian economy.

## II. MATERIAL AND METHODS

The present study is an endeavour to find out the impact of tourism industry on various economic dimensions and parameters of Indian economy. In India Tourism industry is an important instrument in the generation of employment, development of infrastructure, foreign exchange earnings, uplift of the rural economies particularly in remote and backward areas and is included among the top export sectors. As a result remarkable funds are allocated in this tertiary activity so that it may act as an important instrument to foster economic growth. For the present study the required secondary data has been collected from various old research papers, journals, books, internet, some of the governmental data etc. The data has also been taken from various documents such as books, newsletters, reports, magazines, journals, newspaper, internet, as well as from existing literature to understand the importance to understand how tourism plays its role in different directions for the overall

development of Indian economy. After this, pertinent statistical tools have been used to find out the necessary required results.

## III. RESULT AND DISCUSSION

The Indian Tourism industry has acted as one of the important catalyst in the socio-economic development of both rural and urban areas since the last two decades, contributing in several ways and strengthens the inter-connected processes. While it is often claimed as remedy for many evils like underdevelopment, unemployment, poverty eradication, development of rural areas, up grading living standard and so on; its contribution in creating a global and regional socio-political environment for peaceful co-existence of the cultures and societies has been equally established at various levels. Perhaps, this realisation took many scholars and planners to position tourism as one of the biggest 'peace industries', a means to strike stability of global peace process through development. If, tourism practiced in responsible and sustainable manner will bring peace and prosperity of the people and its stakeholders will share benefits in fair manner, which is a compulsory condition for the equilibrium of sharing to sustain.

Tourism in India has emerged as one of the important tool of employment generation, income and Foreign Exchange earnings and infrastructure development both in rural and urban areas. It helps in the poverty eradication and up gradation of living standard of the people around the tourist spots particularly in remote backward areas. Tourism industry has enormous economic benefits. This industry has not remained what it was in 80's and 90's, today it have not remained confined itself only to Tour operators, hotels, restaurants and sea beaches, but has touched every corner of our economy through diversification and innovation in traditional tourism structure and system in to rural areas (Rural tourism), health sector (Health Tourism) and environment (Eco-tourism) as well. Its importance as an instrument for economic development and employment generation is now recognized world over. The existing Tourism Policy, therefore provides a framework for development of tourism, with the objective of reaping its socio-economic benefit, people in rural areas by ensuring overall development of the countryside, society and the nation altogether. It contributes 6.23% to national GDP and 8.78% to the total employment in India. The tourism industry in India generated US\$100 billion in 2008 and is expected to increase to US\$ 275.5 by 2018 at a 9.4% annual growth rate.

The Tourism industry of India has immense potential to reap economic benefits, if this precious fruitful resource is utilized effectively and efficiently. It has a potential to provide employment to skilled and unskilled labour force of the country. Through its strong backward and forward linkages it generates

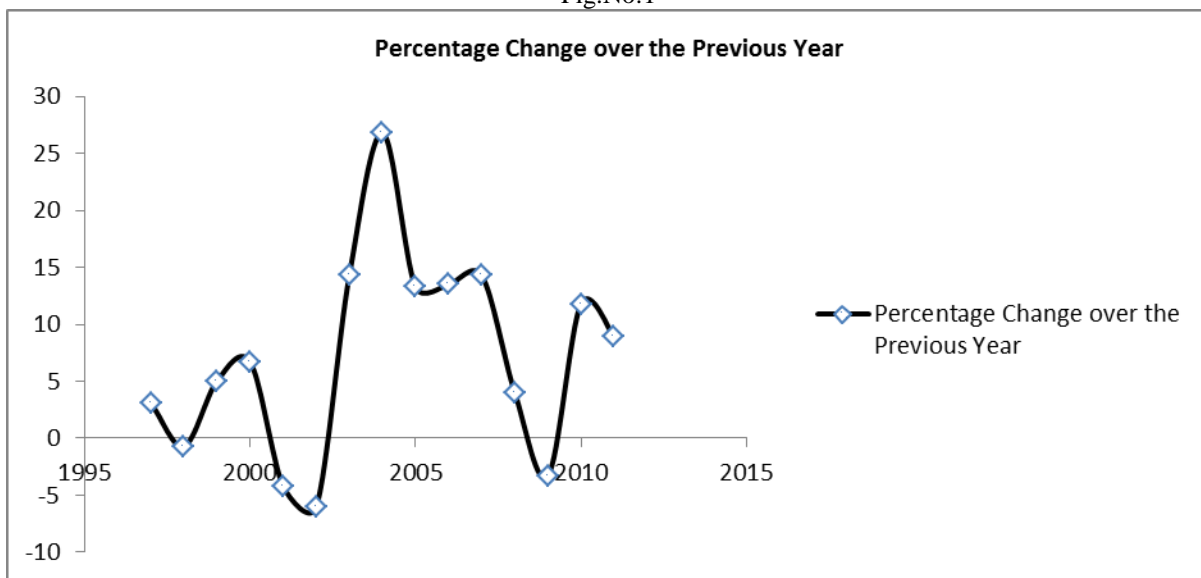
employment in different sectors of the economy both directly and indirectly. If these linkages are strengthened these will act as a positive instrument for economic growth and development and will help in inclusive growth, which is one of the important objective of five year plans. These linkages will develop with the passage of time depending up on variety of factors, such as

the availability of finance, the diversity and maturity of the local economy or the quality of locally produced goods. The travel and tourism industry contains these four elements that enable it to be a dynamic market force for sustainability in the future. It has the capacity to increase exports, bring in capital investment, boost economies GDP and create employment (Govind. P.; 2012).

Table No: 1. **Foreign Tourist Arrivals in India (Millions)**

Year	FTAs In India ( In Millions)	Percentage Change over the Previous Year
1997	2.73	3.08
1998	2.36	-0.7
1999	2.48	5.02
2000	2.65	6.7
2001	2.54	-4.2
2002	2.38	-6.0
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	4.0
2009	5.11	-3.3
2010	5.78	11.8
2011	6.29	8.9

Fig.No:1

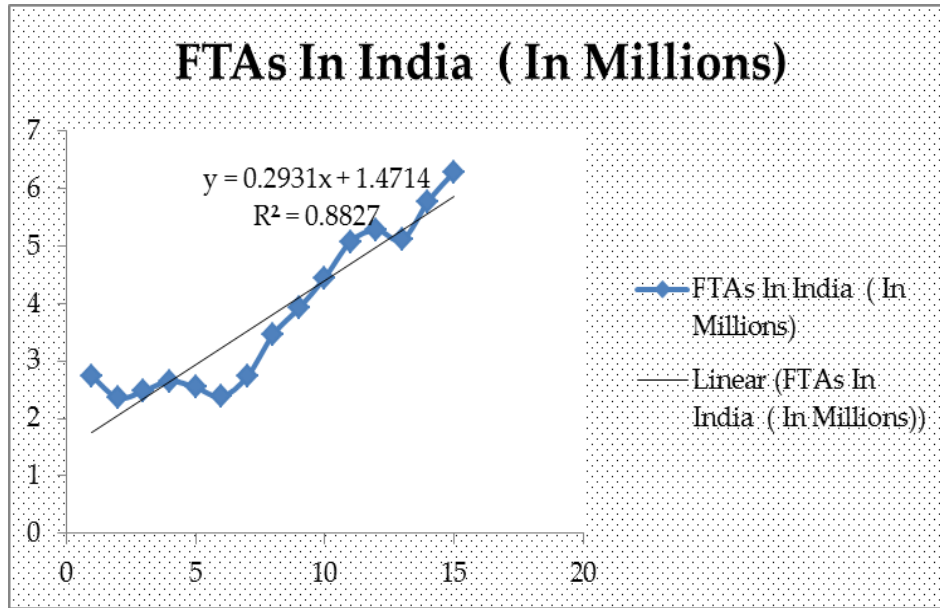


Source: (1). Ministry of Tourism government of India (2009-2010)  
 (2). Indian tourism statistics 2011 at a glance

Both Table No. 1 and Fig. No. 1 shows the trend of foreign tourist inflow in India from 1997-2011. The foreign tourist arrivals was 2.37 million in 1997 which with a little fluctuation decreased to 2.38 million in 2002 after 20002 it shows a persistent rise which reached to 4.5 billion in 2006. After this

tourist inflow shows a negative (-3.3) percentage change in 2009, this decrease is due to the negative impact of 2008 global economic recession accelerated by outbreak of AN1H1 influenza virus.

**Fig.No:2 Trend Lines of Foreign Tourist Arrivals (1997-2011)**



**OLS model is:**

**Foreign Tourist in flow = f (X)**

$$Y = \alpha + \beta x + v_i \dots\dots\dots (1)$$

Y = Foreign Tourists, X = Time,  $v_i$  = error terms

$\alpha, \beta$  = parameters

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. Change
1	.940 <sup>a</sup>	.883	.874	.49590	.883	97.795	1	13	.000

a. Predictors: (Constant), VAR00001

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	1.471	.269		5.461	.000	.889	2.054
	VAR00001	.293	.030	.940	9.889	.000	.229	.357

a. Dependent Variable: VAR00002

From the above regression model it is clear that time explains 88% of the tourist inflow while the remaining is explained by some unknown variables. We can conclude that there is a significant relationship between tourist inflow and time. Keeping other things constant the increase in tourist inflow with the passage of time can be used as an important indicator in demand forecasting for the required supply of goods and services which will satisfy the needs of both domestic and foreign tourists. Tourism has an inbuilt capacity that it could contribute remarkably and in minimum time duration in poverty alleviation through job creation and productive employment by offering

labour-intensive jobs and small-scale business opportunities that generally employ a high proportion of women and unskilled youth. In addition to this tax revenue from tourism could be used to improve infrastructure, health and education development, all of which are important for poverty alleviation. In the long run, tourism promotes understanding among people of different nations, thus contributing to world peace and understanding. It is often claimed that tourism is the 3rd largest earner of foreign exchange in India, after gems/jewellery and ready-made garments.

After giving priority and pumping huge financial resources to Tourism industry it is necessary that it must act as a catalyst for socio-economic development and for achieving this important objective, appropriate and sensible policies must be formulated by the government to ensure that the benefits are widely spread, adverse impacts are reduced, especially on fragile natural environment. In addition to this necessary support must be given to foster the sound and sustainable development of this economically profitable industry. All those agencies that are involved in this industry must be capable of designing and implementing effective measures to foster sustainable tourism development and enhance the contribution of tourism to socio-economic development. This does not mean that the stakeholders should be set completely free in a manner which will cause deterioration to sustainable tourism but it means that stakeholders should be given freedom to that extent which on one side will accelerate the benefits for present generation from this industry but at the same time will not place at risk the longer-term prosperity and quality of life of future generations.

Tourism industry is a limitless industry with immense growth potential. It has tremendous positive impacts on economic and social aspects in developing countries. This is why every country is trying with each other to woo more domestic and international tourist and India is not an exception though here achievements are not astonishing. According to the latest

Tourism Satellite Accounting (TSA) research released by the WTTC and its strategic partner oxford economics in March 2009. The demand for travel and tourism in India is expected to grow by 8.2 per cent between 2010 and 2019 and will place India at the 3<sup>rd</sup> position in the world. India's travel and tourism sector is expected to be the 2<sup>nd</sup> largest employer in the world, employ 40,037,000 by 2019. In addition to this capital investment in India's travel and tourism sector is expected to grow at 8.8 per cent between 2010 and 2019.

Tourism in India has emerged as an instrument of income and employment generation, poverty alleviation and sustainable human development. Almost more than 20 million people are now working in the Indian tourism industry.

India is a country of diverse culture, language, religion and climate. It is known for its diversity all over the world. There is something for everyone. It is also known for its tourism attraction and infrastructure which is in par with those in UK, USA and Europe. Tourism is playing it important role in overall economic development of the country. The wages in this sector are higher than the other sectors of our economy and thus attracting and providing employment to a very huge group of labour force. Medical tourism and domestic tourism is acting as a shield from many shocks like the global economic recession. There is very little fluctuation in the domestic tourism the growth of which is increasing continuously with the passage of time.

Table No: 2 Domestic Tourist visits

Years	Domestic Tourists visits (millions)	Percentage (%) change
1999	190.67	13.4
2000	220.11	15.4
2001	236.47	7.4
2002	269.60	14.0
2003	309.04	14.6
2004	366.27	18.5
2005	391.95	7.0
2006	462.31	18.0
2007	526.56	13.9
2008	562.98	6.9
2009	669.02	18.8
2010	747.70	11.8
2011	850.86	13.8

Source: (1). Ministry of Tourism government of India (2009-2010)  
 (2). Indian tourism statistics 2011 at a glance

The above table shows that the Domestic tourists arrivals shows an uninterrupted increase from 190.67 million tourists in

1999 to 366.27 million in 2004. The arrivals further shows a continuous increase from 391 million in 2005 and reached 850.86

million in 2011 . The table reveals that no doubt there is fluctuation in the percentage in tourist arrivals from one period to another period but there is no negative percentage growth from

1999 to 2011, which is a positive indication of bright future of tourism industry.

Fig.No:3

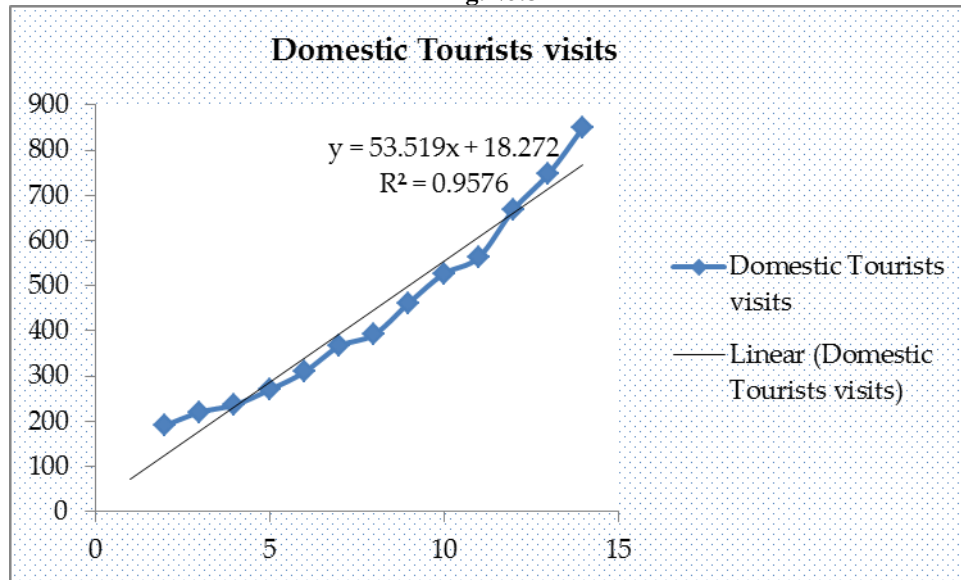
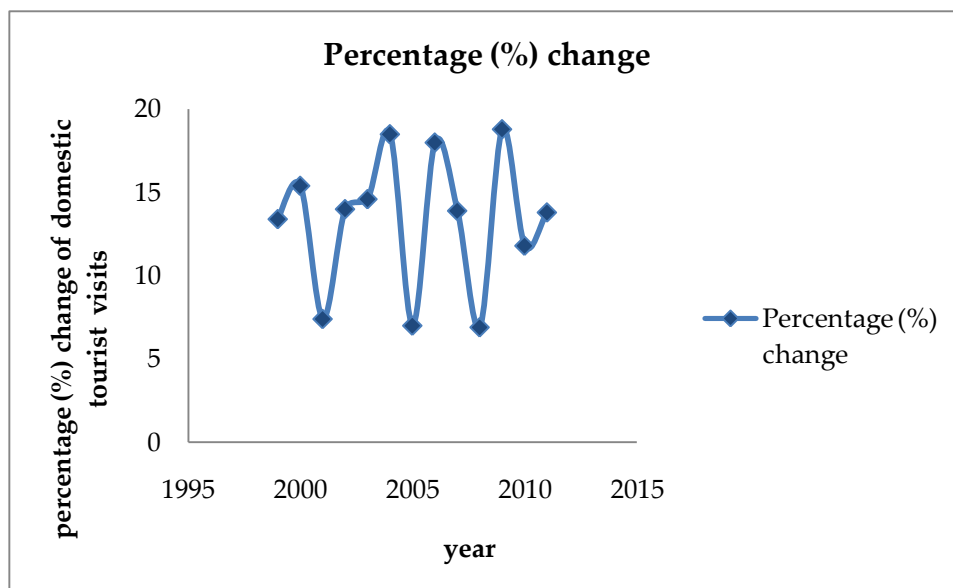


Fig.No:4



We should appreciate and encourage the fast growing and vibrant Indian tourism industry, which with the passage of time has emerged an assured channel of financial flow to the country. Besides significant contributions to the foreign exchange of the country, India's tourism is also a major source of employment for labour-surplus economy like India. With its strong forward and backward linkages with a host of sectors directly or indirectly like transport, Hospitality, Agriculture, Education, Handicraft, Health, Banking etc. there is every possibility that India can reap full potential of this vibrant sector. Therefore, effective and efficient efforts are made by the government under the five-year and other special plans to minimize negative effects

and dominance of positive fruitful effects. But the pressure of lingering problems in the Indian economy – mainly transport bottlenecks – coupled with the emerging commitments and challenges under General Agreements on Trade in Services (GATS) is already being felt. So the need of the hour to solve the problems and address the challenges confidently and squarely not only to build up the tourism sector but also boost the tertiary sector, in general.

In both developed and developing countries government authorities have identified tourism as a means of generating employment and income in vulnerable economies. For example it was noted that among the 49 least developed countries surveyed

by the world tourism organization (WTO) in 2001, in 7 cases tourism was leading source of foreign exchange earnings, while in 10 others tourism earnings were among the top three sources of foreign exchange income. Nonetheless such countries account for only of total international 0.59% of total international air passenger kilometers (Chris Ryan, 2006). It is of very great importance to understand that how such small market share

indicates the level of progress that can be made with carefully planned small tourism flows.

The estimates show that direct employment in the Indian economy in 1999-2000 due to Foreign Tourists was about 20.46 lakh and in 2002-2003 due to Foreign and Domestic tourists were 17.44 lakh and 37.33 lakh respectively, i.e. employment has doubled in the domestic sector compared to foreign sector.

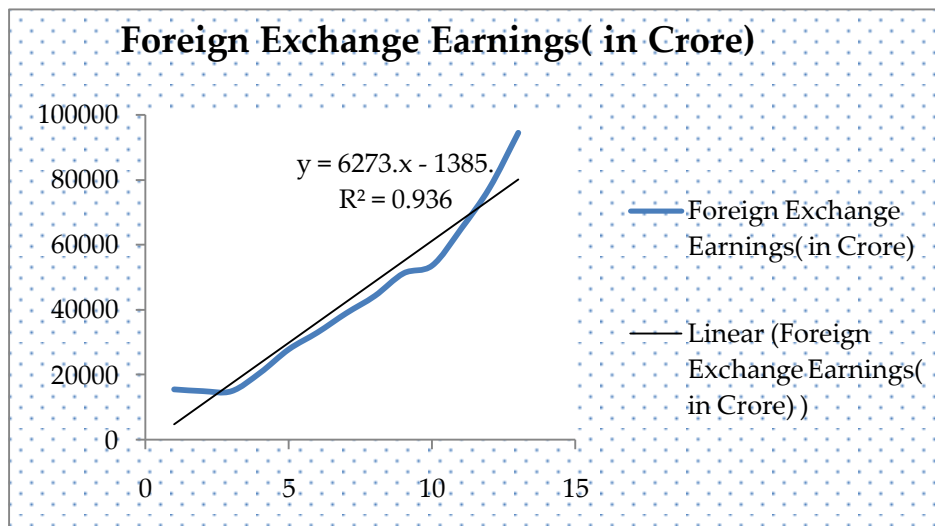
Table No: 3 Foreign Tourist Arrivals and Foreign Exchange Earnings During the years 2000-2012

Year	Foreign Tourist Arrivals	Percentage Change Over Previous Year	Foreign Exchange Earnings( in 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#	20.8	14,193#	27.5
2011	63,09,222	9.2	77,591#	19.6	16,564#	16.7
2012	66,48,318	5.4	94,487#	21.8	17,737#	7.1

#Advance Estimates

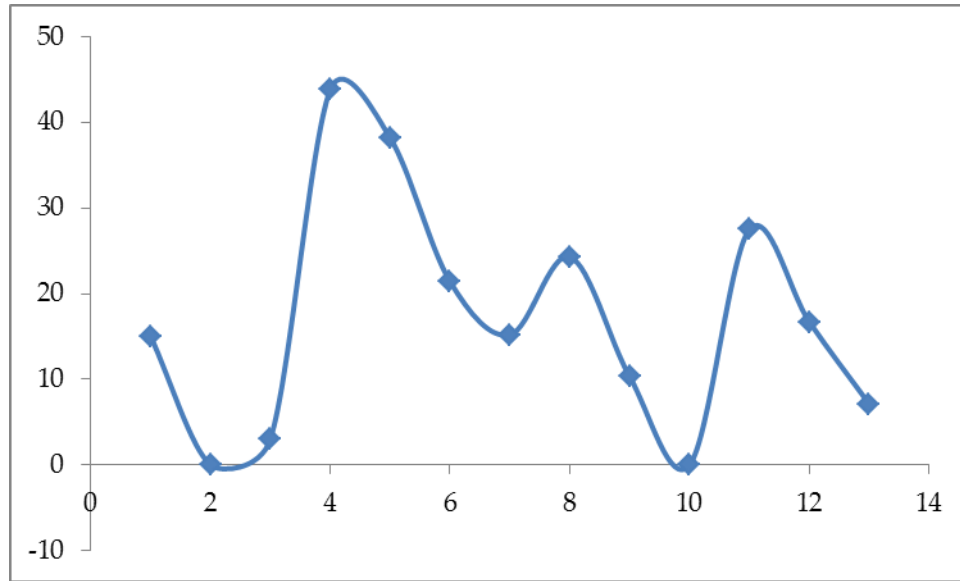
Source: Ministry of Tourism, Annual Report 2012-13

Fig.No:5





**Fig.No:6 Percentage Change in Foreign Tourist Arrivals over Previous Year**



The above table No.3 shows that the foreign exchange earnings increased continuously with the increase of foreign tourist inflow. In 2000 FEEs was Rs. 15, 626 crore, which increased and reached Rs.77, 591 crore during 2011, with a growth of 19.6%, as compared to the FEEs of Rs.64, 889 crore (provisional) during 2010. During 2012, the Foreign Exchange Earnings from tourism registered a growth of 21.8% from Rs.77, 591 to Rs.94, 487 crore (provisional) when compared to FEEs during 2011.

#### IV. CONCLUSION

Tourism industry has emerged as an important instrument in the economic development of 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 living standard of people who are directly or indirectly linked with this economically profitable activity. The Indian tourism has a clear bright future because the demand for travel and tourism in India is expected to grow by 8.2 per cent between 2010 and 2019 and will place India at the 3<sup>rd</sup> position in the world. Besides huge foreign exchange earnings and escalation of world class infrastructure development India's travel and tourism sector is expected to be the 2<sup>nd</sup> largest employer in the world, employ 40,037,000 by 2019..keeping in view its socio-economic impacts of Indian tourism the need of hour is that supply of tourism Products and services must regularly be upgraded to meet the changing needs of the market, which is necessary for continuous in flow and optimum satisfaction of tourists. I want to conclude that tourism can be used as a catalyst for socio-economic development if Government and other people involved in tourism pursues sustainable development of tourism in a comprehensive and planned manner and formulate appropriate market demanding policies.

#### REFERENCES

- [1] Aramberri J. and Butler R., (2006), "Tourism Development," Viva Books Private Limited Ansari Road New Delhi.
- [2] Ardahaey F.T., (2011), "Economic impacts of Tourism Industry," International Journal of Business management.
- [3] ArslanturkYalcin, And AtanSibel, (2012), "Dynamic Relationship Between Economic Growth income:An Economic Perspective OF Turkey," Journal of Business, Economics and Finance.
- [4] Bhardwaj D. S., (1998), "Domestic Tourism in India," M. L. Gidwani Indus Publishing Company, New Delhi
- [5] Bhatia A.K., (2002), " Indian Tourism Management," Sterling Pvt. Ltd., New Delhi
- [6] Dhar P., (1997), "Development of Tourism and Travel Industry," Kanishka Publishers and Distributor, New Delhi.
- [7] Durbarry R., (2004), "Tourism and Economic Growth: The Case of Mauritius," Tourism Economics.
- [8] Fayissa B., Nsiah C., and Tadasse B., (2007), "The Impact of Tourism on Economic Growth and Development in Africa," Middle Tennessee State University, Department of Economics and Finance.
- [9] Harris G. and Katz. M. K., (1999), "Promoting International Tourism to the year 2000 and Beyond," Atlantic Publishers and Distributors..
- [10] Sharma K.K.,(2000), "Tourism and Travel Industry," Sarup and Sons Darya Ganj, New Delhi-110003.
- [11] Sharma K.K.,(2004), "World Tourism Today," Sarup and Sons Darya Ganj, New Delhi-110003.
- [12] World Tourism Organization and International Labour Organization (2013), Economic Crisis, International Tourism Decline and its Impact on the Poor, UNWTO, Madrid.

#### AUTHORS

**First Author** – Lateef Ahmad Mir, Research Scholar Vikram University, Ujjain (M.P.), E-Mail:lateeconomics409@gmail.com