



## TOURISM AND ITS IMPACT ON INDIAN ECONOMY

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### ABSTRACT

#### KEYWORDS:

*Economic Development  
and Gross Domestic  
Product*

*In India, the growth of the tourism industry has a multiplier effect in the economic development of the country. Tourism has become the fastest growing service industry in the country with great potentials for its further expansion and diversification, it has direct and indirect chain link with several sector of an economy. Tourism has both positive and negative far reaching impact on economic, social, political and environment face of India. Traveling and Tourism has been an integral part of Indian Culture & Tradition. Tourism Industry is the most vibrant tertiary activity and a multibillion industry in India. The potential and performance of India's tourism industry needs to gauge in terms of its socio- economic magnitudes. It also examines the impact of India's economic growth on tourism, International tourist arrivals in India, International tourism receipts and India's share and rank, direct contribution of travel and tourism to GDP. 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. It helps significantly to the country for creating the employment opportunities to the large number of people. Moreover, it is also one of the important engines to attract more foreign exchanges with its potential. We need to concentrate to have liberal policies, relaxation in taxes, comprehensive package and so on to influence tourist and foreign investment. There is also a need to increase the government's role to make India flourishing in tourism and established in the global market. India has rich source in tourism for the establishment of the brand. Of course India has been launched the Incredible India to make tourism better.*

### INTRODUCTION

The tourism is essential in the economic development of a country. Tourism is the second largest foreign exchange earner in India. The tourism industry employs a large number of people, both skilled and unskilled, hotels, travel agencies, transport including airlines benefit a lot from this industry. Tourism promotes national integration. It generates foreign exchange. It promotes cultural activities. Tourism encourages the traditional handicrafts sector. India is one of the popular tourist destinations in Asia. Tourism in India has a strong relevance to economic development, cultural growth and national integration. India is a vast country of great beauty and diversity and her tourist potential is equally vast. With her rich cultural heritage as superbly manifest in many of the architectural wonders places, temples, mosques, forts, caves and pre historical walls painting, her widely varied topography

ranging from the monotonous plains to the loftiest mountains of the world, her large climatic variations ranging from some of the wettest and the driest as well as from the hottest and the coldest parts of the world, beautiful long beaches on the sea cost, vast stretches of sands, gregarious tropical forest and above all, the great variety of the life-style, India offers an unending choice for the tourist. The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector in India.

In developing countries like India tourism has become one of the major sectors of the economy, contributing to a large proportion of the National Income and generating huge employment opportunities. The Indian Government's "Incredible India" tourism campaign and his information technology growth in India have been attracting millions of foreign tourists and business tourist to India. Medical tourism

has also recently mushroomed in India. Tourism industry is a big foreign exchange earner in India, yet the industry still is hampered by Tourism development has always has been an integral part of the country's five-year plans. The Tourism Development Corporation, Tourism Finance Corporation, Hotel Management and Catering Technology Industries, Food Craft Institutes, Indian Institute Tourism and Travel Management, Indian Tourism Development Corporation, Indian Association of Tour Operators, Travel Agents Association of India and a large number hotel management colleges, sports and adventure clubs, beach resorts etc have also contributed to the growth and development of this industry.

Today tourism is the largest service industry in India, with the contribution of 6.23% to the national GDP and providing 8.78% of the total employment. India witnesses more than 5 million annual foreign tourist arrivals and 562 million domestic tourism visits. The tourism industry in India generated about US \$ billion by 2018 at a 9.4% annual growth rate. The ministry of tourism is the model agency for the development and promotion of tourism in India and maintains the "Incredible India" campaign.

According to World Travel & Tourism council, India will be a tourism hotspot from 2009-2018, having the highest 10 year growth potential. As per the Travel and Tourism Competitive Report 2009 by the World Economic Forum, India is ranked 11<sup>th</sup> in the Asia Pacific region and 62<sup>nd</sup> overall, moving up three places on the list of the world's attractive destinations. It is ranked the 14<sup>th</sup> best tourist destination for its natural resources and 24<sup>th</sup> for its cultural resources, with many cultural resources, with many world Heritage sites, both natural and cultural rich fauna, and strong creative industries in the country. India is also bagged 37<sup>th</sup> rank for its air transport network. The India Travel & Tourism Industry ranked 5<sup>th</sup> in the long term (10- year) growth and is expected to be the second largest employer in the world by 2019.

### OBJECTIVES OF THE STUDY

Following are the important objectives of the present study.

1. To Study the International Tourist Arrivals in India.
2. To analyze the International Tourism Receipts and India's Share and Rank.

3. To measure the Direct Contribution of Travel and Tourism to GDP.

### METHODOLOGY OF THE STUDY

The study focuses an attempt of extensive study, based on Secondary data collected from various other research journals, reports and books. The present study is based on the secondary data for the period from 2006 to 2016. The data was collected from the official and non-official publications, periodicals, reports and newspapers.

Dr. Shekhar, Dr. Alka and Dr. Priyanka (2017) in their article; "A Comparative Study on Foreign Tourist Arrivals in India" described about current administration and their policy measures by making visa available online (Visa On Arrival or VOA) have also encouraged newer foreign tourists to see the cultural richness of this country. As the recent data furnished by Government of India, foreign tourists contributed a large sum in foreign exchange earnings and also encouraged the local employment opportunities in both organized and non-organized sector.

R. Sangeetha (2012) in her article; "Scope of Tourism: Indian Perspectives" focuses; tourism is considered as one sector that shall proper growth, contribute foreign exchange, enhance employability and result in community development. The most important dimension of tourism is the cultural exchange among various nationalities that visit the country and the cross cultural interface that shall pave way for universal peace and harmony.

### TOURISM INDUSTRY AND INDIAN ECONOMY

The first objective of the study is to find out the foreign tourist arrivals in India and percentage change over previous year from 2006 – 2016.

India through considered one of the third world nation in International Tourist community is visited by tourist all over the world for its natural and historical richness. The present status of India in terms of Foreign Tourist Arrival (FTA) is very promising and self explanatory in nature too. Foreign Tourist Arrivals in India during the periods from 2006-2016 are given in the table below:

**Table 1.1 Foreign Tourist Arrivals (FTAs) In India, and Percentage Change Over Previous Year**

Year	FTAs in India (million)	Percentage change over previous year
2006	4.45	13.5
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

Source: Bureau of Immigration, Government of India.

The above table shows that the Foreign Tourist Arrivals (FTAs) in India continued to grow from 4.45 million in 2006, 8.80 million in 2016. During the year 2016, FTAs in India registered a growth of 9.7% over 2015. The Compound Annual Growth Rate (CAGR) in FTAs in India during 2006

to 2016 was 8.64%. The growth in FTAs in India during the eighties & nineties did not follow any consistent pattern. While the years, viz. 2006 to 2007, 2010 and 2014 saw double-digit positive growth, there was negative growth in the year 2009.

**FOREIGN EXCHANGE EARNINGS FROM TOURISM IN INDIA****Table 1.2 Foreign Exchange Earnings from Tourism in India during 2006-2016**

Year	FEE in Rupees	
	Rs (crore)	% change over previous year
2006	39025	17.8
2007	44360	13.7
2008	51294	15.6
2009	53700	4.7
2010	64889	20.8
2011	77591	19.6
2012	94487	21.8
2013	107671	14
2014	123320	14.5
2015	135193	9.6
2016	154146	14.0

Source: Bureau of Immigration, India

In above table shows that the Foreign Exchange Earnings from tourism in India, in Rupees terms, during 2006- 2016 are given. As per the monthly estimates prepared by Ministry of Tourism, Foreign Exchange Earnings from tourism in India in 2016 in rupees terms were Rs. 154146 crore as compared

to Rs. 135193 crore in 2015 registering a growth of 14% in 2016 over 2015. In US \$ terms, Foreign Exchange Earnings from tourism in 2016 were US \$ 22.923 billion as compared to US \$ 21.071 billion in 2015 with a growth rate of 8.8%.

The second objective of the study is to analyze the international tourism receipts and India's share and rank.

**Table 1.3 International Tourism Receipts and India's Share and Rank**

Year	World Tourism Receipts				Percentage Share of India in World	India's Rank in World
	Receipt	Growth Rate	FEE in India	Growth Rate		
	(US billion)		(US billion)			
2006	744	9.5	8.63	15.2	1.16	22 <sup>nd</sup>
2007	857	15.2	10.73	24.3	1.25	22 <sup>nd</sup>
2008	93339	9.6	11.83	10.3	1.26	22 <sup>nd</sup>
2009	853	-9.2	11.13	-5.9	1.31	20 <sup>th</sup>
2010	931	9.1	14.19	27.5	1.52	18 <sup>th</sup>
2011	1042	1.2	16.56	16.7	1.59	18 <sup>th</sup>
2012	1117	7.2	17.74	6.9	1.58	16 <sup>th</sup>
2013	1199	7.3	18.44	4	1.53	16 <sup>th</sup>
2014	1252	4.4	20.24	9.8	1.54	15 <sup>th</sup>
2015	1196	-4.5	21.07	4	1.67	14 <sup>th</sup>
2016	1220	2.0	22.92	8.8	1.88	13 <sup>th</sup>

Source: UNWTO World Tourism Barometer June 2017

It is clear from the Table 1.3 that international tourism receipts worldwide, which were hardly US \$ 744 billion in 2006, have increased by 2.66 times to reach US \$ 1220 billion in 2016. India's rank has also witnessed improvement from 22<sup>nd</sup> in 2006 to 13<sup>th</sup> in 2016.

The third objective of the study is to measure the total contribution of travel and tourism to GDP. Total contribution of travel and tourism to GDP reflects direct and indirect jobs, investment and spending. Travel and tourism play an important role in India's economy; compared with other

nations, India ranks 14<sup>th</sup> in the world in terms of its tourism sector's contribution to the GDP.

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, plus the domestic spending of Indians employed in the tourism sector. The share of Travel & Tourism spending or employment is the equivalent economy- wide concept in the published national income accounts or labour market statistics.

**Table 1.4 Total Contribution of Travel and Tourism to GDP**

Year	Travel and Tourism's Total Contribution to GDP (US dollar billion)
2006	86
2007	88
2008	82
2009	89
2010	103
2011	105
2012	116
2013	122.1
2014	126.8
2015	147.7
2016	136.2

Source: [www.amathya.in](http://www.amathya.in)

In India, the total contribution of travel and tourism to GDP is 136.2 billion in 2016 as compared to 147.7 billion in 2015. From 2006 to 2009 the contribution from travel and tourism to GDP is double digit. But from the last four years we can see three digit changes.

### FINDINGS OF THE STUDY

1. The Foreign Tourist Arrivals (FTAs) in India continued to grow from 4.45 million in 2006, 8.80 million in 2016. During the year 2016, FTAs in India registered a growth of 9.7% over 2015. The Compound Annual Growth Rate (CAGR) in FTAs in India during 2006 to 2016 was 8.64%. The growth in FTAs in India during the eighties & nineties did not follow any consistent pattern. While the years, viz. 2006 to 2007, 2010 and 2014 saw double-digit positive growth, there was negative growth in the year 2009.
2. As per the monthly estimates prepared by Ministry of Tourism, Foreign Exchange Earnings from tourism in India in 2016 in rupees terms were Rs. 154146 crore as compared to Rs. 135193 crore in 2015 registering a growth of 14% in 2016 over 2015. In US \$ terms, Foreign Exchange Earnings from tourism in 2016 were US \$ 22.923 billion as compared to US \$ 21.071 billion in 2015 with a growth rate of 8.8%.
3. International tourist arrivals in the world and India's share as well as rank, during the years 2006-2016, are given in Table 1.3. India's rank in international tourist arrival was 44<sup>th</sup> in 2006. Since 2014, adhering to the definition of International Tourist Arrivals, India has started the inclusion of figures of arrivals of Non resident Indians in its figure. This has resulted in improvement of about 15 places in India's position. India's share in international tourist arrivals was 1.18% in 2016.
4. Total contribution of travel and tourism to GDP reflects direct and indirect jobs, investment and spending. Travel and tourism play an important role in India's economy; compared with other nations, India ranks 14<sup>th</sup> in the world in terms of its tourism sector's contribution to the GDP. In India, the total contribution of travel and tourism to GDP is 136.2 billion in 2016 as compared to 147.7 billion in 2015.

### CONCLUSION

Tourism and travel service is a major industry attention in the world. Many countries by realizing the significance of this sector are trying to strengthen it. Many developing as well as developed countries are making serious efforts to reshape the tourism sector. Since the tourism has capacity to generate foreign exchange through attracting the foreign tourist. India has taken many steps to health tourism in the last 50 years. Though there an increase in the absolute numbers of tourist arrivals but share of India to total world tourism arrivals and earning is very low this is due to factors which affect the tourism demand in India. Central government and State government should encourage rural tourism by providing financial support to start the project. Because it will create employment and it will also help in flow of funds from urban to rural. Tourism plays an important role in the economic development of the country. It is also one of the major sources to earn foreign exchange. The present study shows the multiple problems faced by the tourism industry. It is necessary to protect natural resources and environment in a sustainable way and should enhance the cultural heritage of India. If the government does not take any necessary steps for the tourism development, it will affect the tourism industry in future.

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