

**IMPACT OF TOURISM SECTOR ON INDIAN ECONOMY**

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**Abstract**

*Indian tourism sector is one of the most important service sectors of the Indian economy. Its contribution to employment generation, Gross Domestic Product, Foreign Exchange earnings is tremendous and significant. Tourism sector is also considered as the back bone for allied sectors like hospitality, civil aviation, travel and transportation, hotel, resort, home stays, street vendors, spice shops, tour operators etc. 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 to tourists of international origin to understand and experience cultural diversity of the country. According to Indian official estimates the tourism in India has outperformed the global tourism industry in accordance with the growth, volume of foreign tourists and even the revenue.*

*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 total contribution of Tourism industry for the Indian GDP and alleviation of poverty in particular and Socio-Economic development of the country in general and significant contribution by the Tourism sector in India in terms of Foreign Exchange Earnings, Foreign Tourists Arrival etc.*

# IX International Conference on Multidisciplinary Research (IEI, Chandigarh) Institution of Engineers, India , Chandigarh



21<sup>st</sup> December 2019

[www.conferenceworld.in](http://www.conferenceworld.in)

ISBN : 978-81-943584-6-6

*Key words: Tourism, Gross Domestic Product, Foreign Exchange, Tourist Arrivals and Employment.*

## **Introduction**

The importance of tourism to economic development has been recognized widely due to its contribution to the balance of payments, GDP and employment. Since last few years, Indian tourism industry has been growing at a rapid pace and it has vast potential for generating employment and earning large amount of foreign exchange. It has generated a number of social and economic benefits, promotes national integration and international understanding, and creates employment opportunities to 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. 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 a 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 the 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 'Athiti Devo Bhava' has provided a focused impetus to growth. The

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Indian government has also released a fresh category of visa - the medical visa or M visa, to encourage medical tourism in the country.

The Government has also been making serious efforts to boost investments in 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 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 Indian tourism & hospitality sector was US\$ 10.48 billion up to Q1 FY18.

## **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 industry and it can play role in accelerating the economic development of the country is widely recognized. It has generated a number of social and economic benefits, promotes national integration and international understanding, and creates employment opportunities to 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.

Number of factors, such as, population growth, shorter working days, larger paid holidays, increase in general awareness among people for traveling and the need for recuperation from tensions of modern life have created favorable conditions for the growth of tourism. So this industry has registered a 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 the foreign exchange earnings and creating large-scale employment opportunities.

**Objectives of the Study-** Following are the specific objectives of the study:

1. To study the growth and development of tourism industry in India
2. To study the contribution of tourism sector in GDP and employment in India

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**Research Methodology-** For the data collection, secondary sources have been used such as websites of Ministry of Tourism of India, Tourism Corporations, Bureau of Immigration, Govt. of India, World Tourism Organization (WTO), World Travel and Tourism Council (WTTC) and Annual reports of Tourism Ministry, India for the period of 11 years i.e. 2007 to 2018 from the website of World Tourism Organization.

## **Growth of Tourism in India**

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

**Foreign Tourist Arrivals (FTAs) in India:** - Tourism is an important sector of the economy and contributes significantly in 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 economy 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 tourist 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 is 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 the table 1 that, the Foreign Tourists Arrivals (FTAs) in India continued to grow from 5.08 million in 2007, 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.

## Foreign Exchange Earnings (FEEs) from Tourism in India:

Tourism plays an important role in 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, Ministry of Tourism estimates monthly Foreign Exchange Earnings (FEEs) through tourism in India. FEEs during the month of March 2018 were Rs.17, 294 crore as compared to Rs. 14, 667 crore in March 2017 and Rs. 12, 985 crore 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 crore with a growth of 15.5%, as compared to the FEE of Rs. 45, 819 crore 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 2007-2017 are given in Table 2.

**Table-2**  
**Foreign Exchange Earnings from Tourism in India during 2007-2017**

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 2007-2017. FEEs were 44362 crores in 2007, it was increased to 177874 crores in 2017 with a percentage change over the years

was 15.4. 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.

**Travel & Tourism Share in the Total Contribution to Employment in India:** UNWTO studies shows 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 favorable economic, motivational, technological and policy factors.

The Tourism industry in India is a very promising Industry and has power to become one of the leading employers of Indians. 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 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 millions. 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.

Above table shows that in the year 2007 around 47770.9 thousands of people were employed in travel and tourism. The real growth rate was 2.10 percent and 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 high degree of positive from 2016 to 2018.

**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 largest market in South Asia and has been the key driver for growth of the sector in the region.<sup>4</sup> In 2019, the sector 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 taking 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 Travel and Tourism Industry to Indian GDP over a period of 12 years. In 2018, contribution of travel and tourism to GDP growth for India was 6.6 %. Though India contribution of travel and tourism to GDP growth fluctuated substantially in recent years, it tended to increase through 2007 - 2018 period ending at 6.6 % in 2018.

**Conclusion**

Tourism sector is one of the fast growing service sectors in the World. It acts as a powerful instrument for economic growth. India is a unique and perfect destination for both domestic and foreign visitors. India's wide variety of flora, fauna, tourist destinations, health and wellness centres, eco-tourism spots, adventure activities, culture, heritage, educational institution etc attract both domestic as well as foreign tourists towards it. The increase in the tourist arrivals have resulted in the rapid growth of tourism sector in India. 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.

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ISBN : 978-81-943584-6-6

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

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