



International journal of basic and applied research

www.pragatipublication.com

ISSN 2249-3352 (P) 2278-0505 (E)

Cosmos Impact Factor-5.86

Impact of tourism in India`s economic development

Dr. Gulshan Akhtar

Department Of Economics

Assistant Professor

Hamidia Girls' Degree College

University of Allahabad

Allahabad

Abstract: Developing country like India tourism has become one of the major sectors of the economy, contributing to a large proportion to GDP and employment opportunities. Tourism is one of the fastest growing service industries in the country with great potentials for its further expansion and diversification. It plays a major role in 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, safety and security, 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.

Key words: Economy, Employment Impact, Foreign exchange, Tourism.

Introduction:

Health is defined both as cause and effect of economic development. The modern life of people is very complex. Tourism brings the relaxation to human mind, body and soul. It refreshes our body and gives back our fitness. It can be domestic or international. International tourism has both incoming and outgoing implications on a country's balance of payments. Now a day, tourism is one of the major sources of income for many countries, and affects the economy of both the source and host countries. It is an important parameter of socio-cultural identity and heritage of a country. In the era of globalization tourism enhances the economic growth by job creation, source of foreign exchange and development of regions with potential. Tourism contributes to poverty alleviation through job creation, encourages entrepreneurship and promotes social cohesion. Being a key economic driver in the country, it is imperative for government, industry decision makers and businesses to be informed about the sector's year-on-year performance, in order to maximise its potential. Tourism is one of the fastest growing service industries in the country with great potentials for its further expansion and diversification. Thus Tourism is not only a concept of enjoyment or travelling or passing the holidays, but also a concept of development.

Methodology:

The present study is based on the secondary data published by various agencies and organizations i.e. UNWTO (United Nation World Tourism Organization), Ministry of Tourism, Reserve bank of India , Newspapers, Magazines, Books, Economic journals, thesis and Internet etc.

28 | Received: 5 April Revised: 13 April Accepted: 22 April

Index in Cosmos

May 2018 Volume 8 Number 5

UGC APPROVED



Significance of Study:

The study was intended to the potentials and challenges of tourism and its role in economic development in India.

Objective of Study:

- (i) To reveal the potential, prospects and challenges of tourism.
- (ii) To analyze the impact of growth of tourism on economic development in India.

World Tourism Industry:

Global tourism industry: Tourism is a key sector for economic development and job creation throughout the world. It accounts for 10% of Gross Domestic product (GDP) and 7% of total exports across the world. It is one of the world's largest industries with a global economic contribution (direct, indirect and induced) of over 7.6 trillion U.S. dollars in 2016. Tourism sector provides approximately 109 million jobs worldwide and 1 in 10 of all jobs in 2016. Countries, such as France and the United States, are consistently popular tourism destinations. In 2016, there were 1.235 billion international tourist arrivals worldwide, with a growth of 4% as compared to 1.186 billion in 2015 (UNWTO, 2016).

Table 1: Top Ten Global Tourist Destinations (2015-16):

Rank	Destination	International tourist arrivals (2016)	International tourist arrivals (2015)	Change (2015-2016) (%)
1	 France	82.6 million	84.5 million	- 2.2
2	 United States	75.6 million	77.5 million	- 2.4
3	 Spain	75.6 million	68.5 million	+ 10.3
4	 China	59.3 million	56.9 million	+ 4.2
5	 Italy	52.4 million	50.7 million	+ 3.2
6	 United Kingdom	35.8 million	34.4 million	+ 4.0
7	 Germany	35.6 million	35.0 million	+ 1.7
8	 Mexico	35.0 million	32.1 million	+ 8.9
9	 Thailand	32.6 million	29.9 million	+ 8.9
10	 Turkey	31.3 million	39.5 million	- 24.6

Source: wtd.unwto.org



Literature Review:

Tourism attracted relatively little attention in the academic literature on economic development until the twenty-first century. There are, however, a few studies which have focused explicitly on tourism's economic contribution.

Brau, Lanza, and Pigliaru (2007) applied methodology to a data sample of 143 countries during the period between 1980 and 2003, taking care to differentiate between small countries, OECD members, oil-producing countries and countries specialised or not in tourism. Their results revealed that small countries grow quicker only when they specialised in tourism.

Alister and Wall (1982) in their study revealed that till date, researchers on tourism impacts has concentrated upon individual components of each of main impact category. But in actual sense, the impact is rarely so confined. Researcher should integrate the findings within and between each impact category because each component of economic, social and environment can't be considered in isolation. They emphasized that the uncontrolled expansion of tourism industry has given rise to unfavourable impacts especially to the eco-fragile environments. Implementing a sustainable approach, which should invite community participation as well as private sector, should solve these adverse impacts.











Negi, Jagmohan (1990) has made an attempt to highlight the impact of tourism. He stated that tourists are economically very important as it provide a source of income, employment and also brings infrastructure improvements which helps in regional development. In fact, he studied on tourism and travel concepts in Indian context. In his study, he discussed the socio-economic and eco-environmental impacts of tourism in developing countries. Further he stated that in India, tourism has emerged as a third largest foreign earner. Its inherent capability of employment generation for unskilled, semi-skilled and skilled manpower is significant contribution in the economy.

Indian Tourism Industry:

As per the Travel & Tourism Competitiveness Report 2017, India ranked 40th out of 136 countries overall. And the price competitiveness of India's tourism sector ranked 10th out of 136 countries. It mentions that India has quite good air transport (ranked 32nd), particularly given the country's stage of development, and reasonable ground transport infrastructure (ranked 29th). The country also scores high on natural and cultural resources (ranked 9th). Some other aspects of its tourism infrastructure remain somewhat underdeveloped however. The nation has very few hotel rooms per capita by international comparison and low ATM penetration. The World Tourism Organization reported that India's receipts from tourism during 2012 ranked 16th in the world and 7th among Asian and Pacific countries. Tamil Nadu, Maharashtra and Uttar Pradesh were the most popular states for tourists. The share of tourism industry is estimated US\$220 billion or 9.6% of the India's GDP in 2016 and supported 9.3% of its total employment and is predicted to grow at an annual rate of 6.8% by 2027. About 8.89 million foreign tourists arrived in India in 2016 compared to 8.027 million in 2015, recording a growth of 10.7%.



Table 2: Top Ten Global Tourist Destinations (2015-16):

Rank	State/Union Territory	Number	Share in %
1	 Tamil Nadu	4,684,707	20.1
2	 Maharashtra	4,408,916	18.9
3	 Uttar Pradesh	3,104,062	13.3
4	 Delhi	2,379,169	10.2
5	 Rajasthan	1,489,500	6.4
6	 West Bengal	1,475,311	6.3
7	 Kerala	977,479	4.2
8	 Bihar	923,737	4.0
9	 Karnataka	636,502	2.7
10	 Goa	541,480	2.3
	Others	2,811,936	12.0
	Total	23,432,799	100

Source: Ministry of Tourism, Government of India, New Delhi.

Types of Tourism:

Adventure Tourism: Adventure tourism refers to performance of acts, which require significant efforts and some degree of risk or physical danger. The activities include mountaineering, trekking, bungee jumping, mountain biking, river rafting, and rock climbing etc. India with its diverse topography and climate offers tremendous scope for adventure tourism.

Food Tourism: Food tourism is simply a matter of travelling beyond our immediate neighbourhood to find great food. We are willing to travel the broader our range of culinary experiences. Food tourism provides opportunities for sustainable rural development and employment for unskilled labour force in India.

Heritage Tourism: Heritage tourism is defined as “travel undertaken to explore and experience places, activities, and artifacts that authentically represent the stories and people of the past and present”. It is oriented toward cultural heritage of the tourist location. It involves visiting historical or industrial sites, religious travel or pilgrimages. India is well known for its rich heritage and ancient culture.

Medical Tourism: Medical tourism has emerged as one of the important segments of the tourism industry. Travelers typically seek medical and health services such as elective procedures as well



as complex specialized surgeries such as joint replacement, cardiac, dental, and cosmetic surgeries. India is among the few developing countries that has the comparative cost advantages for the medical tourism.

Religious Tourism: Religious tourism is a type of tourism, where people travel individually or in groups for pilgrimage, missionary, or leisure (fellowship) purposes. The world's largest form of mass religious tourism takes place at the annual Hajj pilgrimage in Mecca, Saudi Arabia. India holds attractions, for pilgrim tourists of diverse religions, where religion is considered more than the act of worship, but a way of life.

Rural Tourism: Rural tourism encourages rural life, art, culture and heritage of rural locations, benefitting the local community economically and socially as well as enabling interaction between the tourists and locals for enriching tourism experience. India's rural, geographical and cultural diversity enable to offer a wide range of tourism products and experiences. Increasing levels of awareness, growing interest in heritage and culture, improved accessibility to rural areas, and environmental consciousness are playing an important role in promoting rural tourism. It helps to reduce regional imbalances in India.

Spiritual Tourism: Spiritual Tourism is the new aspect in the concept of tourism. It is more about visiting hearts and minds of intellectuals and rich civilizations than just seeing places and their physical dimensions. India can be the most suitable and desirable place for the spiritual tourism.

Wildlife Tourism: Wildlife tourism, one of the fastest segments of tourism, involves travel to different locations to experience wild life in natural settings. India is endowed with various forms of flora and fauna and it has numerous species of birds, mammals, reptiles, amphibians and plants and animals. To tap the potential of wildlife tourism, the government has launched some wildlife packages for tourists.

Economic Growth and Tourism in India:

Tourism industry acts as a powerful agent for both economic and social perspective. It stimulates employment and investment, modifies economic structure and makes positive contributions towards balance of payments. The money spent by the foreign tourists in a country is turned over several times. The multiplier effect of tourism receipts is completely recognized as spreading to secondary and tertiary spheres of the economic activities of a nation. It encompasses economic, social cultural, educational and political significance. Marketing and promotion are of vital importance in tourism because of the competitive nature of the industry both within and between the generating countries. Tourism creates direct, indirect and induced employment.

The multifaceted nature of tourism 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 an opportunity to earn foreign exchange at low social cost. Tourism is a key driver of socio-economic progress through the creation of jobs and enterprises, infrastructure development poverty alleviation, and the export revenues earned. It has the capacity to capitalize on the country's success in the service sector and provide sustainable models of growth. Apart from providing employment to a wide spectrum of job seekers from the unskilled to the specialized, a higher proportion of tourism benefits accrue to women. Tourism has the potential to stimulate other economic factors through its forward and backward linkages with a host of sectors like agriculture, manufacturing, transport, banking, etc. Expenditure on tourism induces a chain



of transactions requiring supply of goods and services from these related sectors. The consumption demand, emanating from tourist expenditure also creates more employment and generates a multiplier effect on the economy. Consequently, additional incomes and employment opportunities are generated through such linkages.

The development of tourism may also need more goods & services as a result of such employment than what they would have demanded otherwise. Additional demand will thus generate more employment and further multiplier effect will come into force through successive chain of transactions. In fact investment in tourism has the potential to create more jobs compared to many other sectors and all the more at a lower level of investment. The labour/capital ratio is very favourable in tourism sector compared to many other industries with 47.5 jobs for a million rupee investment as has been seen in the survey conducted by the Ministry of Tourism government of India (Kanjilal, 2005).

Tourism is overwhelmingly an industry of Private sector service providers, although the public sector has a significant role to play in infrastructure areas either directly or through public-private partnerships (PPPs) approach. It is a multi-sectoral activity characterized by multiple services provided by a range of suppliers. It is quite similar to manufacturing industry, where the supply chain is as important as the end product. The related sectors include airlines, surface transport, hotels, basic infrastructure and facilitation systems, etc. Thus, the growth of tourism cannot be attained unless the issues related to all the sectors are addressed simultaneously.

Importance of tourism as an instrument for economic development and employment generation, particularly in remote and backward areas (i.e. North and North – East States), have been well recognized in the Indian economy. It is one of the largest service industries in terms of gross revenue as well as foreign exchange earnings. Tourism can play an important and effective role in achieving the growth with equity objectives which India has set for itself. Tourism is one economic sector in India that has the potential to grow at a high rate and can make sure consequential development of the infrastructure of the destinations. It has the capacity to capitalize on the country's success in the service sector and provide sustainable models of growth.

Another important feature of the tourism industry, which is of particular significance to India, is its contribution to national integration and preservation of natural as well as cultural environments and enrichment of the social and cultural lives of people. Over million domestic tourists visiting different parts of the country every year return with a better understanding of the people living in different regions of the country. They have a better appreciation of the cultural diversity of India. Tourism also encourages preservation of monuments and heritage properties and helps the survival of arts forms, crafts and culture.

It is also important to note that tourism has become an instrument for balanced and sustainable economic development including:

Source of Foreign Exchange Earnings:

Tourism is an important source of foreign exchange earnings in India. This has favourable impact on the balance of payment of the country. The tourism industry in India generated about US\$27693 million in 2017 and that is expected to increase at a 9.4% annual growth rate. Over 10 million foreign tourists arrived in India in 2017 compared to 8.8 million in 2016, recording a growth of 15.6% Domestic tourist visits to all states and Union Territories In 2014, Tamil



Nadu, Maharashtra and Uttar Pradesh were the most popular states for tourists. Delhi, Mumbai, Chennai, Agra and Jaipur have been the five most visited cities of India by foreign tourists during the year 2015. Worldwide, Delhi is ranked at 28 by the number of foreign tourist arrivals, while Mumbai is ranked at 30, Chennai at 43, Agra at 45, Jaipur at 52 and Kolkata at 90.

Table 3: Foreign Tourist Arrivals and Foreign Exchange Earnings (FEEs) (2000 – 17):

Year	Number of Foreign Tourist (in Millions)	% (Change)	Amount of FEEs From Tourism(US\$ Millions)	% (Change)	Total Amount of FEEs (US\$ Millions)	% (Change)	% Share of Tourism FEEs
2000	2.65	-	3,460	-	37,053.0	-	9.3
2001	2.54	-4.2	3,198	-7.6	45,145.0	21.8	7.1
2002	2.38	-6.3	3,103	-3.0	66,198.0	46.6	4.7
2003	2.73	14.7	4,463	43.8	96,008.0	45.0	4.6
2004	3.46	26.7	6,170	38.2	124,666.0	29.8	4.9
2005	3.92	13.3	7,493	21.4	138,209.0	10.9	5.4
2006	4.45	13.5	8,634	15.2	169,191.0	22.4	5.1
2007	5.08	14.2	10,729	24.3	263,934.0	56.0	4.1
2008	5.28	3.9	11,832	10.3	245,308.0	-7.1	4.8
2009	5.17	-2.1	11,136	-5.9	258,851.0	5.5	4.3
2010	5.78	11.8	14,193	27.5	265,905.0	2.7	5.3
2011	6.31	9.2	16,564	16.7	265,656.0	-0.1	6.2
2012	6.58	4.3	17,737	7.1	262,119.7	-1.3	6.8
2013	6.97	5.9	18,445	4.0	268,469.7	2.4	6.9
2014	7.68	10.2	20,236	9.7	295,670.9	10.1	6.8
2015	8.03	4.6	21,071	4.1	329,191.6	11.3	6.4
2016	8.80	9.6	22,923	8.8	335,970.1	2.1	6.8
2017	10.18	15.7	27,693	20.8	380,680.1	13.3	7.3

Source: Ministry of Tourism, Government of India, New Delhi and www.rbi.org.in



Generating Income and Employment:

Tourism in India has emerged as an instrument of income, employment generation, poverty alleviation and sustainable human development. It contributes 9.6% of the India's GDP in 2016 and 9.3% of its total employment in India. Almost 25.4 million people are working in the India's tourism industry. Recently ministry of tourism decided open the tourist places at night too this step will be further enhance the opportunities of employment and income.

Source of Poverty Alleviation:

Poverty is the disease and employment is the medicine and tourism sector provides this medicine to the Indian economy. As different types of tourism such as medical tourism, rural tourism, heritage tourism, religious tourism, and food tourism provides millions of job for both skilled and unskilled labour force as well as women. This reduces the poverty by reducing unemployment in the country in very remote areas of the nation.

Developing Infrastructure:

Infrastructure development is another important factor of economic development and Tourism tends to encourage the development of multiple-use infrastructure that benefits the host community, including various means of transports, health care facilities, and sports centres, in addition to the hotels and high-end restaurants that cater to foreign visitors. The development of infrastructure has in turn induced the development of other directly productive activities as happens in Madars, Delhi, Bombay, and Agra.

Promoting Peace and Stability:

Tourism industry can also help promote peace and stability in developing country like India by providing jobs, generating income, diversifying the economy, protecting the environment, and promoting cross-cultural awareness (Honey and Gilpin, 2009). However, key challenges like adoption of regulatory frameworks, mechanisms to reduce crime and corruption, etc, must be addressed if peace-enhancing benefits from this industry are to be realized which also enhance the economic development..

Challenges in Tourism Industry:

Although Tourism industry in India is growing and it has vast potential for generating employment and earning large amount of foreign exchange besides giving a fillip to the country's overall economic and social development but not be free from the shortcomings. These are some vital challenges involved in tourism industry.

Security:

Security has been a major problem for our growth in tourism for a number of years. Women unsafely Terrorist attacks or political unrest in different parts of the country has adversely affected sentiments of foreign tourists. However, the government needs to take a proactive approach in addressing these issues and in averting the potential impact on the industry. Cyber crime is another major challenge in tourism industry. Use of Internet in the travel and tourism industry has



increased rapidly in recent years and has emerged as one of major segments for online spends. The industry needs to take measures to make the process of online bookings more secure and transparent and also needs to create awareness regarding this. Because, some of the biggest frauds have been detected in this segment and the issue of online security has assumed significantly importance.

Taxation:

Tourism in India is a high-taxed industry, which makes India expensive as a tourist destination. This is affecting the growth of the industry in India and India is losing out to other low cost destinations. Different types of taxes are levied across the entire industry right from tour operators, transporters, airline industry to hotels and these include service tax, luxury tax, tax on transportation, tax on aviation turbine fuel (airline industry). In addition, these tax rates tend to vary across different states in the country. Obviously this will be one of the challenges behind of our sustainability in this sector. However after the implementation of GST situation little bit has been improved.

Lack of Proper Infrastructure:

Infrastructure needs for the travel and tourism industry range from physical infrastructure such as ports of entry to modes of transport to urban infrastructure such as access roads, electricity, water supply, sewerage and telecommunication. The sectors related to the travel and tourism industry include airlines, surface transport, hotels, and infrastructure and facilitation systems, among others.

Conclusion:

Tourism has become the world's largest industry, generating wealth and employment, opening the minds of both visitors and the visited to different ways of life. Moreover tourism is one of the best instruments of economic development in all the way. Tourism sector plays a vital role in the way of helping developing countries to provide employment opportunities in an increasing rate. It is one of the important foreign exchange earning industries. It has manifested great potential of growth under liberalized Indian economy. To attract the foreign tourists in India, liberal policies and reduction in taxes along with a comprehensive package for attracting tourist and foreign investment are the needs of the hour. 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 sources for tourism for the establishment of brand. Of course India has been launched the Incredible India to make tourism better. India's tourism industry is experiencing a strong period of growth, driven by the burgeoning Indian middle class, growth in high spending foreign tourists, and coordinated government campaigns to promote 'Incredible India'. Nevertheless this campaign truly helped our stand to become colourful in the minds of the people all over the world, and has directly led to increase in the interest among tourists. The tourism industry in India is substantial and vibrant and the country is fast becoming a major global destination. Moreover tourism industry is significantly supported to grow horticultures, handicrafts, agriculture, construction, poultry and the like. Today, tourism has become more inclusive of new concepts which require the support of the government to develop and flourish. There is a need to propagate these concepts with dedicated



International journal of basic and applied research

www.pragatipublication.com

ISSN 2249-3352 (P) 2278-0505 (E)

Cosmos Impact Factor-5.86

policies formed for the development of tourism. Effective implementation of the policies will help in the growth of the industry and the economy overall.

References:

1. Chattopadhyay, Kunal (1996). *“Economic Impact of Tourism Development- An Indian Experience”*, Kanishka publication, Delhi.
2. Negi, Jagmohan (1990). *Tourism and Travel: Concepts and Principles*, Gitanjali Publication house
3. Alister M. and Wall G (1982). *“Tourism: Economic, physical and social impacts”* Geoffrey Wall, Longman.
4. Brau, R., Lanza, A., & Pigliaru, F. (2007). *“How fast are small tourism countries growing? Evidence from the data for 1980–2003”*, *Tourism Economics*, 13(4), 603–613.
5. Kanjilal G. (2005). *“Compendium of Tourism”*, Mumbai, Safari Plus. pp.70-75.
6. KararArnab (2010). *“Impact of Pilgrim Tourism at Haridwar”*, *Anthropologist*, 12 (2):99-105.
7. .
8. Singh, D. R. (2008). *“Small Island developing states (SIDS)”*. *Tourism and economic development. Tourism Analysis*, 13, 629–636.

Web Reference:

9. www.indianministryoftourism.org.in.
10. www.planningcommission.org.in
11. www.rbi.org.in
12. www.unwto.org.in.
13. www.ministryoftourism.org.in