

Impact of Tourism on Economic Growth of India

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Abstract:

Tourism sector is 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. 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. Every year both Central and State government has been investing huge amount for the development of tourism sector. This enhanced tourism sector is to be one of the important drivers of growth, employment creation, increase of national as well as individual income, improving the balance of payment position and foreign exchange earnings, improving people's standard of living, level of consumption etc. India's wide variety of all season attraction provides huge opportunities for tourists. These attractions get developed for the socio-economic benefit of the local communities, especially to achieve more inclusive economic growth. The use of existing resource has to be under taken economically for well-being of the present generation but not at the cost of depriving future generations of any part of our inheritance. India is a unique destination for domestic and foreign travelers. India is a huge Country with great values.

Key Words: Tourism, Economic Growth, Investment, Foreign Exchange, Tourist Arrivals.

Introduction:

Tourism industry acts as a powerful agent of both economic and social changes. It stimulates employment and investment, alters structure of an economy, contributes to foreign exchange earnings and maintains favorable balance of payment. The money spent by the tourist in a country is turned over several times in the process; the total income earned from tourism is a number of times more than actual spending.

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The multiplier effect of tourism receipts is completely recognized as spreading to secondary and tertiary sectors of an economy. Tourism helps in the significant growth of economic, social, cultural, educational and political sectors. Marketing and promotion are of vital importance in tourism sector due to the competitiveness of tourism industry both within and between tourism generating nations. Tourism sector creates direct, indirect and induced employment. It produces a vast spectrum of employment from highly qualified and trained managers of star hotels to room boys, sales girls and artisans. With its faster growth new horizons of employment open up for youth of the developing countries 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. It has become the fastest growing service industry in the country with great potentials for its further expansion and diversification. The saying "Athithi Devo Bhava" welcomes and pleases the foreign arrivals. The simplicity, flora and fauna of the villages of India are appreciated by foreign tourists. Huge number of foreign travelers arrives to India to learn yoga, meditate or spend time at an ashram. The historical and architectural sites of the Country welcome people from all around the globe. The handicrafts particularly carpets, jewels, leather goods, ivory, brass work are eye catching. The sports events, educational facilities, IT industries, world class hotels, cultural events, festivals, fairs etc grab foreign tourist towards India. The cost of living on basic facilities, cheap medical treatments and balanced weather conditions also attracts tourists. The wildlife sanctuaries, historical monuments, pilgrim centers, forts, universities, reservoirs ,beaches, temples, national parks, palaces and many other places of tourist destinations welcomes foreign tourist in great number towards India.

The growth rate of Foreign Tourist Arrivals in 2003 was 6.7%. In the year 2004, 2005 and 2012 the arrival of foreign tourists saw a sudden decrease. During the year 2017, India registered growth of 10.2 percent This clearly represents the growth of tourism sector in India. The growth rate of FTAs 11.8 percent in 2013 for India is better than UNWTO's. Projected growth rate of 5% to 6% for the World in 2013. The Compound annual growth rate (CAGR) in FTAs in India during 2004 to 2013 was 9.6 percent. Foreign Exchange earnings from tourism is the

result of Consumption expenditure i.e. payments made for goods and services by foreign visitors in the economy from the foreign currency brought by them. Even though India is not on top in number of foreign tourist arrivals, the amount of money spent by foreign tourists on per-capita basis is more than any other country. The main source for foreign exchange earnings is the large number of business visitors to India and longer duration of their stay. The investments on hotels, air transport, basic infrastructures and facilitation systems also contribute to foreign exchange earnings. The Indian handicraft particularly jewels, carpets, leather goods, ivory and brass works are the main shopping items of Foreign Tourists. They also spend their earnings on entertainment, adventurous activities, sports activities etc. Foreign tourists are also attracted by the educational facilities available in India. In the year 2003, Foreign Exchange Earnings in India was 3460 millions. The percentage change over the previous year was 15.0. The Foreign Earnings saw a decrease in the year 2003 and 2004. Foreign Exchange Earnings in the year 2017 was 20236 and percentage change in the previous year was 9.7.

It is very essential to focus on India's Balance of payment with respect to Travel and Tourism Sector. Travel receipts are principally determined by the number of tourists visiting India during the period, social and political environment in India and abroad, cost conditions and so on. Even though gross receipts from travel and tourism have shown a steady rise, there has been a deceleration in the rate of net receipts. This is because of a rise in payments under balance of payments account. This could be attributed to the fact that more and more of Indians are taking up foreign travel.

Significance of Tourism to Improved GDP in India

Travel and Tourism industry plays as a very important source of Indian Gross Domestic Product. Total contribution of Travel and Tourism to Gross Domestic Product is comprised of direct contribution of Travel and Tourism to Gross Domestic Product, domestic supply chain, capital investment, government collective spending, imported goods from indirect spending and induced contribution. Direct contribution of Travel and Tourism to Gross Domestic Product mainly consists of Gross Domestic Product generated by industries which includes hotels, travel agents, airlines and other passenger service with directly deal with tourists. It also comprises of activates of restaurants and leisure industries that

deal directly with tourists. It comprises of internal tourism consumption and purchase by tourism providers including imported goods. The internal tourism consumption is the total revenue generated within a country by industries that deal directly with tourists. This does not include spending abroad by residents. Tourism is a major driver of economic growth globally. India's tourism industry is experiencing a strong period of growth, driven by the burgeoning Indian middle class, growth in high spending foreign tourist and coordinated government campaigns to promote 'incredible India'. For a developing country like India which is on the path of modern economic growth through structural transformation of the economy, tourism is the right vehicle. With its forward and backward linkages with a host of sectors like transport, hospitality, education, health, banking etc. India is all set to reap full potential of this vibrant sector. Tourism sector is not only a major contributor to the growth of the economy but a generator of employments opportunities as well. Various initiative have also been taken by the Tourism Ministry of India, the tourism minister's of various states and the private players to transform India into a lucrative tourist destination in the world. It comprises of visitor exports and domestic expenditure. Visitor's export refers to the expenditure of the international tourists within the country for the purpose of both business and leisure trips. Domestic expenditure refers to expenditure of the residents of the country, within a country for both business and leisure trips. Purchase by tourism providers including imported goods refers to the spending of tourists on goods native to that land and also spending on the goods that are imported to that particular place. Value for money and quality matters a lot in purchasing of goods. Domestic supply chain refers to purchase made on domestic goods and services directly by different industries. Capital investment includes spending of industries which are involved in travel and tourism. This also involves spending by other industries on certain assets of tourism such as accommodation, passenger transport equipments, restaurants and leisure facility for specific use of tourism. Government collective spending refers to expenditure made in support of general tourism activity. It includes visitor's information services, administrative services, tourism promotion etc.

The broader contribution to Gross Domestic Product is the expenditure of those who are directly or indirectly employed by travel

and tourism In India tourism sector has very strong linkage with socio-economic prosperity. The employment potential of tourism sector in India is higher than any other Sector. 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. From study it has been found that in the year 2000 around 48313.3 thousands of people were employed due to travel and tourism. The real growth rate was 0.5 percent and percentage share in total employment was 11.8 percent. There was an increase in the employment growth up to the year 2004. But in the year 2005 employment growth decreased to 42439 thousand with a rate of real growth of -13.1 percent and percentage share in employment being 9.3 percent. In the year 2000, 2009 and 2010 the decrease in employment rate due to travel and tourism was noticed. Steady increase in the employment growth was registered since 2011. In the year 2017, the number of people employed in travel and tourism industry was found to be 37315 thousand and real growth rate was 1.7 percent. Percentage share in total employment was 8.7 percent. The Fast growing tourism sector highly influences the employment opportunities. Employment has always featured as an element of development policy in India. Effective generation of employment opportunities in a country enhance the standard of living encouraging the economic growth contributing to increased national income. Indian economy and employment is structured mainly in three important sectors wise segregation which includes Primary sector or Agriculture sector, Industrial sector or Secondary sector and Tertiary sector or Service sector. Majority of Indian workers are engaged in agricultural and allied activities. The proportion of agriculture in total employment has seen decline over the year from 60.32 percent during the period 1999-2000 to 51.30 percent in 2009-10. The decline in employment share of agriculture is mostly been compensated by an increase in the share of employment in the secondary as well as service sector. The employment in secondary sector have seen a rise from 16.24 percent in 1999-2000 to 22.08 percent in 2009-10. The employment in service sector has seen a rise from 23.43 percent in the year 1999-2000 to 26.67 percent in the year 2009-10. The major reason for the growth of secondary and service sector can be attributed to the

liberalization policy which has had its impact post 1990's and can be clearly seen in the rise in employment in secondary and service sector. The share of trade and hostelling sector to the service sector employment was 43.83 percent during 1999-2000 and 42.69 percent during 2016-17. The capital investment in Travel and Tourism in India has seen many ups and downs. During the year 2000, the capital investment in Travel and Tourism in India was 1133.64 billion. Increase in capital investment in Travel and Tourism was observed up to the year 2006. During the year 2007 the capital investment in travel and tourism was 5236.96 billion and saw a sudden decline. From the year 2008, the capital investment saw a decrease compared to the previous years. During the year 2017, the capital investment in Travel and Tourism was 2264.1 billion and was better in number when compared to the year 2016.

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 centers, 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 growth of tourism sector has resulted in employment generation, foreign exchange earnings, expansion of infrastructure facilities, capital investment, socio-economic growth, increasing in the contribution to GDP and so on. India has evidenced sustainable and inclusive economic growth due to the wide expansion of tourism sector.

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