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# Impact of Tourism on the Indian Economy

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## Abstract

*Tourism is the world's largest industry without making smoke. It employs one out of every nine people on the planet and accounts for 10% of global GDP. Tourism is one of the largest and fastest expanding economic industries in the world. It has become the country's fastest growing service industry, with enormous potential for additional expansion and diversification, and it has direct and indirect chain links with a variety of economic sectors. Tourism is seen as a strategy to support economic growth in underdeveloped nations, increasing employment and foreign exchange as an alternative to other traditional economic sectors like industrialization. In India, tourism is the most vibrant tertiary activity and a multibillion-dollar sector. The goal of this study is to look into the dynamics of the relationship and the influence of tourism on Indian GDP, employment, and foreign tourism receipts from 2012 to 2019. The report also examines how India's tourist industry has grown dramatically as a result of government policies and assistance at all levels.*

**Keywords:** *Tourism Industry, Destination, Foreign Tourist, Economic Growth*

## Introduction

Tourism is a desirable human activity that is capable of altering the world's sociocultural, economic, and environmental landscape. Tourism is one of the world's largest and fastest-growing industries. It has the ability to affect community life patterns. It is one of the most essential avenues for cultural exchange, since it bridges the gap between people from all over the world. With the increasing statistics of foreign and domestic tourism, tourism has become a rapidly growing field in modern India. With the advancement of information and communication technology (ICT) such as the internet, online travel agencies, mobile computing, computer-based reservation systems, online banking, and so on, it has become much easier to manage all tourism-related activities such as tour planning, ticketing, hotel booking, and destination selection. As tourists often travel in a group to a destination far from their locality, they generally affect most of the aspects of life belonging to that destination. India is a big country with a diversified geographical, economical and social structure, tourism provides them the opportunity to come together and hence enabling the people to learn and share their experiences of life. Generally, this interaction yields good results in the form of social, economic and cultural impacts. The social repercussions manifest as a sense of unity in diversity and an opportunity to learn about one another's way of life, which could be rather fascinating for both tourists and residents. Tourism has a big impact on the destination economy because it helps a lot of businesses and infrastructure thrives.

## Objectives of the Paper

- To study & understanding about Tourism
- To analyze the Number of Tourist visits and Foreign Exchange Earnings in India.

- To study Tourism's contribution to Employment and GDP in India.

## Research Methodology:

This is a descriptive research paper based on secondary data. Data have been found from different websites, books, research papers and journals collected. A simple calculation, graph and tables are used by the researcher to explain the facts and find the results.

## Tourism

**Global Tourism:** From the 1960s onwards, tourism has grown from a relatively small-scale industry to one of the world's major sectors and the fastest-growing worldwide economic sector. From 25 million in 1950 to 681 million in 2000, foreign visitor arrivals have increased steadily. In 2009, international tourism receipts totaled $852 million. According to the United Nations World Tourism Organization (WTO), the number of foreign arrivals will reach 1.6 billion by 2020, with 1.2 billion intra-regional tourists and 378 million long-haul travelers.

**Tourism in India:** In India alone, approximately 4.97 million tourists visited the country in 2007, an increase of about 1.06 million visitors from 2005. The tourist sector is also growing, with total international receipts in India exceeding US$ 10,729 million in 2007, a significant boost to the country's economy. Governments, particularly in the third world, consider tourism as a way of economic development, and as a result, investment in the industry is frequently encouraged.

The Sir John Sargent Committee was appointed in 1945 to popularise the notion of tourism in India, and in 1946 it issued a report with recommendations for the establishment of regional offices in Bombay, Delhi, Calcutta, and Madras. It was founded in 1949 with the establishment of a Tourist Traffic Branch in Bombay and two regional offices in Delhi. However, on March 1, 1958, a distinct Tourist Department was founded in the Ministry of Transport and Communication, taking the place of the same ministry's Tourist Traffic Branch. Tourism was promoted to the Ministry of Tourism and Civil Aviation in 1967, and the notion of tourism development has gathered momentum since then.

**The Tourism Industry:** In India, as in many other developing economies, the tourist sector has been critical in providing foreign exchange, job opportunities, and household income. As a result, the growth of the tourist industry has been just as essential as the growth of other sectors of the Indian economy.

The tourism industry's greatest asset is its ability to produce a large number of jobs. Tourism contributes to regional and economic growth. The upgrading of roads, cars, communication, water supply, airports, and railway stations is critical to any country's overall prosperity. The general growth of the country determines economic progress and industrial development, and tourism plays a significant role in this overall infrastructural progression. Tourism is India's largest service business, accounting for 6.23 percent of GDP and 8.78 percent of total employment. India receives around 5 million foreign tourists each year and 562 million domestic tourists. India's tourism business earned about US$ 100 billion in 2008 and is predicted to grow at a 9.4% annual pace to US$ 275.5 billion by 2018.

## Economic Impact of tourism on the Indian Economy

Today, tourism in India has grown to be a significant element of the economy, contributing significantly to the country's inclusive and long-term growth. India has succeeded in becoming the most popular tourist destination for both domestic and international visitors. International visitors are exposed to India's ideology of unity in diversity through tourism. As it has in many other emerging nations, the tourism sector has long been important in earning foreign cash, creating jobs, and contributing to GDP in India. It has opened up opportunities for infrastructure development as well as regional and economic growth. As a result, it appears that the development of the tourist sector was as essential as the development of other sectors of the Indian economy. Particularly, a rising trend is observed in foreign tourist arrivals and foreign exchange earnings (Table-1).

As far as the economic benefits are considered, tourism has its contributions in the form of foreign exchange earnings, employment, GDP and increase in investment. On the other hand, tourism also exerts social impacts on a country. As a result, it has been claimed in the literature that employment might be used as a starting point for quantifying the social impact of tourism. It is widely agreed that job development helps to create chances for higher living standards and other aspects of socio-economic advancement.

**Domestic Tourist Visits:** Domestic tourism is important because it allows for wealth redistribution and a more balanced regional development. Domestic tourist visits dominate Indian tourism, in the sense that individuals travel from one place to another for a variety of reasons, including pleasure, business, family, meetings, and other non-remunerated activities. The number of domestic tourist visits in India from 2013 to 2019 is shown in Table 1.

**Foreign Tourist Visits:** Foreign visitor visits are more crucial for the tourism industry's true growth contribution in any country, including India. Foreign tourism is crucial not only in terms of economic benefits but also in terms of socio-cultural and political effects on the destination country. Foreign tourism brings with it a variety of benefits, including foreign exchange, foreign culture, and so on. Table 1 displays the number of foreign tourists who visited India between 2013 and 2019.

**Foreign Exchange Earnings from Tourism in India:** The growing and developing world is well aware of the importance of tourism in India's economic growth and development. The tourism industry contributes to a country's economic growth and development by contributing to GDP, employment, exports, capital investment, and infrastructure development. In India, tourism is a significant source of foreign exchange earnings. The country's balance of payments benefits as a result of this.

**Table 1: India's number of tourist visits and foreign exchange earnings (FEEs) from tourism**

| Year | Domestic Tourist Visits in India (in million) | | Foreign Tourist Visit in India (in million) | | Estimates of Foreign Exchange Earnings (FEEs) in US$ million from Tourism in India | |
|---|---|---|---|---|---|---|
| | No. of Domestic Tourist | Percentage (%) change over the previous year | No. of Foreign Tourists | Percentage change over the previous year | Estimates of Foreign Exchange Earnings in US$ million | Percentage change over the previous year |
| 2013 | 1142.53 | 9.3 | 19.95 | 9.2 | 18397 | 2.4 |
| 2014 | 1282.80 | 12.3 | 22.33 | 11.9 | 19700 | 7.1 |
| 2015 | 1431.97 | 11.6 | 23.33 | 4.4 | 21013 | 6.7 |
| 2016 | 1615.39 | 12.8 | 24.71 | 6.0 | 22923 | 9.1 |
| 2017 | 1657.55 | 2.6 | 26.89 | 8.8 | 27310 | 19.1 |
| 2018 | 1853.79 | 11.8 | 28.87 | 7.4 | 28586 | 4.7 |
| 2019 | 2321.98 | 25.3 | 31.41 | 8.8 | 30058 | 5.1 |

Source: (i) Ministry of Tourism, Govt. of India (2020-21)

(ii) Indian Tourism Statistics Annual Report (2020-21)

**Interpretation & Analysis:** According to the main objective is to analyze the number of Tourist Visit and Foreign Exchange Earnings in India. The above table shows the increase in the number of domestic and foreign tourists in India. In 2013, there were 1142.53 million domestic tourists, 19.95 million foreign tourists, and an estimated 18397 million (US$ million) in foreign exchange revenues from tourism in India. Domestic tourists were 2321.98 million in 2019, while foreign tourists numbered 31.41 million, with estimated foreign exchange revenues from tourism in India totalling $30058 million (US$ million). Domestic tourism increased by 103.23 % overseas tourism increased by 57.44 % and foreign exchange earnings (FEEs) from tourism increased by 63.38 % in India during this time. This is a positive correlation between the number of tourists visiting India and the country's foreign exchange earnings. This research looked at the number of tourists that visited India and the country's foreign exchange earnings. Based on this research, we discovered that an increase in the number of tourists has a beneficial impact on Indian economic growth.

### Tourism's contribution to the Employment and GDP in India

In India, tourism has developed as a source of income and employment, as well as a means of reducing poverty and promoting long-term human development. Tourism is a demand-driven industry defined by consumption rather than output. Industries defined in national accounts, such as air transportation, hotels and restaurants, and so on, produce the same output whether tourists or non-tourists consume it. The tourism economy is defined by tourist consumption, which is not included in the National Accounts. As a result, there is a need to plan for tourism's contribution to GDP. Estimating the economic contribution of tourism to the economy following subsequent years namely 2013-14, 2014- 15, 2016-17, 2017-18 and 2018-19, tourism's contribution to the economy in GDP and employment of the country is as given below:

**Table 2: The direct and indirect contribution of tourism to the Employment**

| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|---|---|---|
| Share in Employment (in %) | 11.91 | 12.14 | 12.38 | 12.20 | 12.29 | 12.95 |
| Direct (in %) | 5.19 | 5.3 | 5.4 | 5.32 | 5.36 | 5.65 |
| Indirect (in %) | 6.72 | 6.84 | 6.98 | 6.88 | 6.93 | 7.3 |
| Direct + Indirect Employment due to tourism (in million) | 67.19 | 69.56 | 72.26 | 75.71 | 80.54 | 88.72 |

Source: Indian Tourism Statistics Annual Report (2020-21)

**Table 3: The Estimates of the contribution of tourism to GDP**

| | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---|---|---|---|---|---|---|
| Share in GDP (in %) | 5.68 | 5.81 | 5.09 | 5.04 | 5.00 | 5.00 |
| Direct (in %) | 3.06 | 3.14 | 2.65 | 2.62 | 2.60 | 2.60 |
| Indirect (in %) | 2.62 | 2.67 | 2.44 | 2.42 | 2.40 | 2.40 |

Source: Indian Tourism Statistics Annual Report (2020-21)

**Interpretation & Analysis:** According to the objective, the contribution of tourism to the Employment and GDP of India is shown in the above table. Table-2,3 shows increase in the number of Employment in Tourism (Direct + Indirect) and GDP share in India. In 2013-14 number of Employment in Tourism is 67.19 million (11.91 % share in total employment) and share in GDP (Direct in % + Indirect in %) is 5.68% (3.06% + 2.2%). In 2018-19 number of Employment in Tourism is 88.72 million (12.95 % share in total employment) and share in GDP (Direct in % + Indirect in %) is 5.00% (2.60% + 2.40%). During this period 32.04 % increase in Employment in Tourism and share in GDP is also increase in India. This clearly shows a positive relation between the tourism's contribution to the Employment and GDP of India.

### Finding and Suggestion

India's tourist business is expanding, and it has enormous potential for creating jobs and earning substantial sums of foreign currency. Eco-tourism should be fostered so that tourism in India contributes to the preservation and sustainability of the country's natural and cultural diversity. Today, industrialised nations are putting all of their effort into attracting tourists, reflecting the industry's importance in the economy. Tourism income is both sustainable and exploitable in the short term, and job creation opportunities are plentiful in this industry, with human resources that do not require long-term training.

## Conclusion

In this study, the relationship between the tourism industry and economic growth was investigated using data over the period of 2013-2019. In this regard, after examining the data, we found a positive relation between economic growth and tourism but this relationship is very weak, it means that the effects of the growth of foreign tourism receipts, foreign exchange earnings and employment growth rates are too less.

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