



A STUDY ON IMPACT OF NEW ECONOMIC ENVIRONMENT ON TOURISM IN INDIA

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Abstract

Travel & Tourism's impact on the economic and social development of a country can be enormous; opening it up for business, trade and capital investment, creating jobs and entrepreneurialism for the workforce and protecting heritage and cultural values. Tourism has become a thriving global industry with the power to shape developing countries in both positive and negative ways. No doubt it has become the fourth largest industry in the global economy. Similarly, 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.

Key Words: Direct Contribution To GDP, Direct Contribution To Employment, Capital Investment.

Introduction

The Macmillan Dictionary defines tourism as the business of providing services for people who are travelling for their holiday. Wikipedia defines it as travel for recreational, leisure or business purposes. The OECD glossary of statistical terms defined tourism as the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited. Tourism has become a thriving global industry with the power to shape developing countries in both positive and negative ways. No doubt it has become the fourth largest industry in the global economy. Similarly, 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. However, there are pros and cons involved with the development of tourism industry in the country.

Discussion

Development of Tourism in India

Early Development

The first conscious and organized efforts to promote tourism in India were made in 1945 when a committee was set up by the Government under the Chairmanship of Sir John Sargent, the then Educational Adviser to the Government of India (Krishna, A.G., 1993). Thereafter, the development of tourism was taken up in a planned manner in 1956 coinciding with the Second Five Year Plan. The approach has evolved from isolated planning of single unit facilities in the Second and Third Five Year Plans. The Sixth Plan marked the beginning of a new era when tourism began to be considered a major instrument for social integration and economic development.

But it was only after the 80's that tourism activity gained momentum. The Government took several significant steps. A National Policy on tourism was announced in 1982. Later in 1988, the National Committee on Tourism formulated a comprehensive plan for achieving a sustainable growth in tourism. In 1992, a National Action Plan was prepared and in 1996 the National Strategy for Promotion of Tourism was drafted. In 1997, the *New Tourism Policy* recognises the roles of Central and State governments, public sector undertakings and the private sector in the development of tourism were. The need for involvement of Panchayat Raj institutions, local bodies, non-governmental organisations and the local youth in the creation of tourism facilities has also been recognised.

Present Situation and Features of Tourism in India

Today tourism is the largest service industry in India, with a contribution of 6.23% to the national GDP and providing 8.78% of the total employment. India witnessed more than 5 million annual foreign tourist arrivals and 562 million domestic tourism visits. The tourism industry in India generated about US\$100 billion in 2008 and that is expected to increase to US\$275.5 billion by 2018 at a 9.4% annual growth rate. The Ministry of Tourism is the nodal agency for the development and promotion of tourism in India and maintains the "*Incredible India*" campaign.

According to World Travel and Tourism Council, India will be a tourism hotspot from 2009-2018, having the highest 10-year growth potential. As per the Travel and Tourism Competitiveness Report 2009 by the World Economic Forum, India is



ranked 11th in the Asia Pacific region and 62nd overall, moving up three places on the list of the world's attractive destinations. It is ranked the 14th best tourist destination for its natural resources and 24th for its cultural resources, with many *World Heritage Sites*, both natural and cultural, and strong creative industries in the country. India also bagged 37th rank for its air transport network. The India travel and tourism industry ranked 5th in the long-term (10-year) growth and is expected to be the second largest employer in the world by 2019.

Benefits of Tourism in India

Tourism industry in India has several positive and negative impacts on the economy and society. These impacts are highlighted below.

- 1. Generating Income and Employment:** Tourism in India has emerged as an instrument of income and employment generation, poverty alleviation and sustainable human development. It contributes 6.23% to the national GDP and 8.78% of the total employment in India. Almost 20 million people are now working in the India's tourism industry.
- 2. 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\$100 billion in 2008 and that is expected to increase to US\$275.5 billion by 2018 at a 9.4% annual growth rate.
- 3. Preservation of National Heritage and Environment:** Tourism helps preserve several places which are of historical importance by declaring them as heritage sites. For instance, the Taj Mahal, the Qutab Minar, Ajanta and Ellora temples, etc, would have been decayed and destroyed had it not been for the efforts taken by Tourism Department to preserve them. Likewise, tourism also helps in conserving the natural habitats of many endangered species.
- 4. Developing Infrastructure:** 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 centers, 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.
- 5. Promoting Peace and Stability:** Honey and Gilpin (2009) suggests that the 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. 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.

Economic Impact of Tourism in India

The tourism industry in India can have several positive and negative impacts on the environment which are discuss below.

- 1. Direct Financial Contributions:** Tourism can contribute directly to the conservation of sensitive areas and habitat. Revenue from park-entrance fees and similar sources can be allocated specifically to pay for the protection and management of environmentally sensitive areas. Special fees for park operations or conservation activities can be collected from tourists or tour operators.
- 2. Contributions to Government Revenues:** The Indian government through the tourism department also collect money in more far-reaching and indirect ways that are not linked to specific parks or conservation areas. User fees, income taxes, taxes on sales or rental of recreation equipment, and license fees for activities such as rafting and fishing can provide governments with the funds needed to manage natural resources. Such funds can be used for overall conservation programs and activities, such as park ranger salaries and park maintenance.

Defining the Economic Contribution of Travel & Tourism

Travel & Tourism is an important economic activity in most countries around the world. As well as its direct economic impact, the sector has significant indirect and induced impacts. The UN Statistics Division-approved Tourism Satellite Accounting methodology (TSA:RMF 2008) quantifies only the direct contribution of Travel & Tourism. WTTC recognizes that Travel & Tourism's total contribution is much greater however, and aims to capture its indirect and induced impacts through its annual research.



Total Contribution

The total contribution of Travel & Tourism includes its 'wider impacts' (ie the indirect and induced impacts) on the economy. The 'indirect' contribution includes the GDP and jobs supported by:

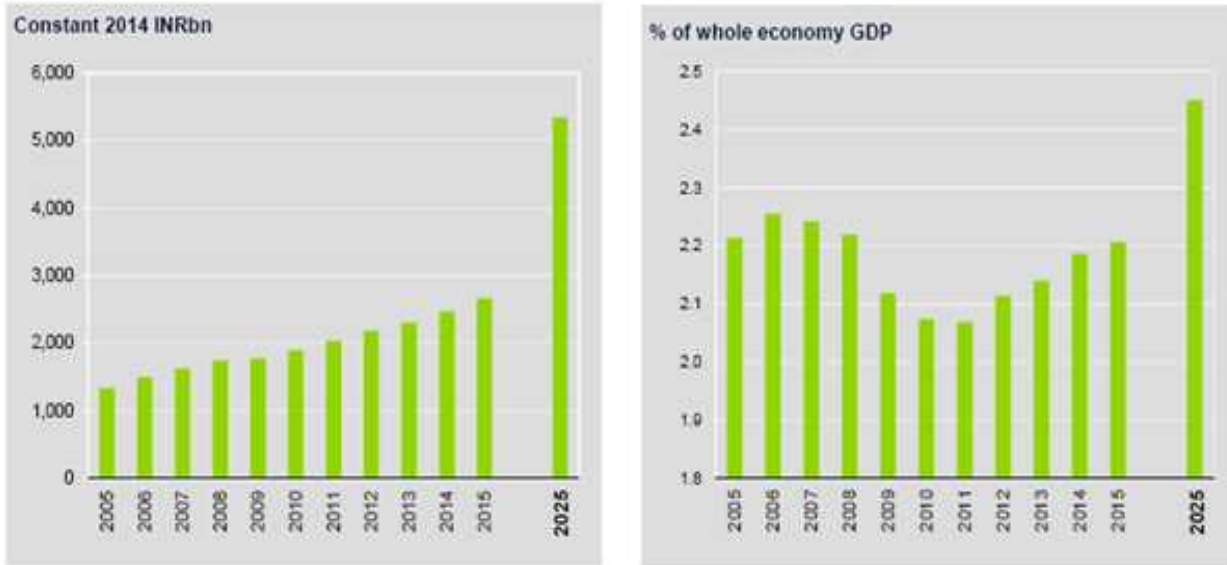
- Travel & Tourism investment spending – an important aspect of both current and future activity that includes investment activity such as the purchase of new aircraft and construction of new hotels;
- Government 'collective' spending, which helps Travel & Tourism activity in many different ways as it is made on behalf of the 'community at large' – eg tourism marketing and promotion, aviation, administration, security services, resort area security services, resort area sanitation services, etc;
- Domestic purchases of goods and services by the sectors dealing directly with tourists - including, for example, purchases of food and cleaning services by hotels, of fuel and catering services by airlines, and IT services by travel agents.

The 'induced' contribution measures the GDP and jobs supported by the spending of those who are directly or indirectly employed by the Travel & Tourism sector.

Travel & Tourism's Contribution to GDP

The direct contribution of Travel & Tourism to GDP in 2014 was INR2, 478.2bn (2.2% of GDP). This is forecast to rise by 7.6% to INR2; 667.5bn in 2015. This primarily reflects the economic activity generated by industries such as hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). But it also includes, for example, the activities of the restaurant and leisure industries directly supported. The direct contribution of Travel & Tourism to GDP is expected to grow by 7.2% pa to INR5, 339.2bn (2.5% of GDP) by 2025.

INDIA: DIRECT CONTRIBUTION OF TRAVEL & TOURISM TO GDP



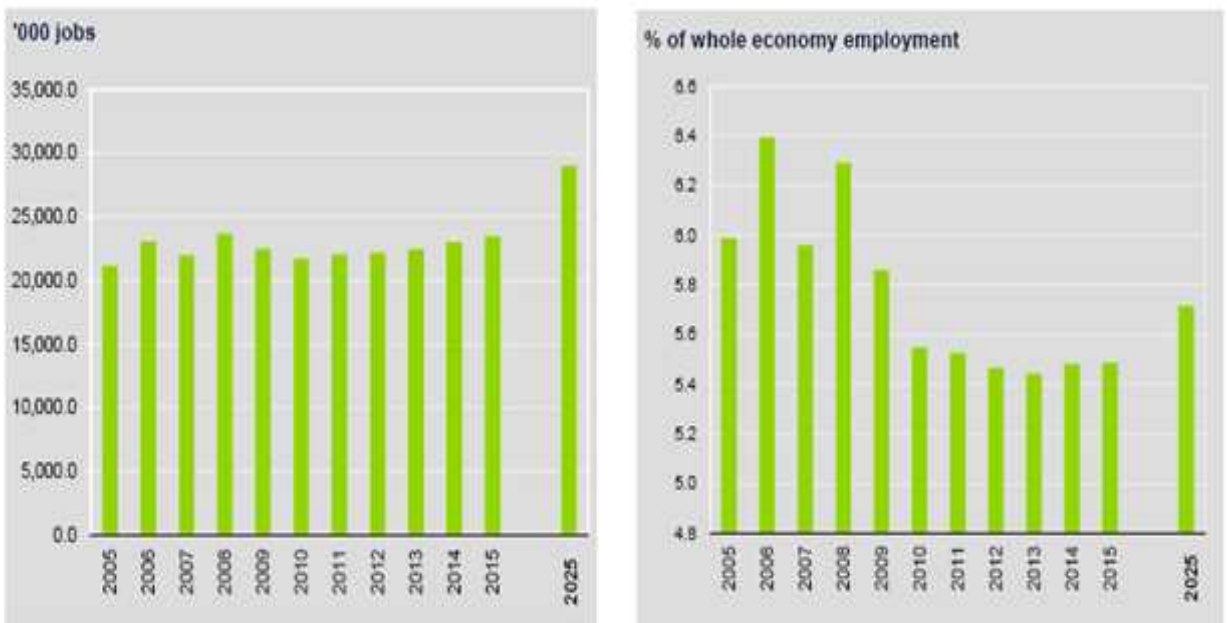
The total contribution of Travel & Tourism to GDP (including wider effects from investment, the supply chain and induced income impacts,) was INR7, 642.5bn in 2014 (6.7% of GDP) and is expected to grow by 7.5% to INR8, 218.0bn (6.8% of GDP) in 2015. It is forecast to rise by 7.3% pa to INR16, 587.2bn by 2025 (7.6% of GDP).

Travel & Tourism's Contribution to Employment

Travel & Tourism generated 23,024,000 jobs directly in 2014 (5.5% of total employment) and this is forecast to grow by 1.9% in 2015 to 23,455,500 (5.5% of total employment).

This includes employment by hotels, travel agents, airlines and other passenger transportation services (excluding commuter services). It also includes, for example, the activities of the restaurant and leisure industries directly supported by tourists. By 2025, Travel & Tourism will account for 29,020,000 jobs directly, an increase of 2.2% pa over the next ten years.

INDIA: DIRECT CONTRIBUTION OF TRAVEL & TOURISM TO EMPLOYMENT



The total contribution of Travel & Tourism to employment (including wider effects from investment, the supply chain and induced income impacts,) was 36,695,500 jobs in 2014 (8.7% of total employment). This is forecast to rise by 1.8% in 2015 to 37,365,000 jobs (8.7% of total employment).

By 2025, Travel & Tourism is forecast to support 45,566,000 jobs (9.0% of total employment), an increase of 2.0% pa over the period.

Visitor Exports and Investment

Money spent by foreign visitors to a country (or visitor exports) is a key component of the direct contribution of Travel & Tourism. In 2014, India generated INR1,224.4bn in visitor exports. In 2015, this is expected to grow by 5.2%, and the country is expected to attract 7,757,000 international tourist arrivals.

By 2025, international tourist arrivals are forecast to total 15,291,000, generating expenditure of INR2,377.2bn, an increase of 6.3% pa.

INDIA: VISITOR EXPORTS AND INTERNATIONAL TOURIST ARRIVALS



Conclusion

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 much more remains to be done. Eco-tourism needs to be promoted so that tourism in India helps in preserving and sustaining the diversity of the India's natural and cultural environments. Tourism in India should be developed in such a way that it accommodates and entertains visitors in a way that is minimally intrusive or destructive to the environment and sustains & supports the native cultures in the locations it is operating in. Moreover, since tourism is a multi-dimensional activity, and basically a service industry, it would be necessary that all wings of the Central and State governments, private sector and voluntary organisations become active partners in the endeavour to attain sustainable growth in tourism if India is to become a world player in the tourism industry.

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