

Study of Impact of tourism over economic growth in India

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Abstract : The tourism sector is an important social phenomenon in almost every society due to the basic human tendency to have new and memorable experiences concerning adventurous activities, learning, and amusement. Besides, there are several factors which motivate tourism such as socio-cultural, religious, and business activities. The basic human urge to know about unreached parts of the globe is an important factor which fosters tourism. In recent decades, improvement in knowledge domain, advances in technology, reductions in communication barriers, progress in transportation, and development in tourist-friendly facilities, have all contributed to growing tourism industry. Thus, it has been well understood that tourism can play a critical role in achieving inclusive and sustainable growth and development.

Key Words : Economics, Tourism, GDP.

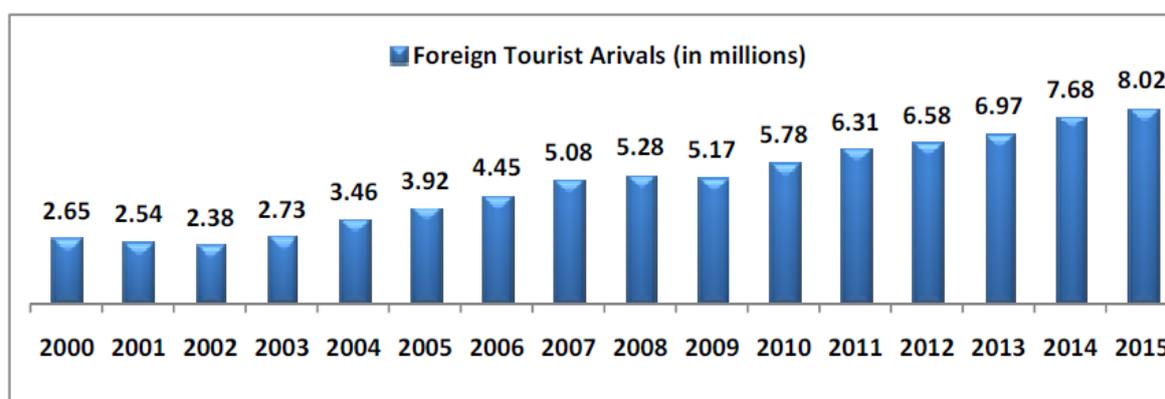
Introduction : Tourism being the interaction between the tourists and the host societies, not only the socio-economic conditions of host communities change, but also their value system improves (Cook et al., 2010; Kumar & Kumar, 2014). Hall & Page (1999) clarified that tourism brings changes in individual and collective value systems, behavioural patterns, social structures, life style of people and their quality of life. Leavitt (2003) also mentioned that tourism influences the socio-economic conditions of a community by increasing racial and cultural tolerance, creating new employment opportunities, developing infrastructural facilities, and by contributing to its overall economic development. In addition, (Gjerald (2005) recognized the socio-economic impacts of tourism in terms of displacement of labour force, changes in the form of employment, increase in female participation in workforce, increase in social status of workers, changes in standard of living and increase in social cohesion. Besides, Thus, it has been believed that as people move across the globe, and learn to know each other, understand each other's customs, and appreciate the qualities of the individuals of each nation, an international understanding is built up which sharply improve the attitude for world peace (D'Amore, 2010). Another school of thought believes that tourism brings happiness with the host community through higher level of economic growth and development. This happiness is brought about by increased real per capita income, increased exports, improved foreign

exchange positions, reduced poverty, increased employment opportunities, and enlarged entrepreneurial skill development (Mishra et al., 2016).

Economic Growth :

Today, tourism in India has become an important part of the economy contributing substantially to the inclusive and sustainable development of the country. India has succeeded in becoming the most preferred destination amongst domestic and overseas travellers. Tourism exposes international travellers to India's philosophy of unity in diversity. Over years the tourism sector has been instrumental in generating foreign exchange, creating employment opportunities, and generating household income for Indians, as it has in many other developing economies. It has brought the opportunity of infrastructure development and helped in regional and economic development. Thus, the development of the tourism sector appears to have been as important as the development of other sectors of the Indian economy. Moreover, it has contributed to the progress of other related sectors of Indian economy thereby justifying itself a significant growth driver and means of poverty alleviation. Tourism in India continues to be an important sector at the national and regional levels in that the tourist arrivals and receipts have been showing an increasing trend. Particularly, rising trend is observed in foreign tourist arrivals and foreign exchange earnings (see fig.1 & fig.2).

Fig.1.1: Foreign Tourist Arrivals in India



Source: Researcher's Own Plot

In India, tourism industry is a major factor in globalization as well as resilient in the face of natural disasters, health crises, oil price rises, exchange rate fluctuations, and other uncertainties. So far as the economic benefits are considered, tourism has its contributions in the form of foreign exchange earnings, increase in exports and gross domestic product, and increase in investments. On the other hand, tourism also exerts social impacts in a country.

Fig.1.2: Foreign Exchange Earnings from Tourism in India



Source: Researcher's Own Plot

In a broader perspective, all these interpretations of social development implicitly presume the presence of better employment opportunities. Thus, it has been suggested in the literature that employment can be considered as the most readily available indicator to begin measuring the social impacts of tourism. It is a consensus that job creation generally helps create the opportunities for better standards of living and related conditions of socio-economic progress. India being a developing nation not yet attained its socio-economic development optimally. In many fronts including illiteracy, ill-health, malnutrition, unemployment, poverty and inequality, the nation has many miles to go.

Research Objectives

The principal objective of this research work is to examine the socio-economic impact of tourism in India. However, for clarity the specific objectives of the study have been stated as follows:

- 1. To evaluate the role of tourism in the growth of Indian States/UTs.***

Research Methodology

This research work is empirical in nature and specifically explores the socio-economic impacts of tourism in India in the macro level. The period of study spans from 1990 to 2015. The study uses secondary data collected from various governmental and non-governmental sources including India Tourism Statistics of Ministry of Tourism, Reserve Bank of India publications, CMIE database on States of India, World Travel & Tourism Council, World Development Indicators of World Bank, and Indiastat.com.

The main intension here is to explore the role that tourism is playing in Indian economy over years at State/UT levels over the period 1995 to 2014. For this purpose, we have examined the dynamic relationship between tourism and economic growth of Indian States/UTs in a panel framework. We have selected 24 States/UTs on the basis of the availability of comparable data sets. These are Andaman & Nicobar Islands, Arunachal Pradesh, Assam, Chandigarh, Delhi, Goa, Gujarat, Haryana, Himachal Pradesh, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Manipur, Meghalaya, Nagaland, Odisha, Puducherry, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura and West Bengal. We have taken Domestic Tourist Arrivals and Foreign Tourist Arrivals to each selected State/UT to represent the tourism sector. And, the Gross State Domestic product at constant prices of the base year 2004-05 to represent the economic growth of Indian States/UTs.

Domestic Tourist Visits

Domestic tourism is significant because it provides opportunities for wealth redistribution and balanced regional development as well as contributes to greater awareness about the culture and environment in one's own country. Indian tourism is dominated by domestic tourist visits in the sense that people from one area to another frequently visit for several reasons including leisure, business, family, meetings and other purposes not connected with any remunerated activity. The Table-1 shows the number of domestic tourist visits to all States/UTs in India during 1995 and 2015.

Table 1: Number of Domestic Tourist Visits to All States/UTs in India, 1995 to 2015

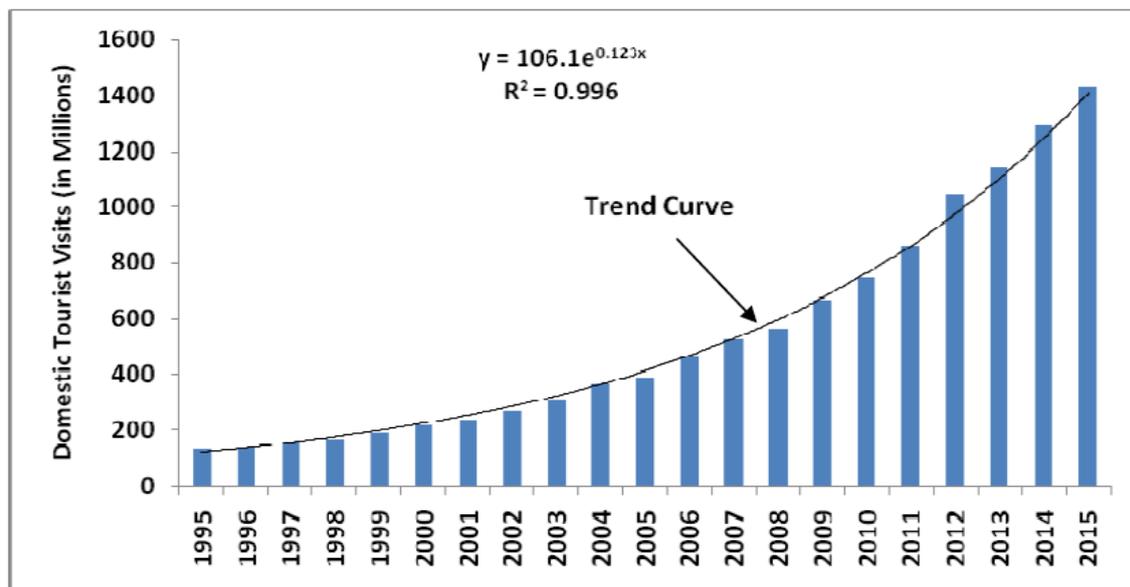
(in million)

Year	Number of Visits	Yearly Percentage Change
1995	136.65	-
1996	140.12	2.54
1997	159.88	14.10
1998	168.20	5.20
1999	190.67	13.36
2000	220.11	15.44
2001	236.47	7.43
2002	269.60	14.01
2003	309.04	14.63
2004	366.27	18.52
2005	392.04	7.04
2006	462.44	17.96
2007	526.70	13.90
2008	563.03	6.90
2009	668.80	18.79
2010	747.70	11.80
2011	864.53	15.63
2012	1045.05	20.88
2013	1142.53	9.33
2014	1290.12	12.92
2015	1431.97	11.00

Source: Ministry of Tourism, Govt. of India

Fig. 2 : Domestic Tourist Visits in India, 1995 to 2015

(in Millions)



Source: Researcher's Own Plot

Foreign Tourist Visits

Foreign tourist visit is more important for the real growth contribution of tourism industry in any country, and India is no exception. Inbound tourism is not only significant for its economic contributions, but for its socio-cultural and political impacts on the destination country. Inbound tourism brings with it foreign exchange, foreign culture, and above all the peace message helpful for maintaining a social cohesion and good international relations. The Table-2 shows the number of foreign tourist arrivals in India during 1995 and 2015.

Table 2 : Foreign Tourist Arrivals in India, 1995 to 2015

(in million)

Year	Foreign Tourist Arrivals	Yearly Percentage Change
1995	2.12	-
1996	2.28	7.55
1997	2.37	3.95
1998	2.35	-0.84
1999	2.48	5.53
2000	2.65	6.83
2001	2.54	-4.15
2002	2.38	-6.30
2003	2.73	14.71
2004	3.46	26.74
2005	3.92	13.29
2006	4.45	13.52
2007	5.08	14.16
2008	5.28	3.94
2009	5.17	-2.08
2010	5.78	11.80
2011	6.31	9.17
2012	6.58	4.28
2013	6.97	5.93
2014	7.68	10.19
2015	8.03	4.56

Source: Bureau of Immigration, Government of India

Economic Contributions of Tourism in India

The role of tourism in India in the economic growth and development is well known to the emerging and developed world. The tourism industry in India has been well recognised for its contribution to the process of inclusive growth in terms of poverty alleviation, inequality reduction and balanced regional development. The tourism sector adds to economic growth and development of a nation through its contribution to GDP, employment, exports, capital investment, and infrastructure development. Thus, government of the country spends for the development of travel and tourism which through its multiplier effect adds to income and employment. Therefore, it is justified to examine the trend pattern of economic contributions

of travel and tourism in India.

Table 3 : Total Contribution of Travel & Tourism to Real GDP, 1995 to 2015

(in US \$ billions)

Year	Contribution to Real GDP	Year-on-Year Growth
1995	45.0892	-
1996	51.0611	13.24
1997	59.6773	16.87
1998	61.9282	3.77
1999	66.6871	7.68
2000	72.1859	8.23
2001	59.5573	-17.49
2002	70.6706	18.66
2003	79.8733	13.02
2004	83.384	6.90
2005	72.0962	-15.56
2006	75.1852	4.28
2007	88.9942	18.37
2008	93.0031	4.50
2009	89.5007	-3.77
2010	94.8337	5.96
2011	99.1497	4.53
2012	105.17	6.07
2013	111.132	5.67
2014	120.55	8.47
2015	129.493	7.42

Source: World Travel and Tourism Council. UNWTO

Conclusion : It is observed that the total contribution of travel and tourism to real GDP in India is exhibiting a linear trend over the years. The reason may be the importance that is given to travel and tourism sector in India by both the private and public sector. The most important thing is that travel and tourism sector in India has got direct as well as indirect and induced contributions to GDP. The indirect and induced contribution of the industry results in a multiplier effect on the overall economy. Applying this multiplier effect, the total contribution of travel and tourism amounted to INR 8,039.40 billion in 2015 which is around 3.11 times its direct contribution. This implies that for every rupee of direct contribution to tourism to GDP, additional 2.11 rupee is contributed to the economy when the indirect and induced effects of tourism are considered. In the year 2015, the direct contributions amounted to INR 2668.30 billion and the sum of indirect and induced contributions amounted to INR 5641.10 billion.

Thus, the multiplier effect is the ratio of indirect and induced contributions to the direct contribution of travel and tourism sector.

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