

## **Tourism Development and Economic Growth in India**

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**ABSTRACT:-** 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. 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.

**Key Words:** *Tourism, Employment, Gross Domestic Product, Investment, Foreign Exchange, Tourist Arrivals.*

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### **I. INTRODUCTION**

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. Tourism sector is also 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. 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.

### **II. TOURIST ARRIVALS IN INDIA:**

India is a unique destination for domestic and foreign travelers. India is a huge Country with great values. 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 following table shows the foreign tourist arrivals in India during the year 2000 to 2015.

<b>Foreign tourist arrivals (FTAs) in India</b>			
<b>Year</b>	<b>FTAs in India</b>	<b>FTAs in India (In Millions )</b>	<b>Annual growth (%)</b>
2000	2,649,378	2.64	6.7
2001	2,537,282	2.54	-4.2
2002	2,384,364	2.39	-6.0
2003	2,726,214	2.73	14.3
2004	3,457,477	5.46	26.8
2005	3,918,610	3.92	13.3
2006	4,447,167	4.45	13.5
2007	5,081,504	5.08	14.3
2008	5,282,603	5.29	3.9
2009	5,167,699	5.17	-2.2
2010	5,775,692	5.78	11.8
2011	6.31(Million)	6.31	9.2
2012	6,577,745	6.57	5.3
2013	6,967,601	6.97	5.9
2014	7,68(Million)	7.68	10.2

**Source:** Bureau of Immigration, Govt. of India, for 2000-2014

The growth rate of Foreign Tourist Arrivals in 2000 was 6.7%. In the year 2001, 2002 and 2009 the arrival of foreign tourists saw a sudden decrease. During the year 2014, 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 2010 for India is better than UNWTO’s. Projected growth rate of 5% to 6% for the World in 2010.The Compound annual growth rate (CAGR) in FTAs in India during 2001 to 2010 was 9.6 percent.

### **III. FOREIGN EXCHANGE EARNINGS FROM TOURISM IN INDIA**

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. The following table shows Foreign exchange earnings in India from tourism sector for the period of 2000 to 2014.

<b>Year</b>	<b>FEE in US\$, from Tourism</b>	
	<b>Millions</b>	<b>% change over the Previous year</b>
2000	3460	15.0
2001	3198	-7.6
2002	3103	-3.0
2003	4463	43.8
2004	6170	38.2

2005	7493	21.4
2006	8634	15.2
2007	10729	24.3
2008	11832	10.3
2009	11136	-5.9
2010	14193	27.5
2011	16564	16.7
2012	17737	7.1
2013	18445	4.0
2014	20236	9.7

Source: 1. Reserve Bank of India, for 2000 to 2010

2. Ministry of tourism, Govt. of India.

In the year 2000, 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 2000 and 2001. Foreign Exchange Earnings in the year 2014 was 20236 and percentage change in the previous year was 9.7.

#### **IV. INDIA’S BALANCE OF PAYMENTS WITH RESPECT TO TRAVEL AND TOURISM**

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. The following table analyses the balance of payments and net receipts from the Travel and Tourism sector from 2007 to 2015.

**India’s Net Receipts from Travel on Balance of Payments**

<b>Year</b>	<b>Receipts (million US \$)</b>	<b>Payments (million US \$)</b>	<b>Net</b>	<b>Tourist arrivals (Million No)</b>
2007	2878	858	2020	2.33
2008	2914	1437	1477	2.37
2009	2993	1743	1250	2.40
2010	3036	2139	897	2.52
2011	3497	2804	693	2.67
2012	3137	3014	123	2.43
2013	3312	3341	-29	2.45
2014	5037	3602	1435	2.87
2015	6495	5510	985	3.50

**Source:** RBI Bulletin, various issues

Above table shows the data about the Foreign receipts from Travel and Tourism sector in India from 2007 to 2015. The receipts from Travel and Tourism in India have shown steady increase from the year 2007 to 2015. In the year 2007 Travel and Tourism receipts was US\$ 2878 million and raised to US\$ 6495 million in the year 2015. Payment on Travel and Tourism in India was US\$ 858 million in the year 2007 and raised to US\$5510 million in the year 2015. Net receipts from Travel and Tourism in the year 2007 was US\$2020 million, which was reduced to US\$ 985 million in the year 2015. This is because of rise in payments under balance of payments account. This could be attributed to the fact that a number of Indians are taking up foreign travel.

**V. CONTRIBUTION OF TRAVEL AND TOURISM TO 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. 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. The following table shows contribution of Travel and Tourism to Indian Gross Domestic Period for the period of 2000-2015

**Travel and Tourism Contribution to GDP**

Year	Travel and Tourism Contribution to GDP		
	Rs in Billion	Real Growth (%)	% Share in GDP
2000	1983.66	8.6	9.2
2001	1693.28	17.5	7.3
2002	2072.37	18.6	8.3
2003	2429.06	12.9	8.8
2004	2738.79	7.0	8.7
2005	2499.64	-12.5	7.0
2006	2953.63	11.6	7.1
2007	3475.65	11.2	7.2
2008	4014.08	5.8	7.2
2009	4130.66	-1.2	6.7
2010	4768.45	5.6	6.5
2011	5686.44	9.8	6.6
2012	6385.13	3.9	6.5
2013	7416.14	7.3	6.6
2014	7735.6	8.5	7.5
2015	8309.4	7.4	7.0

Source: World Travel & Tourism report.

Above table reveals that tourism highly contributes to the Gross Domestic Product of a nation. The total contribution of Travel and Tourism to Gross Domestic Product in the year 2000 was 1983.66 billion. The real growth rate was 8.6 percent and percentage share in Gross Domestic Product was 9.2. The total contribution

of Travel and Tourism to Gross Domestic Product in the year 2005 saw a decrease compared to 2004 and was 2499.64 billion. The real growth rate was -12.5 percent and percentage share in Gross Domestic Product was 7. In the year 2010 the contribution of Travel and Tourism to Gross Domestic Product was 4768.45 billion. The real growth rate was 5.6 percent and percentage share in Gross Domestic Product was 6.5. In the year 2015, the total contribution of Travel and Tourism to Gross Domestic Product was seen to have a constant growth and was 8309.4 billion. The real growth rate was 7.4 percent and percentage share in GDP was 7 percent.

## **VI. CONTRIBUTION OF TRAVEL AND TOURISM TO EMPLOYMENT IN INDIA**

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. The following table shows number of employment in travel and tourism sector and share in total employment from 2000 to 2015 in India.

<b>Year</b>	<b>Travel and Tourism Contribution To Employment</b>	
	<b>Number In thousand</b>	<b>Share in Employment (%)</b>
2000	48313.3	11.8
2001	40300.3	9.6
2002	45272.6	10.6
2003	48163.3	11
2004	48874.2	11
2005	42439.0	9.3
2006	43256.7	9.3
2007	47770.9	10.1
2008	39928.5	8.3
2009	38145.8	7.8
2010	33931	7.8
2011	34854	7.8
2012	35255	7.9
2013	35736	7.6
2014	36693	9.4
2015	37315	8.7

Source: World Travel & Tourism report.

Above table shows 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 2015, 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.

## **VII. EMPLOYMENT (UPSS) SHARE IN MAJOR SECTOR IN INDIA**

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. The following table shows employment percentage share in major sector in India

<b>Employment (UPSS) Share in Major Sector in India from 1999-2000 to 2009-10</b>			
<b>Sector</b>	<b>1999-2000</b>	<b>2004-05</b>	<b>2009-10</b>
<b>Primary</b>	60.32	56.30	51.30
<b>Secondary</b>	16.24	18.78	22.08
<b>Service</b>	23.43	24.92	26.67
<b>Trade &amp; Hotelling</b>	10.27	10.89	11.38
<b>Share of Trade &amp; Hotelling to service sector</b>	43.83	43.69	42.69

Source: NSS data on employment and unemployment 2011.

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he above table shows employment share in major sector in India. 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 scan 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 hotelling sector to the service sector employment was 43.83 percent during 1999-2000 and 42.69 percent during 2009-10.

### **VIII. CAPITAL INVESTMENT IN TRAVEL AND TOURISM INDUSTRY IN INDIA**

Due to the development of tourism in India, the Capital investment in Travel and Tourism industry has seen appraisal in recent years. The following table reveals the capital investment in Travel and Tourism industry in India from the year 2000.

<b>Year</b>	<b>Capital Investment in Travel and Tourism industry in India (In Billion)</b>
2000	1133.64
2001	1141.02
2002	1472.07
2003	1919.56
2004	2556.68
2005	3898.2
2006	7246.16
2007	5236.96
2008	1555.83
2009	1128.2
2010	1319.4
2011	1545.1
2012	1750.0
2013	1926.8
2014	2089.4
2015	2.264.1

Source: World Travel & Tourism report.

The above table shows that 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 2015, the capital investment in Travel and Tourism was 2264.1 billion and was better in number when compared to the year 2014.

## **IX. 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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