

# Emerging Role of Tourism in Economic Development of India

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## Abstract

There are several studies describing the role of tourism in economic development. Development of tourism industry appeared to be an important solution in this context (Ganesh & Madhavi, 2007). Tourism is thus a very useful means of earning the much needed foreign currency. It is almost without a rival as an earning source for many of the developed as well as developing countries. It is notable that tourism also leads to more investment and stimulate production.

## Introduction

Tourism industry is significant for the benefits it brings and due to its role as a commercial activity that creates demand and growth for many more industries. The tourism sector has grown to be a major vehicle for economic development of every country particularly in the globalised era. International tourism is an invisible export that creates a flow of foreign currency into the economy of a destination country, thereby contributing directly to the current account of the balance of payments. Tourism not only contributes towards more economic activities but also generates more employment, revenues and plays a significant role in overall development of nations. Global interactions not only in trade, commerce and industry but also in exchange of cultural values of art and architecture have become indispensable for global human progress. This paper gives a brief account of the development of tourism in India.

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sectors bringing with it an automatic increase in national consumption. According to Negi, (1982), as the structure of tourist spending is reflected in the boost given to production, the process of increasing income is to be seen in this sector to other sectors through various regional inputs. This development is quite independent of the consumption and has a chain reaction effect on the entire national economy. The construction of accommodation, urbanization for tourist purposes, infrastructure installations, increased tourist transport and equipment etc are the examples of how tourist demand encourages investment.

Britton (1982) viewed that tourism is being used to generate foreign exchange, increase employment, attract development capital and promote economic independence. Sharpley (2002) explained about the importance of tourism to developing countries. According to him world tourism contribute to the establishment of a new international economic order that will help to eliminate the widening economic gap between developed and developing countries and ensure the steady acceleration of economic and social development and progress, in particular in developing countries. Kumar (1995) illustrates the role of tourism in foreign exchange earnings and in employment generation. According to him tourist trade is an invisible export. The government gains a substantial amount of money from taxes and duties on those things which tourists use. This amount is generated from the tourists who visit a destination. It also depends on the average length of stay and price level of that period. According to Gill (1998) all governments give importance to tourism because of its economic significance, particularly its sources of revenues. Government at national and regional levels has been actively promoting tourism and aiding facility development through the provision of grants and subsidies. They also invest large amounts of public and private capital for tourism infrastructure development and facilities to provide employment and raise the standard of living.

Punia (1994) opines that tourism is a major determinant in the economic conditions of many third world countries. With its economic and all other advantages, tourism can certainly play a determining role in the development of poorer economies like India, which suffer from an adverse balance of payment situation, and high degree of social backwardness besides the other environmental problems. The potential contribution of tourism to the balance of payments as an earner of hard currency has been widely recognized. The effects of tourism on the balance of payments are divided into three categories-primary, secondary and tertiary effects. Primary effects are direct, immediate and relatively easy to measure. They refer to actual visitor expenditure made by foreign visitors within the home country, and residents of the country abroad. They give rise to direct inflows and outflows of currency, respectively (Mathieson and Wall, 1982).

### **Tourism promotion policies in India**

Tourism planning in India was started after independence. Since then the governments were trying to introduce policies that aimed to achieve tourism development. The tourism planning approach has been

evolved in Second and Third five year plans. The sixth five year plan emphasizes tourism as an instrument for economic development, integration and maintains social harmony. After 1980's tourism activity gained momentum as employment generator, source of income, foreign exchange earnings and as a leisure industry. The first tourism policy was announced by the Government of India on November 1982. The mission of first tourism policy was to promote sustainable tourism as means of economic growth, social integration and to promote the image of India abroad as a country with a glorious past, a vibrant present and a bright future. The objectives of tourism development are to foster understanding between people, to create employment opportunities and bring about socio-economic benefits to the community, particularly in the interior and remote areas. It also strives towards balance, sustainable development and preserve, enrich and promote India's cultural heritage. Tourism was recognized as an industry by the Planning Commission of Indian in June, 1982. In June 1986, the Planning Commission of India set up the National Committee on Tourism to prepare perspective plan for tourism sector. The Committee headed by Mr. Mohammed Yunus, submitted its recommendation in November 1987. It recommended that the existing Department of Tourism would be replaced by a National Tourism Board and create separate cadre on Indian Tourism Service to look after the functioning of the National Tourism Board. By September 1987, the Central Government declared more concession for the tourism sector, which included the tax exemption on foreign exchange earnings from tourism, drastic reduction of tariff on imports of capital goods and concessional finance at the rate of 1 to 5% per annum.

Announcement of National tourism policy 2002 by the Government of India is a mile stone in tourism planning in India. This tourism policy 2002 is based on a multi faced approach, which includes faster or speedy implementation of tourism project development of integrated tourism circuits, capacity building in the hospitality sector and new marketing strategies. 12<sup>th</sup> five year plan (2012-2017) introduced a new dimension to the contribution of tourism. Various targets for tourism sector in 12<sup>th</sup> five year plan period are the following-As the tourism sector is one of the major component of the service sector in India, its growth targets have to link to the targeted growth of service sector during the 12<sup>th</sup> five year plan. Indian economy is expected to grow at the rate of 9%. To achieve this, service sector as well as the tourism sector has to grow at the rate of 12% per annum. For improving the growth in tourism sector, the following targets have been fixed for Foreign Tourist Arrivals and Domestic Tourism.

### **Positive Impacts**

Tourism sector has several positive impacts on the Indian economy. A major contribution is in the form of contribution in GDP. The direct contribution of Travel and Tourism to GDP was INR 4,809.8 billion (USD 71.7 billion), 3.3% of total GDP in 2016. In 2016 Travel and Tourism directly supported 25,394,500 jobs (5.8%) of total employment. In 2016, the total contribution of Travel and Tourism to employment including jobs indirectly supported by the industry was 9.3% of total employment (40,343,000 jobs). Visitor exports generated INR 1,529.3 billion (USD 22.8 billion), 5.4% of total exports in 2016.

**Table No. 1****Tourist Arrivals in India 2000-2014**

Year	Foreign Tourist Arrivals from tourism in India (in numbers)	% change over the previous year
2000	2649378	-----
2001	2537282	-4.2
2002	2384364	-6.0
2003	2726214	14.3
2004	3457477	26.8
2005	3918610	13.3
2006	4447167	13.5
2007	5081504	14.3
2008	5282603	4.0
2009	5167699	-2.2
2010	5775692	11.8
2011	6309222	9.2
2012	6648318	4.3
2013	6967601	5.9
2014	7679099	10.2
2015	8027133	4.5
2016	8804411	9.7

Source: (i) Bureau of Immigration, Govt. of India, for 1997-2013(ii) Ministry of Tourism, Govt. of India, 2017

**Table No. 2****Foreign Exchange Earnings from Tourism in India**

Year	Foreign exchange earnings in Crore	Percentage change over previous year
2000	15626	----
2001	15083	-3.5
2002	15064	-0.1
2003	20729	37.6
2004	27944	34.8
2005	33123	18.5
2006	39025	17.8
2007	44360	13.7
2008	51294	15.6
2009	53700	4.7
2010	64889	20.8
2011	77591	19.6
2012	94487	21.8

2013	107671	14.0
2014	123320	14.5
2015	135193	9.6
2016	154146	14.0
2017	180379	17.0

Source: (i) Reserve Bank of India, for 1997 to 2010 (ii) Ministry of Tourism, Govt. of India, for 2011, 2012, 2013, 2014&2017

Travel and Tourism investment in 2016 was INR 2,284 billion, 5.7% of total investment (USD 34.0 billion). Leisure travel spending (inbound and domestic) generated 94.6% of direct travel & tourism GDP in 2016 (INR12, 079 billion) compared with 5.4% for business travel spending (INR 689.0 billion). Total contribution of travel and tourism to GDP is nearly three times greater than its direct contribution. Table 1 shows the number of Foreign Tourist Arrivals in to India between 2000 and 2014. The tourist arrival to the country showed a tremendous growth over the years. The inflow of foreign tourists was increased from 2649378 in 2000 to 7679099 in 2014 showing a three times increase in the number of foreign tourists. But in some years (2001, 2002 and 2009) there is negative growth rate in foreign tourist inflow except these years all the other years show an increasing trend. At the same time the growth rate in the number of domestic tourists show a rising trend in all the years from 2000. It was 220106911 in 2000 and it increased to 1281604781 in 2014.

The foreign exchange earnings of the country increased from Rs.15626 crore in 2000 to Rs.123320 crore in 2014. The percentage change in growth over the previous year was 14.5 in 2014. On the other hand, foreign exchange earning in US\$ terms in 2014 were US\$20236 million with a growth of 9.7%, as compared to US\$18445 million in 2013. Foreign exchange earnings from tourism show an increasing trend over the years. Tourism industry in India has emerged as a major driver of economic development on account of its potential to contribute to Gross Domestic Product (GDP), foreign exchange earnings and employment generation. It is a labour intensive industry and as per World Travel and Tourism Council's (WTTC) worldwide estimates, it is expected to contribute 8.1% to total employment, 235 million jobs or 1 in every 12.3 jobs in 2010, which is further projected to rise to 9.2% of total employment, 303 million jobs or 1 in every 10.9 jobs by 2020.

### Concluding remarks

This paper reveals the fact that tourism sector plays a significant role in Indian economy. In terms of GDP, employment generation, and contribution to balance of payment etc the emerging sector is key for India. Even though the efforts for tourism development in India were initiated from 1946 onwards, serious attempts in this direction were started only after 1980's. The policies from time to time play significant role in its development.

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