



# IMPACT OF TOURISM ON ECONOMIC DEVELOPMENT IN INDIA

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## ABSTRACT

Tourism is travel for pleasure; also the theory and practice of touring, the business of attracting, accommodating, and entertaining tourists, and the business of operating tours. 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. Tourism not as it were including to the country's GDP, but too creates a part of business and makes a difference seeing the citizens living mirthfully. Subsequently, tourism division can be instrumental for the economic advancement of national riches. In this paper we discuss about tourism industry as well as tourism impact of economy in India because tourism contribution in GDP 9.2% (2022) and it help to developing country and tourism has both positive and negative distant coming to effect on financial, social, political and environment confront of India.

**Keywords:** Tourism, Tourism Economy Impact, Economics, Tourism, GDP.

## Introduction

Tourism may be a quickly developing industry of the world. It is picking up widespread acknowledgment as a strong motor for comprehensive socio financial improvement because of the business openings it made and the infrastructure improvement as a result of it. It has the planned to motivate other financial indicators through its forward and in reverse linkages. Too it has the capacity to generate more work due to its multiplier impact within the economy. Tourism in India has created gradually over the long time. 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.

## 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.

## Statement of the Problem

Tourism sector has a very definite and the global industry, such as the tourism and travel industry, is the main contributor to the service industry in worldwide. But last few years onwards there is very unconditional situation which effect on our GDP. The relationship and the factorial phenomena that regulates of the Indian tourism industry and the economics growth has decline which rationally impact on the national income and the development of the Indian country. Last three years Indian tourism drastically decline due to COVID-19 which affects on the employment and increase huge unemployment about 65 % of people had lost their job from the tourism sector.

## Past Reviews

**Ivanov, S., & Webster, C. (2007)** presented methodology for measuring contribution of tourism to an economy's growth which is tested with data for Cyprus, Greece and Spain. This methodology was compared with Tourism Satellite Account, Computable General Equilibrium models and econometric modelling of economic growth and the results suggested that tourism has a significant impact of the economy of a country leading to a significant positive increase in the GDP of a country.

**Mishra et al. (2011)** found that Tourism is considered as an efficient tool for promoting economic growth of a country. There is a vast potential for generating employment and earning foreign exchanges through tourism which can give a huge boost to the economy. A relationship amongst GDP, foreign tourist arrivals and foreign exchange earnings from tourism in India was investigated using popular time series methodologies. Findings from this relationship shows that tourism has a positive impact on the economy and hence in the GDP growth.

**Mishra, P. K., & Rout, H. B. (2012)** suggested that Tourism is a significant factor of economic development throughout the world. This study examined economic impacts of tourism in the context of socio-economic growth and development of Jharkhand and to examine this three variables were used Net State Domestic Product at Constant Prices(NSDP), number of domestic tourist visits in one financial year(DTV) and number of foreign tourist visits in one financial year(FTV) were used to judge the impact of tourism on economy of Jharkhand. To carry out this study multivariate regression model was used.

**Raina, A. K., & Agarwal, S. K. (2004)** studied the "multiplier effect" on tourism and its impact on tourism industry. From this study, it was found that tourism helped in moving finances from richer countries to developing countries thus rising latter's export earnings and therefore increasing the economy.

**Thomas Jacob (2004)** opined that the issues of pollution, overcrowding and unplanned developmental activities if not scientifically managed may cause a threat to coastal tourism. Study suggested that implementation and monitoring of coastal zoning policies like the Coastal Regulation Zone (CRZ) in 1991 is required for the scientific planning and implementation of coastal tourism projects. A multi-faceted data of the coastal zone where the tourism project is said to be implemented must be made.

## Present Scenario of Impact of Tourism Industry on Indian Economy

As per recent scenario, amid the outbreak of the pandemic, "COVID-19", we all have seen a huge decline in the tourism industry and thus in the economy of the countries. Because of this outbreak all tourism industry has suffered a lot, recently Navarra started and that was a big time for an up liftmen in the tourism of states as devotees used to travel from one pilgrimage place to another which in turn increased tourism and thus improved economy but because of this pandemic no movement of people were allowed and even at this time no improvement in the tourism industry was seen and thus it all affected the economy of the country and as a result decreased the GDP.As a preventive measure to avoid outbreak of "COVID-19" all domestic and international flights were cancelled which led to a huge loss in the airlines industry and all this had a negative effect on the economy of the country.

## Significance of the study

The study will help us to find out the impact of tourism on economic development in India. The tourism sector has 9.2% contribution in GDP and the regulation of the Indian society. The impact that find out throughout the study that more beneficial and effective in nature of the tourism industry in India. Development and growth are definite term of two factor which regulates of the impact of tourism on economic development in India and more developmental factor in the Indian country.

## The Objective of the study

1. To know the significant role of tourism sector for Indian economy.
2. To enhanced the tourism industry for the wealth and employment creation.
3. To spread the awareness for the role of economy growth by tourism sector.

## The Study area

The research has been conducted on Indian level tourism sector based on the secondary data where the study on the impact of tourism on economic development in India. The main motive is to know the significant role of tourism sector for Indian economy and spread the awareness for the role of economy growth by tourism sector where every sector will enhance the tourism industry for the wealth and employment creation.

## Methodology

The present study is based on the secondary data published by various agencies and organizations which is based on secondary data. The present study makes use of data and information provided by, UNWTO, Ministry of Tourism, Ministry of Statistics and Programme Implementation, Newspapers, Research paper and Articles, Magazines, Books, Economic journals and Internet etc.

## Discussion and interpretation

Tourism is world's biggest industry without making smoke. It involves one in nine worldwide employments and contributes 10 per cent to the world's Net Residential Item. It could be a powerfully creating zone of outside financial exercises. It influences distinctive other sectors of the economy through its tall development and advance rates, considerable sums of outside money inflows, infrastructure expansion and presentation of modern administration and instructive encounters. Continuously it includes emphatically to the social and economic advancement of the nation as an entirety. Its genuine and potential financial affect is astonishing.

**Table - 1: Financial performance of last seven years**

| Year                            | 2014-15 | 2015-16 | 2016-17 (As per Ind AS) | 2017-18 (As per Ind AS) | 2018-19 (As per Ind AS) | 2019-20 (As per Ind AS) | 2020-21 (As per Ind AS) |
|---------------------------------|---------|---------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Turnover</b>                 | 504.19  | 465.69  | 356.11                  | 366.42                  | 371.72                  | 223.38                  | 125.86                  |
| <b>Profit Before Tax</b>        | 38.95   | 32.42   | 17.00                   | 21.25                   | 57.91                   | 48.52                   | 14.00                   |
| <b>Profit After Tax</b>         | 34.37   | 22.5    | 11.43                   | 17.71                   | 42.15                   | 34.98                   | 13.25                   |
| <b>Foreign Exchange Earning</b> | 12.99   | 17.95   | 15.20                   | 15.27                   | 18.65                   | 16.54                   | 11.85                   |

Source – Ministry of tourism annual report 20120-21

Table - 1: Shows the related to financial performance of last seven years. If we analyze both aspects from turnover to foreign exchange earnings, we can see that turnover is 504.19 in 2014-15 but it is decreasing is 2020-21 by 125.86 and foreign exchange earnings is 12.9 in 2014-15 but decrease in 11.85 in 2020-21.

**Table – 2: Contribution of tourism sector in GDP and national income**

| Year                       | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|
| <b>Share in GDP (in %)</b> | 5.68    | 5.81    | 5.10    | 5.06    | 5.98    | 4.89    | 2.36    |
| <b>Direct (in %)</b>       | 3.06    | 3.14    | 2.65    | 2.63    | 2.61    | 2.21    | 1.98    |
| <b>Indirect (in %)</b>     | 2.62    | 2.45    | 2.43    | 2.54    | 2.32    | 2.18    | 2.01    |

Source – Ministry of tourism annual report 2020-21

Table – 2: Shows the National Account prepared by Ministry of Statistics and Programmed Implementation in every year. When we compute the GDP of country, then it measures the growth and contribution of various sectors likes agriculture, manufacturing, services, banking, transport, insurance and services, etc. Tourism may be a request-based concept defined by its utilization and not by its output. Industries characterized in National Accounts, such as Air transport, Hotel& Restaurants, etc. deliver the same yield irrespective of whether it is devoured by tourist or non-tourist. It is utilization by tourists that defines the tourism economy, which is not available within the National Accounts. Therefore, there is require for planning Tourism Satellite Account for surveying the commitment of tourism in GDP. In this above table the estimates of contribution of tourism to GDP.

**Table – 3: Share of employment in tourism sector**

| Year                       | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|----------------------------|---------|---------|---------|---------|---------|---------|---------|
| Share in Employment (in %) | 11.37   | 12.25   | 12.28   | 12.27   | 12.13   | 11.36   | 9.83    |
| Direct (in %)              | 4.96    | 5.34    | 5.4     | 5.32    | 5.29    | 4.56    | 3.82    |
| Indirect (in %)            | 6.14    | 6.91    | 6.98    | 6.88    | 6.84    | 5.19    | 4.98    |
| Employment (million)       | 67.21   | 69.75   | 72.26   | 75.31   | 80.63   | 56.50   | 42.25   |

Source – Ministry of tourism annual report 2020-21

Table – 3: The above table shows that the tourism sector plays a crucial role for direct and indirect employment in any country spicily this table is for India’s employment sector that is increases with a good percentage 2014 to 2021 (67.21 to 87.50).

### Positive Impact

**Provoke Income:** Tourism in India has emerged as an instrument of salary and work era destitution easing and feasible human advancement. Tourism sector plays very important role in every countries economy. It is growing field and every country have their own values cultures monuments and various places and etc. so the tourist attract for the other countries economy and things so we can increase and provoke income.

**Improve forex:** Tourism is an important source of outside trade profit in India. This has favourable impact on the adjust of instalment of the nation. It is very helpful for forexes exchange convertibility every country attracts each other for their different kind of nature and environmental phenomena so for this money exchange is very important for forex exchange.

**Employment generate:** In tourist sector employment generating is very firstly because of tourism provide small and big for services every invisible in every sector, Like- tourist, guide, travel, ticketing and handmade things, and lodging.

**International infrastructure development:** Tourism tends to empower the advancement of multiple-use framework that benefits the have community, counting different implies of transports, wellbeing care offices, and sports centres, in expansion to the inns and high-end eateries that cater to remote guests. The improvement of framework has in turn actuated the advancement of other specifically beneficial exercises.

**Life standard improve:** Tourism sector plays a significant role to improve life standard of an individual and people of countries, from tourism we roams each different country places, understand their values and cultures, perceptions so we enhanced our standard of life.



**Contribution of GDP:** 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.

**Entrepreneur develops:** from tourism sector, we build or make an entrepreneur, because this sector provides employment and encourage a person to take initiative, innovation for a start-up. Tourism is a different industry and a growing field in every country.

### Negative Impact

**Undesirable Social and Cultural Change:** Tourism in some cases driven to the devastation of the social texture of a community. The more sightseers coming into a put, the more the seen hazard of that put losing its character. A great case is Goa. From the late 60's to the early 80's when the Hippy culture was at its tallness, Goa was a safe house for such nonconformists. Here they came in thousands and changed the entire culture of the state driving to a rise within the utilize of drugs, prostitution and human trafficking. This had a swell impact on the nation.

**Increase Tension and Hostility:** Tourism can increment pressure, threatening vibe, and doubt between the sightseers and the neighbourhood communities when there's no regard and understanding for each other's culture and way of life. This may advance lead to savagery and other violations committed against the sightseers. The later wrongdoing committed against Russian tourist in Goa could be a case in point.

**Creating a Sense of Antipathy:** Tourism brought small advantage to the neighbourhood community. In most all-inclusive bundle visits more than 80% of travellers' expenses go to the aircrafts, lodgings and other worldwide companies, not to neighbourhood businessmen and labourers. Additionally, expansive lodging chain eateries frequently consequence nourishment to fulfil outside guests and once in a while utilize neighbourhood staff for senior administration positions, avoiding neighbourhood agriculturists and labourers from harvesting the advantage of their nearness. This has regularly made a sense of aversion towards the sightseers and the government.

**Adverse Effects on Environment and Ecology:** One of the foremost critical antagonistic impacts of tourism on the environment is expanded weight on the carrying capacity of the environment in each visitor region. Expanded transport and development exercises driven to huge scale deforestation and destabilization of characteristic landforms, whereas increased tourist stream driven to extend in strong squander dumping as well as consumption of water and fuel assets. Stream of visitors to environmentally touchy ranges brought about in devastation of uncommon and imperilled species due to trampling, slaughtering, unsettling influence of breeding environments. Commotion contamination from vehicles and open address frameworks, water contamination, vehicular emanations, untreated sewage, etc. too have coordinate impacts on biodiversity, encompassing environment and common profile of traveller spots.

### Conclusion

Thus to conclude, we can say that Indian tourism has a vast potential for generating employment and foreign exchange earnings. Since it is a multi-dimensional and service oriented industry all divisions of the Central and State governments, private sector and voluntary organizations become active partners in the attempt to attain sustainable growth in tourism of the country. The total number of foreign tourist arrivals in the country has augmented several times. It showed an increasing trend except few years during the study period. It denotes that the Indian government is giving attention both on the development of the tourism and linked almost all the known tourist spots by road, railway and civil aviation. The foreign exchange earnings of the country through tourism have increased more than seven times from 2014 to 2021. It proves that the economical, political and social amity has positive impact on the arrival and receipts of the tourist industry in countries.

Tourism has ended up as the world's biggest industry, generating wealth and work, opening the minds of visitors for distinctive ways of life. The tourism segment plays an imperative role in the way of making different destitute nations that supply employment opportunities at an expanding rate. It is one of the important foreign trade gaining businesses that has showed the great potential of development beneath the liberalized Indian economy. To attract the outside sightseers in India, generous policies and reduction in charges in conjunction with a comprehensive bundle for of course India has been propelled Incredible India to create tourism way better. India's tourism industry is experiencing a solid period of development, driven by the burgeoning Indian

centre lesson, development in tall spending foreign sightseers, and facilitated government campaigns to promote „Incredible India“. Tourism may be a multi-dimensional action, and essentially a benefits industry, it would be fundamental that all wings of the Central and State governments, private sector and deliberate organizations got to be dynamic accomplices within the try to accomplish economic growth in tourism in the event that India is to gotten to be a world player within the tourism industry.

### Suggestion

Tourism can bring about economic change in the country by developing its economic situation through various activities. The major contribution of tourism for a country are generating GDP and generating more employment opportunities both local as well as national. Besides, major contributions there also other benefits that provides by tourism for a country are like, increase in investment, develop infrastructure, increase tax revenue, new business opportunity, contribute income, standard living of people, etc.

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