

AN ECONOMIC IMPACT OF TOURISM INDUSTRY IN INDIA

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Abstract

Tourism is considered as a mechanism for economic activity since it offers marvelous potential in the field of employment generation and foreign earning capacity. Tourism in India is economically very important and is growing quickly. Development of tourism has been given a high priority in the economic developmental programs of the country from the time 1980. All types of tourism in India have registered outstanding growth in the last decade. The Indian government decided to boost revenues from the tourism sector by projecting India as the fundamental tourist spot. in this research paper I wish to present some important facts and figures to understand where we stand in tourism as it's an industry where we need to spend less to yield more revenues.

Keywords: *Tourism, income, employment, India, etc.*

INTRODUCTION

Tourism is considered as a mechanism for economic activity since it offers marvelous potential in the field of employment generation and foreign earning capacity. Although tourism has occurred since Roman times, it has only become a major industry since the 19th Century. Increasing development of mass and resort tourism over the years has led to implication that the public is becoming dissatisfied with crowdie and air and water pollution and were searching for something new or different substitutes with the rise of alternative to get relax and relief. The travel and tourism sector holds premeditated importance in the Indian economy providing several socio economic settlements. Provision of employment, income and foreign exchange, development or growth of other industries such as agriculture, construction, handicrafts etc. is some of the important economic benefits provided by the tourism industry. Investments in infrastructural facilities such as transportation, accommodation and other tourism related services and activities leads to an overall development of infrastructure in the economy. Tourism in India is economically very important and is growing quickly. Development of tourism has been given a high priority in the economic developmental programs of the country from the time 1980. In ancient India, there were no travel policy and regulations for travelling in the period of Chandragupta, and that time the famous Chinese pilgrim Fa Hein travelled to India in between A.D. 401 and 410 without a passport. But in the 3rd century passport or mudra became compulsory for all travelers. During this period tourist were accommodated at holy place of the country. There was an unpredicted boost in the traveler coming to India, as a result of the innovation of the new sea route by Vasco - de - Gama. When Alexander the Great reached in India, he found well maintained roads lined with trees and wells, and rest houses. Along with the imperial highway which is 1920 km long and 19 meters wide, men travelled in Chariots, palanquins, bullock- carts, on donkeys, horses, camels and elephants. During the British era, tourism in India becomes more intended. Dak Bungalows were built on the road side for the easiness of traveler. In Sanskrit literature the three famous words "Atithi Devo Bhava" means „the guest is truly god" are a dictum of hospitality in India. India is a storehouse of art, paintings; crafts appeared on pots found in the Indus valley civilization as early as the 3rd century.

The British setup the India, a land of geographical diversity, sanctified with a rich civilization and culture.

Table 1. Tourism Role in Economic Development in India.

	Frequency	Percent	Valid Percent	Cumulative Percent
YES	272	53.6	53.6	53.6
NO	144	28.4	28.4	82.1
CAN'T SAY ANYTHING	91	17.9	17.9	100.0
Total	507	100.0	100.0	

Due to the expansion and modernisation of tourism in India, the Capital investment in Travel and Tourism industry has seen rise in recent years. Tourism sector is one of the most fast growing service sectors in the global market. It acts as an influential instrument for economic growth. India is a distinctive and ideal place for both domestic and foreign visitors. India is fast growing economy in the world and tourism is considered as major contributor to economic development. The data analysis stated that tourism plays role in economic development as out of 507 respondents 53.6% i.e. 272 thinks that tourism plays role in economic development of India and 28.4% say no to the same question while 17.9% didn't reveal anything about the economic development.

OBJECTIVES OF THE STUDY

- To show the growth of income generation by Tourism industry and to Understand potential of tourism sector in India.
- To determine the growth and expansion of tourism industry in India
- To appraise the impact of tourism Industry on the economy and environment of India.

IMPACT OF TOURISM SECTOR ON GROSS DOMESTIC PRODUCT (GDP).

Total contribution by travel and tourism sector to India's GDP is expected to increase from Rs 15.24 lakh crore (US\$ 234.03 billion) in 2017 to Rs 32.05 lakh crore (US\$ 492.21 billion) in 2028. Total earning from the sector in India is targeted to reach US\$ 50 billion by 2022. The World Travel and Tourism Council calculated that tourism generated ₹16.91 lakh crore (US\$240 billion) or 9.2% of India's GDP in 2018 and supported 42.673 million jobs, 8.1% of its total employment. The sector is predicted to grow at an annual rate of 6.9% to ₹32.05 lakh crore (US\$450 billion) by 2028 (9.9% of GDP). The Ministry of Tourism estimates that there are more than 9,200 hotels at 80 key locations across the nation with a total room supply of about 224,000 including hotels in the classified, permitted but not classified, and licensed by the state governments According to an estimate, the Indian Hotels and Restaurant Industry is expected to be Rs. 1027.76 billion in by 2015-16 growing at compounded annual growth rate of 13% over 2006-07. Tourism is an important sector of Indian economy and contributes considerably in the country's foreign exchange earnings (FEEs). Foreign exchange earnings from tourism, in Rupee terms, during 2011, were Rs 77591 Crore, with a growth of 19.6%, as compared to the overseas exchange earnings of Rs 64889 Crore during 2010. The flow of tourists directly and indirectly contributes to gross domestic product of country the gross domestic product of India was 1160

billion in 2008-09 which continuously start increasing with good pace and was touching 1920 billion in 2012-13.while in 2013-14 it supplementary increase to 2222 billion and is expected to grow as various measures are taken by the government to develop the new tourist destinations and various up to date moods of entertainment are introduced.

Table 2. TRAVEL AND TOURISM DIRECT CONTRIBUTION TO GDP, INR BILLION

Year	Travel and tourism direct contribution to GDP, INR Billion dollars
2008-09	1160
2009-10	1228
2010-11	1437
2011-12	1674
2012-12	1920
2013-14	2222
2014-15	2668
2015-16	4809
2016-17	5944
2017-18	6524
2018-19	6010

Source: India, Ministry of Tourism, Annual Report 2009-2019

INCOME GENERATION BY TOURISM IN INDIA

Travel and tourism industry contributed a tenth of India's GDP in 2018 and accounts for 42 million jobs in the country, report says. In India, over Rs 16 trillion were created by this sector alone. The same is expected to double by 2029, reaching Rs 35 trillion mark. Also, the industry has given a major boost to the global economy as well with it contributing over 10% to the global GDP. The tourism should be utilized as a medium for monetary development. International tourism is an unobserved export that creates a flow of foreign currency into the financial system of a host Country, there by contributing directly to the current account of the balance of payments. Tourism is established as competent sources in generating the foreign exchange reserve. The contribution of world tourism to the foreign exchange is invented to be the luscious assistance of tourism industry. The developed countries have been found successful in minimizing their foreign exchange crisis with the revenue generated by tourism sector. The host countries retain 93 percent of the earnings in the foreign currency by the tourism zone. The balance of payments is a statement that summarizes an economy's dealings with the rest of the world for a specified time period. The balance of payments classifies these dealings in two financial records – the current account and the capital account. The current account includes transactions in goods, services, investment income and current transfers, while the capital account mainly consists business in monetary instruments. Developing countries encourage and support the development of tourism, because it can alter their economy from agricultural economies to industrial ones and thus set association for the process of development.

Table 3. EARNINGS FROM FOREIGN TOURISTS

YEARS	FOREIGN EXCHANGES EARNINGS(CR)RS	PERCENTAGE CHANGES
2010	53700	4.7
2011	64889	20.8
2012	77591	19.6
2013	94487	21.8
2014	107671	14.1
2015	123320	14.5
2016	143270	16.17
2017	174250	17.66
2018	195852	12.39
2019	194881	-0.49
CAGR= (Current Year - Previous Year / Previous Year * 100) Compound Annual Growth Rate for Foreign Exchange Earnings from 2009 to ending 2019. CAGR=-0.49% COVID 19 EFFECT		

Table 4. NET RECEIPTS FROM THE TRAVEL AND TOURISM SECTOR FROM 2010 TO 2019.

Year	Tourist arrivals (Million No)	Payments (million US \$)	Net receipts(m)
2010	2.52	2139	897
2011	2.67	2804	693
2012	2.43	3014	123
2013	2.45	3341	129
2014	2.88	3602	1435
2015	3.5	5510	985
2016	8.9	1340	556
2017	9.2	2340	1173
2018	9.7	3252	2251
2019	10.89	3952	3,179

Source: RBI Bulletin

EMPLOYMENT GENERATION BY TOURISM IN INDIA:

Travel and tourism produce 25394500 jobs directly in India in 2016 i.e. 5.8% of the total employment in India, and rise by 2.1% in 2017 to 25925500, This includes employment

generating resources like hotels, travel agents tour operator’s airlines and other tourist related

activities.

Tourism is one of the world's major and swiftly growing industries. In 2016, the total contribution of Travel & Tourism to employment, counting jobs and other indirect sources of income to peoples the industry provides 9.3% of total employment (40,343,000 jobs). This is expected to grow by 1.8% in 2017 to 41,074,000 jobs and grow by 2.0% pa to 49,868,000 jobs in 2027 (9.6% of total). In 2016 Travel & Tourism directly provide 25,394,500 jobs i.e. 5.8% of total employment. This is likely to grow by 2.1% in 2017 and grow by 2.1% pa to 31,910,000 jobs i.e. 6.1% of total employment in 2027. By 2027, Travel & Tourism will increase to 31,910,000 jobs directly, an increase of 2.1% per year over the next ten years. Tourism is a multifaceted segment or source, generating income in a large number of direct or indirect sources like, hotel and other accommodation units, travel agents and tour operators, transport services, tourist resorts and restaurants, shopping facilities, handicrafts, and Tourism sector is important factor in employment generation. This is to be expecting to grow to 5.2% and 8.1% by 2021 and such prediction needs to be taken as an important indicator for strong-minded policy interventions and indoctrination for tourism sector.

Table 5. TRAVEL & TOURISM'S DIRECT CONTRIBUTION TO GDP AT WORLD LEVEL:

Ranks	TRAVEL & TOURISM'S DIRECT CONTRIBUTION TO GDP IN DOLLORS MILLIONS	ABSOLUTE CONTRIBUTION
01	China	275.2
02	India	71.7
07	Thailand	36.6
09	Indonesia	17.1
24	Malaysia	14.0
12	Vietnam	09.0
13	Pakistan	07.0

Table 6. COUNTRY RANKINGS: ABSOLUTE CONTRIBUTION.

RANK	TRAVEL & TOURISM'S DIRECT CONTRIBUTION TO EMPLOYEMENT (million)	ABSOLUTE CONTRIBUTION
02	China	69527.2
09	India	40343
13	Thailand	5739.6
22	Indonesia	6708.1
38	Malaysia	1700
39	Vietnam	4002.0
45	Pakistan	3550

India is constantly performing well in world market. India is ranked 2nd behind china in total contribution towards global gross domestic product, India has wide range of tourism but need to be discovered and required extreme support from the government both as central as well as state level.

Table 7. TOURISM CONTRIBUTIONS TO THE INCOME OF PEOPLE IN INDIA

ss	Frequency	Percent	Valid Percent	Cumulative Percent
YES	239	47.1	47.1	47.1
NO	114	22.5	22.5	69.6
CAN'T SAY ANYTHING	154	30.4	30.4	100
TOTAL	507	100	100	

Tourism in India has emerged as a tool of income and employment generation, poverty alleviation and sustainable human development. There is significant contribution of tourism to income development in India. 239 respondents i.e. 47.1% thinks in positive way as tourism contributes to the income of people in India while 22.5% are in negative mood and 30.4 didn't reveal anything about tourism contributes to the income of people in India.

Chi-Square Test

	Observed N	Expected N	Residual
YES	309	304.2	4.8
NO	198	202.8	-4.8
Total	507		

Test Statistics	DO YOU THINK TOURISM CONTRIBUTES TO INCOME OF PEOPLE IN INDIA
Chi-Square	.189 ^a
Df	1
Asymp. Sig.	.663

Expected: 60.40

A test is conducted to know that the impact of modernisation of tourism industry on income and employment generation in India is not significant. By chi-square test

Null hypothesis: The impact of modernisation of tourism industry on income and employment generation in India is not significant.

After the analysis of collected data from 507 respondents' null hypothesis is rejected as it shows that there is significant contribution to income by tourism industry in India. Asymp sig. Level of significance i.e. .663 has expected frequencies less than 0.5. The minimum expected cell frequency is 202.8 and chi square value is 0.434 and degree of freedom is 1.

Step 1:

$$N\pi = 100(0.60) = 60 \geq 5 \text{ AND } n(1-\pi) = 100(0.40) = 40 \geq 5$$

Step 2: hypothesis

$$H_0: \pi = 60\% \quad H_0: \pi = 0.60$$

$$H_0: \pi < 60\% \quad H_0: \pi < 0.60$$

Step 3:

Level of significance = 0.5

Test reject the null hypothesis if **P-VALUE** \leq **0.05**

$$\Pi = \sqrt{.189} \text{ i.e. } 0.484$$

P-VALUE = $1 \div 2 (0.48) = 0.024$ since the **P-VALUE = 0.024 < 0.5**. Thus Null hypothesis is rejected.

CONCLUSION

The result of this study revealed that tourism is playing an important role in the economic development of India. Tourism yields the maximum direct impact on the services sectors, Tourism is the life line of India and all major efforts are required to be undertaken for retaining, maintaining and sustaining it. Tourism plays an effective role in integrating the entire world.

Tourism opens up new doors for resources, both investment generation and revenue generation leading to employment generation as well as socio-economic development. Even though tourism creates jobs and contributes significantly to economic growth, it is not manually a solution for poverty reduction. Therefore, it is important for government of the state, local investors and local public to energetically participate in tourism and its related activities. The local workforce can also help by engaging and encouraging the use of local companies for the provision of transport, services and food in order to assist in alleviating local poverty.

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