A Study on Contribution of Tourism Industry to Indian Economy

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Abstract: In India, tourism industry has been considered as one of the main instruments of economic development and employment generation in remote and backward areas. Tourism is the most vibrant tertiary activity and a multibillion industry in India. It is the largest and boundless industry with strong growth potential having clear remarkable positive impact on Indian economy. Travel & Tourism industry contributed INR8,309.4 bn (6.3% of GDP) to GDP in 2015, and this contribution is estimated to rise by 7.3% in 2016. So This paper discusses the contribution of tourism industry to Indian economy.

Keywords: tourism industry, economic development, tourists, GDP, employment generation.

OBJECTIVES

- To study the impact of tourism industry on Indian economy.
- To forecast the future prospects and status of Indian tourism industry.

METHODOLOGY

The paper is based on the secondary data. The secondary data was collected from various published sources like reports, magazines, journals, newspapers and the like etc.

INTRODUCTION

The tourism industry employs a large number of skilled and unskilled people. Hotels, travel agencies, transport get a huge benefit from this industry. Tourism promotes national integration, cultural activities and the travel point or axis.' Tourism is not same as travel. Tourism can measured by three different criteria’s:
1. It requires the displacement from the known environment.
2. The purpose of the travel must be any reason other than remuneration from the place visited.
3. Duration of the stay can be minimum one day with or without an overnight stay, but maximum time period should not be more than one year.

DEFINITION OF TOURISM

Tourism defined by different authors as:

(Austrian economist, 1910) “Bob total of operators, mainly of an economic nature, which directly relate to entry, stay and movement of foreigners inside and outside a certain country, city or region.”

(Hunziker and Krapf, 1941) “The sum of the phenomena and relationships arising from the travel and stay of non-residents, in so far do not lead to permanent residence and not connected with any earning activity.”

(Tourism Society of England, 1976) “Tourism is the temporary, short term movement of people to destination outside the places where they normally live and work and their activities during the stay at each destination. It includes movements for all purposes.”

(International Association of Scientific Experts in tourism, 1981) defined “tourism in terms of particular activities selected by choice and undertaken outside the home environment.”

IMPACTS OF TOURISM INDUSTRY ON INDIAN ECONOMY

Tourism industry in India has several positive and negative impacts on the economy. These impacts are highlighted below.

POSITIVE IMPACTS:

1. Income Generation: Tourism in India has developed as an important tool of income and employment generation, poverty reduction and sustainable human development. The total contribution of Travel & Tourism to GDP was INR8,309.4 bn (6.3% of GDP) in 2015, and is estimated to rise by 7.3% in 2016, and to rise by 7.5% pa to INR18,362.2bn (7.2% of GDP) in 2026.
Table no. 1  

<table>
<thead>
<tr>
<th>Year</th>
<th>Total contribution of T&amp;T to GDP (INR bn)</th>
<th>Total contribution of T&amp;T to GDP (growth %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>6362.4</td>
<td>4.6</td>
</tr>
<tr>
<td>2012</td>
<td>6748.6</td>
<td>6.1</td>
</tr>
</tbody>
</table>

Source- World Travel and Tourism Council- WTTC

Table no. 2  

<table>
<thead>
<tr>
<th>Year</th>
<th>Total contribution of T&amp;T to employment (no. of jobs)</th>
<th>Total contribution of T&amp;T to employment (growth %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>34854</td>
<td>2.7</td>
</tr>
<tr>
<td>2012</td>
<td>35255</td>
<td>1.2</td>
</tr>
<tr>
<td>2013</td>
<td>35736</td>
<td>1.4</td>
</tr>
<tr>
<td>2014</td>
<td>36693</td>
<td>2.7</td>
</tr>
<tr>
<td>2015</td>
<td>37315</td>
<td>1.7</td>
</tr>
<tr>
<td>2016E</td>
<td>38441</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source- World Travel and Tourism Council- WTTC

2. **Employment generation**: In 2015, the total contribution of Travel & Tourism to employment, including jobs indirectly supported by the industry, was 8.7% of total employment (37,315,000 jobs). This is forecast to rise by 3.0% in 2016 to 38,441,000 jobs and rise by 1.9% pa to 46,422,000 jobs in 2026 (9.0% of total).
3. Accumulation of Foreign Exchange Earnings: 
Tourism is an important source of foreign exchange earnings in India. This has positive impact on the balance of payment of the country. In 2015, 80.16 lakh foreign tourists came to India, registering a growth of 4.4% over the previous year, 2014. This reflected in foreign exchange earnings. The earnings from tourism in US dollars in 2014 and 2015 were US$ 20.636 billion and US$ 19.676 billion respectively.

4. National Heritage and Environment preservation: 
Tourism helps preserve several places which are historically important by declaring them as heritage sites. govt. of India maintain and also improve the condition of heritage sites to promote tourism in india. Swash bharat compaign is promoted by govt to make the overall environment & heritage sites pollution free.

5. Infrastructure Development: 
Tourism offers the development of multiple-use of infrastructure that is beneficial for the host community, including various means of transports, health care facilities, and sports centres.

6. Peace and Stability promotion: 
Tourism industry promotes peace and stability in developing country like India by providing employment, generating income, maintaining international integration & diversifying the economy.

7. The Multiplier Effect: 
Money generated by tourist spending multiplies as it circulates in various sections of the economy.

8. Development of backward regions: 
Tourism industry is beneficial to backward regions of the country at large scale. Many of the economically backward regions contain areas of high cultural attractions and beautiful views.

9. Developing Economic Value of Cultural Resources: 
Tourism provides monetary incentives for the development of local crafts and culture, thus it has an effect on the income of the many local artisans and artists.

10. Encourage International Understanding: 
Tourism encourages a better understanding and interaction amongst people of different countries. So it helps to maintain international peace and harmony.

NEGATIVE IMPACTS:

1. Undesirable Socio-Cultural Change: 
Tourism sometimes spoil the social and cultural values of a place. The more tourists coming into a place, the more the perceived risk of that place losing its original identity and adopting foreign culture.
2. **Create Tension and Hostility:** Tourism can increase tension, hostility, and doubts between the tourists and the host country when there is lack of or no respect and understanding for each other’s culture and way of life.

3. **Economic and employment distortion:** Tourism is concentrated on the few areas of country. So other regions remain underdeveloped. Tourism also brought little benefit to the local community. In most all inclusive package tours more than 80% of travelers’ fees go to the airlines, hotels and other international companies. local businessmen and workers get a little or nothing.

4. **Negative impact on Environment:** The various types of undesirable environmental impacts are generated by tourism as beneficiaries try to exploit the nature without investing in its conservation. The scale of tourism development in relation to the carrying capacity of the environment greatly influences the extent of environmental impacts. Mainly water, air, noise, visual pollution effects the environment.Tourism poses a threat to a region's natural and cultural resources, such as water supply, beaches, coral reefs and heritage sites, through overuse. It also causes increased pollution through traffic emissions, littering, increased sewage production and noise.

5. **Import Leakage:** This commonly occurs when tourists demand standards of equipment, food, drinks, and other products that the host country cannot supply, specially developing countries.

6. **Seasonal Character Of Job:** Tourism industry is seasonal in nature, it results in under employment and social unrest.

7. **Inflation:** Increasing demand from tourists for basic goods and services will often lead to price hikes that adversely affect local people whose income does not increase proportionately.

**FUTURE PROSPECTS OF TOURISM IN INDIA**

The Indian tourism has a clear bright future because the demand for travel and tourism in India is expected to grow by 8.2 per cent between 2010 and 2019 and will place India at the 3rd position in the world. Besides huge foreign exchange earnings and escalation of world class infrastructure development India’s travel and tourism sector is expected to be the 2nd largest employer in the world, employ 40,037,000 by 2019. By 2020, Tourism in India could contribute Rs 8,50,000 crores to the GDP and The total contribution of Travel & Tourism to GDP will be about INR18,362.2bn (7.2% of GDP) by 2026. Similarly, the total contribution of Travel & Tourism to employment is estimated to rise by 1.9% pa to 46,422,000 jobs in 2026 (9.0% of total).

Foreign exchange earnings from tourism in US$ terms upto June, 2016 were US$ 10.865 billion with a growth of 6.5% as compared to the US$ 10.203 billion with a growth 4.4% during the same period in 2015 and in 2014. According to contribution of T&T to GDP India may obtain 3rd rank out of 184 countries by 2026 and similarly according to contribution of T&T to employment India's estimated rank will be 102nd out 184 countries by 2026. This is quite not desirable. India can improve the rank in employment by producing quality professional in tourism field, improvement in environment, transport facility and accommodation facility. Incredible india campaign, Swachhaya bharat campaign, make in India campaign of government have also positive impact on the tourism industry.

**Table no. 3 Country Ranking (Out of 184 Countries)**

<table>
<thead>
<tr>
<th>Relative importance of T&amp;T's total contribution to GDP</th>
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</thead>
<tbody>
<tr>
<td>12</td>
</tr>
<tr>
<td>ABSOLUTE</td>
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<tr>
<td>Ranking in 2015</td>
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</tbody>
</table>

**Table no. 4 Country Ranking regarding contribution to employment**

<table>
<thead>
<tr>
<th>Relative importance of T&amp;T's total contribution to Employment</th>
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</thead>
<tbody>
<tr>
<td>2</td>
</tr>
<tr>
<td>ABSOLUTE</td>
</tr>
<tr>
<td>Ranking in 2015</td>
</tr>
<tr>
<td></td>
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</tbody>
</table>

Source- World Travel and Tourism Council-WTTC
CONCLUSION
The Tourism industry in India is a very promising Industry and has power to become one of the leading employers of Indians. India has been recognised as a destination for spiritual and cultural tourism for domestic and international tourists. Tourism industry has emerged as an important instrument in the economic development of Indian economy, particularly in remote backward rural areas. Due to its strong backward and forward linkages it generates employment in different profiles and thus increases living standard of people who are directly or indirectly linked with this economically immense profitable activity. The Indian tourism has a clear bright future because the demand for travel and tourism in India is expected to grow by 8.2 per cent between 2010 and 2019 and will place India at the 3rd position in the world. Besides huge foreign exchange earnings and escalation of world class infrastructure development India’s travel and tourism sector is expected to be the 2nd largest employer in the world, employ 40,037,000 by 2019. So I want to conclude that tourism industry is positively contribute to Indian economy. Supply of tourism Products and services must regularly be upgraded to meet the changing needs of the market. Professional management and additional infrastructure is required so that the Indian can enjoy their heritage to fullest extent.

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