



## **TOURISM ECONOMICS: GROWING NEED FOR INDIA IN 21st CENTURY**

**Somak Biswas &**

**Surendra Pd. Kushwaha**

Assistant Professors, Dept. of Economics  
St. Columba's College, Hazaribag

*Balanced economic development of a nation calls for an all-round effort to introduce development measures in all sections of the country. Considering the diversity of each region, tourism presents a great potential to make the country economically better-off. Tourism is a major economic contributor and integral part of social, economic, physical and regional development. World tourism experience, over the years, shows an increasing role of tourism in growth and development of the concerned countries. India is no exception to this. There has been a rising realization that travel and tourism can bring in equitable development of different regions of the country and the different states. The present article makes an in-depth analysis of the relevance and the rising importance of tourism economics in the form of travel and tourism and tourist-related activities in the 21st century around the globe and especially in India.*

**Key words:** Travel and tourism; economic growth; employment opportunities.

### **INTRODUCTION**

One of the chief objectives of planning is to achieve balanced regional development of the country. However, economic development in India has remained skewed with several regions developed and others still waiting to come to limelight. Various methodologies are being adopted by the government to achieve faster economic growth and balanced regional development. One important avenue of such development is tourism. Tourism is a major economic contributor and integral part of social, economic, physical and regional development. It provides vast opportunities for income, output and employment generation, promoting the growth of ancillary industries, export-oriented industries and development of areas that are otherwise industrially backward. Tourism has therefore multiplier effects on national income.

Tourism is a global force for economic and regional development. The Tourism value chain comprising of different stakeholders, including, business community, government planners, policy makers and the general public at regional, national and international levels help to make a rational decision-making in terms of the economic inter-dependence, benefits and costs of tourism. Economic impact analysis provides appropriate estimates of these economic interdependencies and a better understanding of the role and importance of tourism in a regions' economy. For this comprehensive understanding, it is however, necessary to know the role tourism plays in the development of a region, a state, a country and the entire world.

### **REVIEW OF LITERATURE**

Literature in the field of tourism economics and its role in economic development is rich. World Tourism Organization [WTO] has explicitly produced literature on the theoretical aspects of tourism industry, right from defining the terms, "tourist", "tourism" and "tourism economics", to

explaining the need and importance of tourism to a nation's development. It continues to provide ample statistics regarding the growth of tourism and its potentiality in contributing to GDP and employment. Further, theoretical work in the field of tourism economics and its application has been done by several researchers, including, A. K. Bhatia (1991,1996) who has explored tourism as a sub-discipline of economics, what makes tourism possible and how tourism is an important factor in the prosperity of any nation; tourism psychology and motivations for travel; types of tourism; how tourism is planned, organized, developed and promoted; tourism research and benefits; J.M. Negi (1988) who explained the interrelationship between tourism and hotel industry; and S. Dharmaraja (1996) who has explained the relationship between rate of primary investments in tourism industry and the return on capital in the form of national and international traffic movement.

Further, the contribution of tourism to economic development in a country has occupied the central stage in several tourism economics research, including those conducted by NETO (2003); Balaguer & Cantavella Jorda (2002); Jamieson ( 2000); Lanza & Pigliaru (1999), who have shown the growing importance of tourism industry and its impact on the economy. The studies have proved that small countries that specialize in tourism tend to grow faster than other countries. In their work on the linkage between tourism and economic development, Peptenatu et al (2009) explain that tourism development becomes more and more important as well as complex where there are bigger social, political, cultural and economic implications.

As far as research at the national and regional level is concerned, several works are available. Sarkar & Dhar (1998) in their book, "Indian Tourism: Economic Planning and Strategies" have explained the nature and characteristic of tourism industry, tourist products and economic significance of tourism industry in India. Batra & Chawla (1995) in their book, "Tourism Management - A Global Perspective" have studied the recent trends in tourism industry in India. In his book, "Economic Impact of Tourism Development: An Indian Experience", Kunal Chattopadhyay (2005) has critically examined the tourism development policies in India in the post-independence era and its impact on Indian economy.

Working at a more regional level, Nirmal Kumar (1996) in his book, "Tourism and Economic Development" has studied the role of tourism in the economic development of Himachal Pradesh. Suhita Chopra (1991) in her book, "Tourism and Development in India" has emphasized economic, social, physical and cultural impact of tourism in Khajuraho. In his book, "Tourism in Andaman and Nicobar Islands" Rajavel, N.(1998) has studied the growth of tourism in the islands by taking into account both foreign and domestic tourism during plan periods. In his book, "Tourism Development in India" Satish Babu, A. (1998) has studied about the Tourism development in Andhra Pradesh and also the structure and working of Department of Tourism and Travel and Tourism Development Corporation Limited in general and with particular reference to organization, operation, marketing, finance and human resource, to review the important policy decisions such as Government control, implementation of projects and co-

ordination with other tourism promoting agencies. Joseph K.V (1990), in his work "Tourism and Development - A Case Study of Kerala", has stated in his report the potentiality of the tourist market and the pattern of tourist arrivals in Kerala. **Unni Krishnan Nair G.** (2000) in his work, "An Economic Study of Tourism and Employment Generation in Kanyakumari Township", has studied the employment potentials of tourism in Kanyakumari Township. U.K. Sikdar (2014), in his work, "Tourism and Economic Growth of North East Indian States", has discussed the current status and future prospects of tourism and its contribution to the NSDP of the eight northeast Indian states. Saumya Singh & Namrata Pathak (2009), in their research article, "Tourism in Jharkhand: An Evaluative Study" made an indepth evaluation of the problems and prospects of tourism in the state of Jharkhand. P. Pathak & S. Singh (2011) in their research article, "Positioning a State as a Tourism Destination: A Case Study of Jharkhand" have showcased the relevance of tourism as an important revenue generator for the state of Jharkhand and has suggested ways to positively position the state in the tourism map of the country.

### **STATUS OF WORLD TOURISM INDUSTRY**

Global tourism has evolved over the ages. In the early days of human civilization, global tourism was not considered as a phenomenon of "pleasure" but a mercenary act. In today's world, however, global tourism has emerged as a commercial way of life. Global tourism has the potential to generate substantial economic benefits to the host countries as well the home countries of the tourists. Global tourism helps the host countries to increase their GDP by earning a handsome amount of foreign exchange by attracting foreign tourists to inbound tourism. Such inflow of tourists and foreign exchange encourages and stimulates private investment in the country, thereby generating a huge amount of income, output and employment opportunities. Further, development of tourism industry leads to increasing government revenues through multiple ways, including direct and indirect taxation, increase in forex reserves, etc. It is an important tool for economic development and improvement in the quality of life of the people in countries that possess tourist destinations. Thus, the potentials of tourism industry as an emerging economic avenue of development are immense.

At present, only 3.5% of the world population travels. Even with such a small level of population penetration into travel and tourism, the contribution of the tourism industry in world economy is mind-boggling. The intensity of the contribution of tourism industry to world economy can be assessed from the fact that, in 2006, travel and tourism together accounted for 10.7% of the global GDP, 9.2% in 2010 and 10.2% in 2016. According to World Tourism Organization (WTO), in 2006, the tourism receipts were around US \$ 682 billion which is worth 7.6 trillion U.S. dollars in 2016. The tourism industry now makes 12.8% of global exports, and 9.4% of global capital investment, growing at a pace faster than the growth rate of world GDP.

Growth of the tourism industry is also stronger than the world average growth recorded in several other important sectors, including financial and business services, manufacturing, transport and social sectors. A look at the following table illustrates this case:

**Table -01 : Contribution of Different Sectors to World GDP Growth (2016)**

S.No.	Sector	Annual growth rate
1.	Healthcare and Social Work	2.8%
2.	Financial Services	2.5%
3.	Agriculture, Forestry and Fisheries	2.7%
4.	Manufacturing services	2.4%
5.	Travel and Tourism	3.1%

*Source: World Travel and Tourism Council.*

It is absolutely clear from the table that the 21st century is witnessing continuous growth and diversification of travel and tourism. It has become one of the largest and fastest growing economic sectors in the world, ranking among the top five earners of world industries. The World Travel and Tourism Council forecasts about 4% annual growth rate of global tourism over the next ten years. As per its estimates, by 2027, travel and tourism industry is expected to support more than 380 million jobs globally contributing to about 23% of the total global net job creation. Further, tourism industry is expected to account for more than 11% of global GDP in the coming years. It is expected to outperform the global economy by increasing its share of global economic activity in terms of GDP, employment, exports and investment.

A country-wise analysis shows that there has been 46% growth in travel and tourism in Azerbaijan, 24% increase in inbound tourism in Mongolia, 20% in Iceland and about 11% in Thailand followed by 8.5% growth in India, 8.1% in China and 5.8% in Indonesia in 2016.

The contribution of tourism industry cannot thus be undermined. Travel and tourism has shaped the world economy in recent years. It has played a dynamic role in the development of several economies which is revealed through the following table:

**Table- 02 : Contribution of Travel and Tourism to GDP of Selected Countries (2016)**

Country	Total Contribution [ \$ billion]	Direct Contribution [\$ billion]
USA	1509.2	503.7
China	1000.7	275.2
Japan	343.2	110.5
UK	283.2	90
France	221.3	89.8
India	208.9	86.2

*Source: World Travel and Tourism Council Report, 2017.*

It is clear from Table 02 that there is a very high contribution of tourism to the respective country's GDP. With the opening up of new tourism destinations over the period of time and investment in tourism development, modern tourism has become a key driver of socio-economic progress and gainful employment. The extent of this progress can be witnessed from the fact that global travel and tourism industry generated 234 million direct and indirect jobs worldwide in 2006 which has gone up to 292 million people in 2016, implying a generation of 1 in every 10 jobs in Travel & Tourism in the world. In 2016 alone, an additional 2 million jobs were created directly by this sector, and a total of about 6 million new jobs were created as a result of total direct, indirect and induced tourism activity.

The above discussion illumines us of the capacity of travel and tourism to development of areas that are otherwise industrially backward or are unable to take advantage of the fast-paced economic and urban development that has taken over other development regions and nations. The potential of tourism as an industry and its contribution is of more importance to developing and underdeveloped regions/countries. Tourism offers to these nations an opportunity for earning foreign exchange at a low social cost. It not only stimulates the rate of growth of overall economy because of its immense growth potential, but also serves as an important industry for the diversification of industrial structure as well as regional development of backward areas. As such, the role of tourism as an industry and as a backbone to development finds its rightful place in all developing countries, including India.

### **Economic Relevance of Tourism Development in India**

The expansion of India's travel and tourism industry is evidenced from the fact that it is one of the fastest growing industries in the world with present world ranking of 7th in terms of its total absolute size and 8th in terms of its long term growth prospects. According to WTTC data, the travel and tourism sector generated a total of 14,018.5 billion rupees in 2016, which is equivalent to 9.6% of India's GDP. The industry is expected to rise by 6.7% in 2017-18 and reach about 10% of GDP in 2027. Out of this, the direct contribution of travel and tourism was 4,809.8 billion rupees in 2016 which was about 3.3% to the total GDP of the country and is forecast to rise by 6.9% in 2017-18 and to 3.5% of the total GDP in 2027.

The status of Indian tourism industry in 2016 can be assessed from the following (table -3)

**Table- 03 : Indian Tourism Industry and its growth in 2016**

1.	No. of Foreign Tourist Arrivals in India	8.03 Million
2.	Annual Growth Rate	4.5%
3.	No. of Indian Nationals Departures from India	20.38 Million
4.	Annual Growth Rate	11.1%
5.	No. of Domestic Tourist Visits to all States/UTs	1432 Million
6.	Annual Growth Rate	11.6%
7.	Foreign Exchange Earnings from Tourism [Rs.]	135193 Crore
8.	Annual Growth Rate	9.6%

*Source: Economic Survey, 2017.*

With the above table, it is clearly visible that there is a handsome growth of foreign as well as domestic tourists in the country. Whereas foreign tourist inflow has been rising at a rate of 4.5%, there has been a handsome 11.1% increase in domestic tourist travels. With such travel and tourism activities, the country earned Rs. 1,35,193 crores revealing an annual growth rate of over 9% which is definitely high than several other sectors.

To further tap this opportunity of earning through tourism, in recent years, government has taken initiatives to encourage tourism development programmes. With the tourism department's initiatives and improving infrastructure, there has been a considerable increase in the inflow of tourists in the country from different parts of the world. The following table summarizes the arrival of foreign tourists in the country:

**Table -04 : Top 10 Source Countries for Foreign Tourist Arrivals in India (2015)**

Sl. No.	Source Country	Foreign Tourist Arrivals	Percentage Share
1	United States	1213624	15.12
2	Bangladesh	1133879	14.13
3	United Kingdom	867601	10.81
4	Australia	263101	3.28
5	Germany	248314	3.09
6	France	230854	2.88
7	Japan	207415	2.58
	Top 10 Countries	5018548	62.52
	Others	3008585	37.48
	Grand Total	8027133	100

*Source:- Bureau of Immigration, Govt. of India*

There has been efforts by the government in recent years to attract foreign as well as domestic tourists to new ventures in tourism, including cultural tourism, nature tourism, pilgrimage tourism, adventure tourism, food routes, community eco-tourism, ethno-tourism and agricultural tourism. All this has led to a greater movement of tourists throughout the country. Different states are taking advantage of the inflow of tourists. The following table shows the top states in the country that has attracted foreign tourists in 2015.

**Table -05 : Statewise Visit of Foreign Tourist in India During (2015)**

Sl. No.	State/ UT	Foreign Tourist Visits	Percentage Share
1	Tamil Nadu	4684707	20.1
2	Maharashtra	4408916	18.9
3	Uttar Pradesh	3104062	13.3
4	Delhi	2379169	10.2
5	West Bengal	1489500	6.4
6	Rajasthan	1475311	6.3
7	Kerala	977479	4.2
8	Bihar	923737	4.0
9	Karnataka	636502	2.7
10	Goa	541480	2.3
	Total of Top 10 States	20620863	88.4
	Others	2705300	11.6
	Total	23326163	100.0

Source: Bureau of Immigration, Govt. of India

With such large inbound tourism in different states of the country, travel and tourism in the country has emerged as one of the important tools of employment generation, income and foreign exchange earnings and infrastructure development both in rural and urban areas. It has helped in poverty eradicate on and up-gradation of living standard of the people around tourist sports particularly in remote backward areas. The sector created 40.3 million jobs in 2016, which is about 9.3% of the total employment. It is expected to rise by 1.8% in 2017 and by 2% per annum in 2027. Out of this, the direct contribution of travel and tourism to employment was 25.3 million jobs in 2016 in the country, which is expected to rise by 2.1% in 2017 and the next ten years in the country. It is providing direct employment to about 6% of the total employment generated in the country in 2016.

Tourism industry of India has immense potential to reap economic benefits, if this precious fruitful resource is utilized effectively and efficiently. It has a potential to provide employment to skilled and unskilled labour force of the country. Through its strong backward and forward linkages it generates employment in different sectors of the economy both directly and indirectly. If these linkages are strengthened these will act as a positive instrument for economic growth and development and will help in inclusive growth, which is one of the important objective of five year plans. These linkages will develop with the passage of time depending up on variety of factors, such as the availability of finance, the diversity and maturity of the local economy or the quality of locally produced goods. The travel and tourism industry contains these four elements that enable it to be a dynamic market force for sustainability in the future. It has the capacity to increase exports, bring in capital investment, boost economies GDP and create employment. After giving priority and pumping huge financial resources



to Tourism industry it is necessary that it must act as a catalyst for socio-economic development and for achieving this important objective, appropriate and sensible policies must be formulated by the government to ensure that the benefits are widely spread, adverse impacts are reduced, especially on fragile natural environment. In addition to this necessary support must be given to foster the sound and sustainable development of this economically profitable industry. All those agencies that are involved in this industry must be capable of designing and implementing effective measures to foster sustainable tourism development and enhance the contribution of tourism to socio-economic development.

## **CONCLUSION**

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 profitable activity. Keeping in view its socio-economic impacts of Indian tourism the need of hour is that supply of tourism Products and services must regularly be upgraded to meet the changing needs of the market, which is necessary for continuous in flow and optimum satisfaction of tourists. I want to conclude that tourism can be used as a catalyst for socio-economic development if Government and other people involved in tourism pursues sustainable development of tourism in a comprehensive and planned manner and formulate appropriate market demanding policies.

Tourism industry is developing in leaps and bounds in India, especially in the 21st century, working as a catalyst in socio-economic development of both rural and urban areas since the last two decades. It is contributing to the economy in several important ways, including, poverty eradication, upgrading living standards, development of rural areas, reducing unemployment, etc. The wages and salaries provided by this sector are higher than the other sectors of our economy and are thus attracting and providing employment to a large labour force. This industry has expanded its working horizon from traditional tour operators, hotels, restaurants and sea beaches, to new areas of tourism interests through a diversification and innovation in traditional tourism structure and system. In the last two decades, travel and tourism industry has promoted rural tourism, heritage tourism, health tourism, medical tourism and eco-tourism, among others.

## **REFERENCES**

- Batra & Chawla, (1995)**, Tourism Management - A Global Perspective (1995), Deep & Deep Publications, N. Delhi.
- Babu, S.A. (1998)**, Tourism Development in India, A.P.H. Publishing Corporation, New Delhi.
- Bhatia A.K. (1982)**, Tourism Development: Principles & Practice, Sterling Publishers Pvt., Ltd., New Delhi.
- Bhatia A.K.(1996)**, International Tourism Fundamentals & Practices, Sterling Publishing House. N. Delhi.
- Chattopadhyay, K. (2004)**, Economic Impact of Tourism Development, (2004), Kanishka Publishers, New Delhi.
- Chopra, S. (1991)**, Tourism and Development in India, Ashish Publishing House, New Delhi.
- Joseph K.V. (1990)**, Tourism and Development - A Case Study of Kerala, Report of an I.C.S.S.R.



Research Project, Trivandrum

**Kumar, N. (1996)**, Tourism and Economic Development, APH Publishing Corporation, New Delhi.

**Negi, J.M. (1988)**, Tourism and Hoteliering: A World Wide Industry, Gitanjali Publishing House, New Delhi.

**Rajavel N. (1998)**, Tourism in Andaman and Nicobar Islands, Manas Publications, New Delhi.

**Nair. G. UnniKrishnan (2000)**, An Economic Study of Tourism and Emploent Generation in Kanyakumari Township, M.Phil Project, Manonmaniam Sundaranar University, Tirunelveli.

**Pathak, N. & Singh, S.(2011)**, Positioning a State as a Tourism Destination: A Case Study of Jharkhand, International journal of management practices and contemporary thought.

**Raina, A.K. & Lodha R.C. (1994)**, Fundamentals of Tourism System, Kanishka Publishers and Distributors, New Delhi.

**Sarkar, A.K. & Dhar, P. (1998)**, Tourism: Economic Planning and Strategies, Kanishka Publishers & Distributors, New Delhi.

**Sharma K.K. (1992)**, Tourism and Development, Sarup and Sons, New Delhi.

**Sethi, Praveen (2005)**, Essentials of Sustainable Tourism, Rajat Publications, New Delhi.

**Sikdar U.K. (2014)**, Tourism and Economic Growth of North East Indian States,, International Journal of Advance Research, <http://www.ijoar.org>

**Singh, S. & Pathak, N. (2009)**, Tourism in Jharkhand: An Evaluative Study, Jharkhand Journal of Social Development, Vol. II, No. I & 2, [http:// www.iesd.org.in](http://www.iesd.org.in)

**Vanhove, N. (2010)**, The Economics of Tourist Destinations, Routledge Publications, special Indian Edition.