

TOURISM SECTOR AND INDIAN ECONOMY: AN EVALUATION FROM 2000 ONWARDS

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ABSTRACT— In this research paper it is illustrated how the travel and tourism industry boosts the Indian economy. Tourism can be defined as discovering explored or unexplored destinations. It comprises of understanding a different lifestyle, relishing the mouth-watering dishes and rejuvenating oneself. The Indian government has realized this and is therefore working towards achieving a target of 1% inbound tourist arrivals worldwide to India by 2021. The Government of India has started infusing funds into the industry through various schemes and projects like the Swadesh Darshan, Pilgrimage Rejuvenation and Spiritual Augmentation (PRASAD) etc. With the rise in stress and competitive lifestyle, people are ardently searching for alternatives to hit the road and rejuvenate themselves. They mostly opt for religious places as they feel that their, they will receive the peace and calmness they are looking for. There has been a 14% growth in the foreign tourist arrivals in India in 2017. Tourism has significantly helped the country by contributing majorly to the GDP, providing large-scale employment, promoting skilled and unskilled labor and by being a major source of foreign exchange earring. It is quite evident that the travel and tourism industry has achieved a positive growth and that it will further expand to achieve great height.

Keywords— Economic Growth, Foreign Tourism, Receipts growth, Tourism Industry, OLS Method, Indian Economy, Development

I. INTRODUCTION

Travel is imperative for life. It helps us discover new eats, treats, sights and musical beats. It teaches us about new cultures, languages and ways to sustain and adjust to the ways of its inhabitants. It can be said that this is the only thing that when you buy makes you richer both in terms of happiness and knowledge. Travel helps widen our horizons intellectually as well as through expansion of business in foreign borders. The Indian government has realized and understood the potential of the industry and has provided a 100% foreign direct investment to this sector and enabling visitors from foreign lands to invest in India to increase productivity and employment. The tourism industry is a major fuel to the economic growth of Indian and also for other developing economies. It has enhanced in the recent years because of the awareness of the rich cultural heritage of India. In 2017 it was recorded to have had 10.04million foreign tourist arrivals, a 14% hike from the previous year. The Foreign exchange earnings also witnessed a 15.4% rise an Rs1, 77, 874 crores. This was due to the increased usage of the e-Tourist Visa which attracted 1.7million foreign tourist to India and thus, clocking a growth of 57.2%. It also contributed to 8% of the total employment of the country. The GOI has recognized the

ability of the sector and therefore has increased the budgetary provision to Rs 1840.97crores in 2017. It also invested a lot in infrastructure development. The travel and tourism industry is booming and depicts a positive growth opportunity for the economy.

II. LITERATURE REVIEW

Ramphul Ohlan (2017) investigates the relationship between tourism and economic growth for the period 1960-2014. They used various statistical methods to analyze the data and determine its effect. Statistical measures are also used to explain the long-run and short-run effects. Dayananda K.C and Prof D.S Leelavati (2016) explains the fast-growing service sector and also shows a relationship between the Foreign Tourist arrivals and the Net Receipts from travel on Balance of Payments for the period from 2007- 2015. Iqbal B.A and Sami. S (2016) explains a brief of the percentage change of international tourist arrivals with a region-specific segregation for the year 2015. Lateef Ahmed Mir (2005) explains the trend from 1997-2011. It shows how the tourism industry contributed to the economy for the period. Dr. Rajashri Chavan and Dr. Sarang Shankar (2015) show how it progressed from Unbelievable India to Incredible India.

Vijayaragawan (2014) in his paper determines the prospects, challenges, forms and positive impact of the industry.

3. Objectives of the study

1. To express the importance of the travel and tourism sector in India.
2. To elucidates the opportunities of the tourism sector.
3. To exemplifies the contribution to the Indian economy.

III. METHODOLOGY

This study was possible with the support of technology for the purpose of data collection. The secondary source of data was used to collect facts and findings related to the travel and tourism industry. The sources used to collect the data for this study were annual reports, magazines, newspaper article, dissertations and thesis of other scholars.

Scope of tourism industry in India

The total international tourist visits are estimated to reach 30.5million by 2028, of which maximum shall be for medical purpose. This sector is estimated to reach US\$9 billion by 2020. Along with this there is also a surge in the chain of hotels expanding their presence in India. It is expected to bring in a share of 47% in the Tourism and Hospitality sector by 2020. The Government of India has allowed 100% FDI in the hotel

and tourism sector and enabling a US \$11.39billion FDI from the period of April 2000 to June 2018. The sector has also contributed 9.4% to the GDP in 2017 amounting to INR15.24lakh crore. The travel and tourism industry offers a broad scope of various career opportunities, both in the public and private sector. There is a potential to achieve equitable and significant economic growth provided we tap the opportunities and bring in more innovation and unique experiences. The scope in the Indian Tourism sector is remarkably high.

IV. DATA ANALYSIS & RESULTS

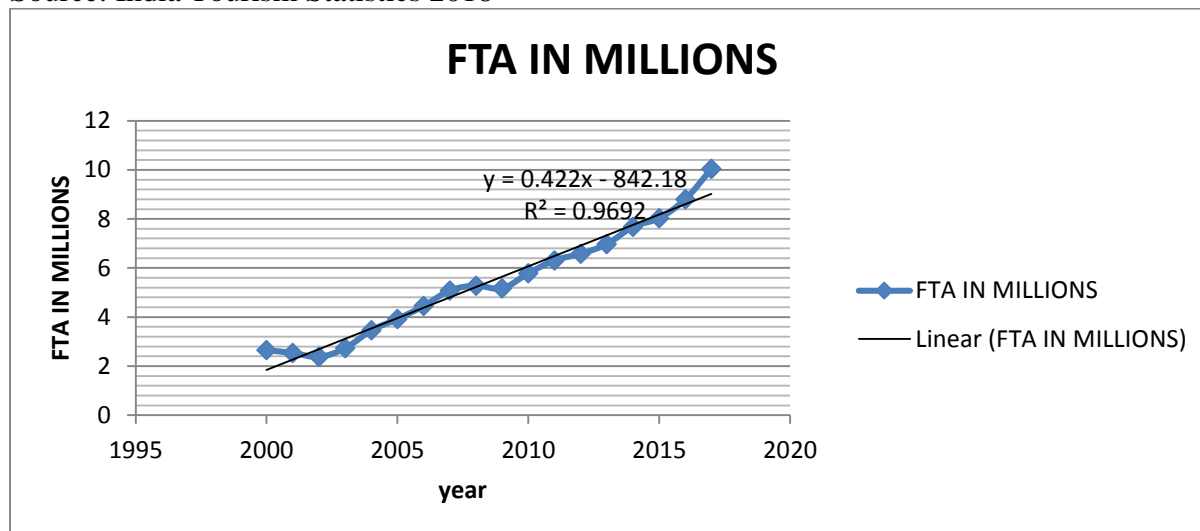
The tourism sector has paved the way to eradicate social evils like unemployment, poor sanitation, underdevelopment etc. It has enhanced political ties and has strengthened the socio-political environment. The culture, heritage, lifestyle, food, monuments of the pre-historic era, museums, art galleries etc. attract tourist to India. They come to learn and understand how people from different regions and religions live together in perfect harmony. It can be established that if the resources are utilized wisely the industry has huge potential to obtain economic benefits. It has the competence to increase its visitor spending, exports, foreign tourist arrivals, domestic tourist visits to boost the economy.

Growth of FTA (Foreign Tourist Arrivals) and FEE (Foreign Exchange Earnings) from the year 2000 to 2017

| Year | Foreign Tourist Arrivals | | Foreign Exchange Earnings | | |
|------|--------------------------|------------|---------------------------|----------|------------|
| | Millions | Growth (%) | In corers | Millions | Growth (%) |
| 2000 | 2.65 | 6.7 | 15626 | 3460 | 20.7 |
| 2001 | 2.54 | -4.2 | 15083 | 3198 | -3.5 |
| 2002 | 2.38 | -6 | 15064 | 3103 | -0.1 |
| 2003 | 2.73 | 14.3 | 20729 | 4463 | 37.6 |
| 2004 | 3.46 | 26.8 | 27944 | 6170 | 34.8 |
| 2005 | 3.92 | 13.3 | 33123 | 7493 | 18.5 |
| 2006 | 4.45 | 13.5 | 39025 | 8634 | 17.8 |
| 2007 | 5.08 | 14.3 | 44362 | 10729 | 13.7 |
| 2008 | 5.28 | 4 | 51294 | 11832 | 15.6 |
| 2009 | 5.17 | 12.2 | 53754 | 11136 | 4.8 |
| 2010 | 5.78 | 11.8 | 66172 | 14490 | 23.1 |
| 2011 | 6.31 | 9.2 | 83036 | 17707 | 25.5 |
| 2012 | 6.58 | 4.3 | 95607 | 17971 | 15.1 |
| 2013 | 6.97 | 5.9 | 107563 | 18397 | 12.5 |
| 2014 | 7.68 | 10.2 | 120367 | 19700 | 11.9 |

| | | | | | |
|------|-------|-----|--------|-------|------|
| 2015 | 8.03 | 4.5 | 134844 | 21013 | 12 |
| 2016 | 8.8 | 9.7 | 154146 | 22923 | 14.3 |
| 2017 | 10.04 | 14 | 177874 | 27310 | 15.4 |

Source: India Tourism Statistics 2018



| SUMMARY OUTPUT | | | | | | | | |
|------------------------------|---------------------|-----------------------|---------------|----------------|-----------------------|------------------|--------------------|--------------------|
| Regression Statistics | | | | | | | | |
| Multiple R | 0.98448 | | | | | | | |
| R Square | 0.9692 | | | | | | | |
| Adjusted R Square | 0.967275 | | | | | | | |
| Standard Error | 0.41398 | | | | | | | |
| Observations | 18 | | | | | | | |
| ANOVA | | | | | | | | |
| | <i>df</i> | <i>SS</i> | <i>MS</i> | <i>F</i> | <i>Significance F</i> | | | |
| Regression | 1 | 86.28676207 | 86.2868 | 503.485 | 1.6125E-13 | | | |
| Residual | 16 | 2.742065703 | 0.17138 | | | | | |
| Total | 17 | 89.02882778 | | | | | | |
| | <i>Coefficients</i> | <i>Standard Error</i> | <i>t Stat</i> | <i>P-value</i> | <i>Lower 95%</i> | <i>Upper 95%</i> | <i>Lower 95.0%</i> | <i>Upper 95.0%</i> |
| Intercept | -842.1758 | 37.77507466 | -22.294 | 1.8E-13 | -922.25534 | -762.0962 | -922.255342 | -762.096182 |
| Year | 0.422012 | 0.018807542 | 22.4385 | 1.6E-13 | 0.38214218 | 0.4618826 | 0.38214218 | 0.461882592 |

Using the OLS Model:

$$Y = \alpha + \beta x$$

$$y = 0.422x - 842.18 \quad R^2 = 0.9692$$

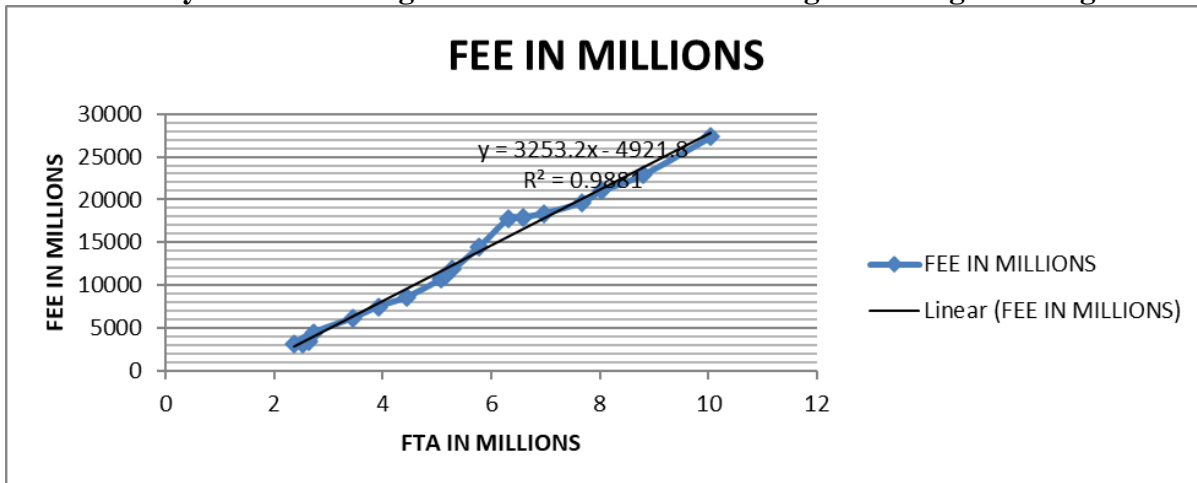
The equation derived from the data is $Y = 0.422x - 842.18$

$$R^2 = 0.9692$$

The independent variable – Time and the dependent variable – FTAs are moving in the same direction, indicating a positive relationship between the time and FTA's. The R Square value also testifies that there is a positive relationship between the two. It states that approximately 97% of the FTA's depends on

time. As the years keep going by the FTA keeps increasing, keeping the other factors constant. It also states that there will be a minimum 0.422 million rises in the number of foreign tourists arriving in India every year.

Analysis of the Foreign Tourist Arrivals and Foreign Exchange Earnings



SUMMARY OUTPUT

Regression Statistics

| | |
|-------------------|-----------|
| Multiple R | 0.9940563 |
| R Square | 0.988148 |
| Adjusted R Square | 0.9874073 |
| Standard Error | 840.41759 |
| Observations | 18 |

ANOVA

| | df | SS | MS | F | Significance F |
|------------|----|-------------|---------|---------|----------------|
| Regression | 1 | 942196203.9 | 9.4E+08 | 1333.99 | 7.68645E-17 |
| Residual | 16 | 11300827.72 | 706302 | | |
| Total | 17 | 953497031.6 | | | |

Coefficients Standard Error t Stat P-value Lower 95% Upper 95% Lower 95.0% Upper 95.0%

| | Coefficients | Standard Error | t Stat | P-value | Lower 95% | Upper 95% | Lower 95.0% | Upper 95.0% |
|-----------|--------------|----------------|---------|---------|-------------|-----------|-------------|-------------|
| Intercept | -4921.814 | 523.1457188 | -9.4081 | 6.4E-08 | -6030.83327 | -3812.795 | -6030.833 | -3812.7945 |
| FTA | 3253.1594 | 89.0696628 | 36.5238 | 7.7E-17 | 3064.34018 | 3441.979 | 3064.3402 | 3441.9787 |

Using the OLS Model:

$$Y = \alpha + \beta x$$

$$Y = 3253.2x - 4921.8$$

$$R^2 = 0.9881$$

The equation derived from the data is $Y = 3253.2x - 4921.8$

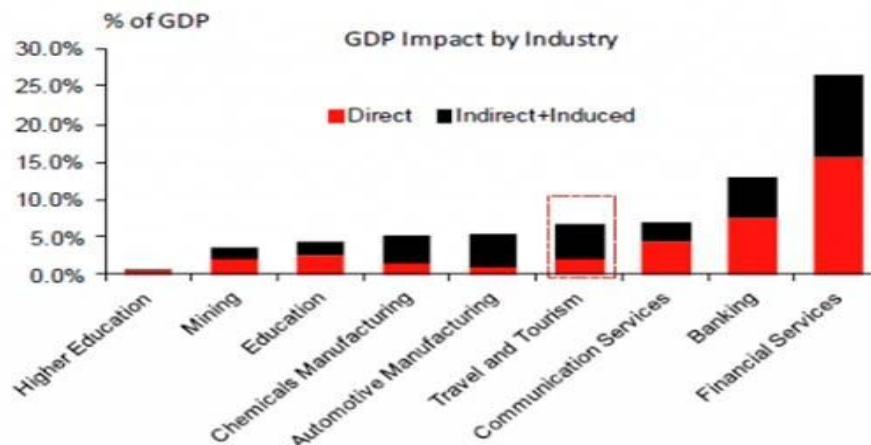
$$R^2 = 0.988$$

From the above graph it can be determined that the FEE's increases with an increase in FTA's. There is a direct relationship between the two. The R Square is 98% which signifies that the proportion of variation between the FTA's and FEE's is significantly high. It also means that FEE's are 98% dependent on the tourist arrival, keeping others parameters constant. It can therefore be noted that the foreign tourist helps in increasing our national receipts which are

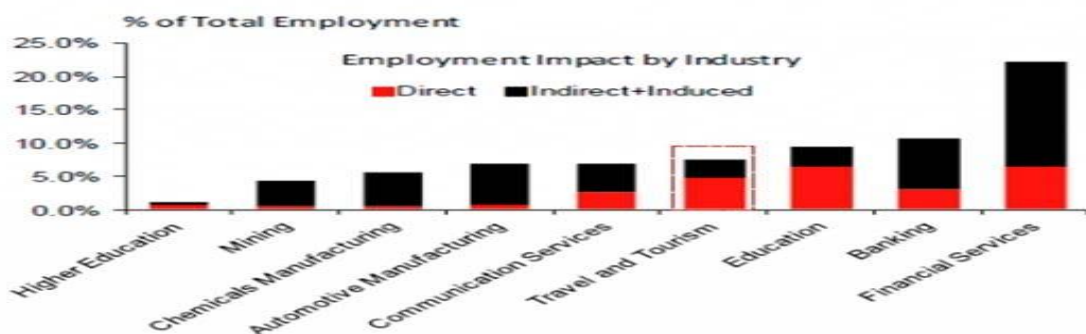
foreign exchange earnings. It also shows from the above equation that there will be a minimum \$3253.2 million increase with each additional foreign member arriving. The Foreign Exchange Earnings (FEE) for the year 2016 was \$22923 millions whereas 2017 witnessed a FEE of \$27310 million which is a 15.4% growth higher than the growth of 2016 which was 14.3%.

8. Impact of tourism sector on GDP and employment in India

Since the tourism industry has the potential to provide services to the society, it also has the capability to generate fund and contribute to countries GDP.



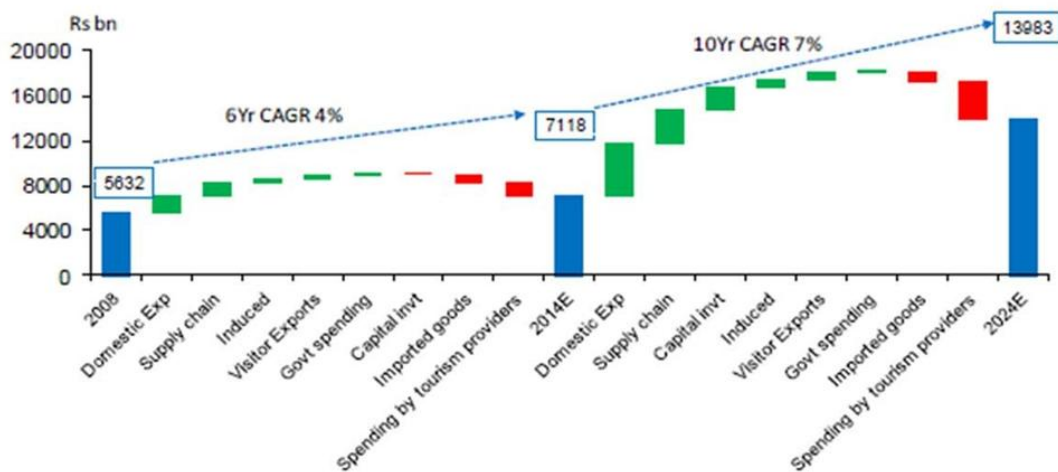
Source: WTTC, Macquarie Research, July 2015



Source: WTTC, Macquarie Research, July 2015

This study proves to be beneficial in order to know prospects, sustainable development, potentials, and its positive impact on GDP for Indian tourism industry. Indian tourism sector needs attention from the government in order to grasp its enormous capability for sustainable growth and development, there by opening an opportunity to contribute approximately more than \$100 billion to GDP by 2025. Indian tourism sector's total

contribution to Indian GDP is \$128 billion both directly and indirectly. From the below graph it is seen that CAGR of this sector is 4% in past 6 years. As per the council of WTT (World travel and tourism), it is needed that contribution from tourism sector TO Indian should be raised to \$230 billion at a CAGR of 7% by 2025.



Source: WTTC, Macquarie Research, July 2015

It is seen that tourism sector has direct impact on GDP. It contributes both directly and indirectly. However indirect benefits are also important while total contribution has been taken in to account to GDP. According to the world tourism council direct contribution of tourism sector to Indian GDP for next 10 years will be 6.4%. And while calculation is made by merging the both direct and indirect contribution, it is estimated that the contribution could touch \$230 billion by 2025 at 7% rate. By 2025 tourism sector will account for 29,020,000 jobs directly, an increase of 2.2% P.A. over the next 10 years. By 2025 tourism sector is forecast to support 45,566,000 jobs 9 % of total increase of 2.0% P.A. over the period.

V. DISCUSSION

The surge in the number of foreign nationals visiting India has led to a substantial growth of foreign exchange earnings. With rise in the incomes and inflating wallets, domestic tourists too have taken to travelling and exploring new places within the country. Their expenditure on leisure travel contributed 87.2% to the GDP of the travel and tourism industry in 2017. Domestic tourists too have learnt that there are many places within the country that fit within their budgets and help them revitalize.

VI. CONCLUSION

From the study we concluded that foreign exchange earnings and employment both are positively affected by the tourism sector. As it has multidimensional wings for sustainable economic development both the state and central government must take steps to make this sector more productive and profitable. In era of sustainability ecological concern should be taken into consideration in travel and tourism industry. Various bodies should come forward to contribute their effort for the betterment of this sector. Meanwhile from the analysis it is seen that in India, the number of foreign travelers is increasing. It disclosed a swelling drift excluding few years

throughout the period of study. It signifies that the Indian government is concentrating not only on earning and employment but also take care of sustainable developmental activities associated to tourism industry in India.

ACKNOWLEDGMENT

India must concentrate on Eco-tourism so as to preserve its cultural and natural perspective and can also practice sustainable development and growth in travel and tourism industry.

Focus must be initiated on comfortability and proper accommodations to the visitors so that they can enjoy and entertain them and at the same time sustaining and supporting the native culture must be kept in mind.

Additionally, since tourism is a multi-faceted action, and mainly a service industry, it is needed that Central and State governments, private sector and voluntary organizations, all these bodies should try to achieve ecological balance and growth as well as must pay attention to quality of service in tourism industry to make India world class in Travel and Tourism practices.

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