

A STUDY ON GROWTH AND DEVELOPMENT OF TOURISM INDUSTRY IN INDIA

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Abstract

In this competitive era, globalized competition has taken a great pace and in this race of development, countries like India opt for foreign intake of investment. For this sake, tourism acts as a master key of all services. Tourism has greater capabilities to generate employment as compare to other services and earning large amount of foreign exchange. So this has given birth to need of study of Indian tourism industry. Distinct species of flora, fauna, culture and heritage, ancient buildings and spots for adventurous activities has given a boost to both native and foreign tourist. This has resulted in dual benefits of popularity as well as swift economic growth. It had led to generation of employment, foreign exchange earnings, infrastructure development and boost of GDP. In this paper, the growth and development of Indian tourism industry has been analyzed. This paper was made taking post millennium period since 2001-2021. Secondary sources such as Ministry of tourism, government of India and world travel and tourism council have been used to collect the data. Further, compound annual growth rate has been used to analyze the collected data. Outcome shows that tourism is the largest service industry in India with the share of US\$178 billion to the national GDP and 6.9 percent to the total employment in the year 2021. India counted more than one million annual foreign tourist arrivals and more than 600 million domestic tourist visits in the year 2021. Moreover, the authorities must decline laissez-faire policy to promote tourism.

Keywords: tourism industry, growth, development, foreign exchange earnings, India

1. Introduction

Broadly, tourism can be referred as lightening fuel for economic development . To uplift this development, government from all over the world also adds fossil to this fuel. Business tours, leisure visits and recreational outing are the key factors that leads to tourism. India, with its million species of natural habitat become the source of attraction and raises the counts of tourist within the country. This will help to enhance the overall GDP of the country. Multiplier effect of investment can lead to foreign exchange earnings for both household and government revenues (Kreishan, 2010). Tourism has provided a chance of boost to both urban and rural areas. This can assist in rural development and

promote equality (Oh, 2005). It does not only provide occupation to formal sources but also for informal sources (Khalil et al., 2007).

The initial step to raise tourism in India was taken in 1945 by setting up a committee under the educational advisor of government of India, Sir John sergeant (Krishna, 1993). Thereafter, the development of tourism was taken up in a planned manner in 1956 coinciding with the second five year plan. Later, sixth plan contributed as major tool for social integration and economic development (www.incredibleindia.com). A national policy on tourism was announced in 1982. Later on in 1988, the national committee on tourism formulated a comprehensive plan for achieving sustainable growth in tourism (www.ibef.org). Later national action plan, national strategy and new tourism policy was drafted in 1992, 1996 and 1997 respectively.

The cultural tradition of the country was based on the bywords 'Athidi devo bhava' and 'Vasudhaiva kudumbakam'. The advertisement campaign 'incredible India' introduced by the ministry of tourism is to promote India's culture and tourist attractions in a fresh and unforgettable way. Travel and tourism has not only become one of the world's largest industry but also grows consistently every year (Gupta and Gupta 2007). In, 2021 India recorded 677.63 million domestic tourist visits, an 11.05 percent increase from 610.22 million in 2020. Due to COVID-19 Pandemic, fewer foreign tourists came. Therefore, India received 1.05 million international tourist visits in 2021 than in 2020 (7.17 million), representing a negative 85.29 percent growth rate. Tourism industry is contributing 5.8% in GDP of India and contributing 6.9% in total employment in India. (WTTC, 2021). In 2021, India is ranked 54th on the global Travel & Tourism Development Index (TTDI). (World tourism statistics, 2022).

Literature Review

Many researchers worldwide have investigated the link between tourism and its impact on economic activity. In their study of the Korean tourism sector, Bahamni-oskooee and Alse (1993) found that economic growth is directly caused by economic expansion. Kulendracan and Wilson (2000) also noted the strong mutually reinforcing relationship between international travel and trade. Balaguer and Cantavella-Jorda (2002) explored the long-term economic development of tourism and concluded that it is a key instrument for promoting economic expansion. Dritsakis (2004) demonstrated how tourism contributes to Greece's long-term economic growth. Eugenio-Martin et al. (2004) examined the connection between tourism and economic expansion in Latin American nations from 1985 to 1998, and found that medium- and low-income countries can benefit economically from tourism. In Turkey, Guduz and Hatemi (2005) found empirical evidence in favor of the tourism-led growth theory. Oh (2005) conducted research on Korean tourism and concluded that rising tourism revenue has an impact on economic expansion. Fayissa and Tadasee (2007) used panel data from 42 African nations and found that the tourism sector makes a substantial contribution to the economic expansion

of sub-Saharan African nations. Lee and Chang (2008) discovered a unidirectional relationship leading from tourism to growth in OECD countries, but a bidirectional causal relationship exists between tourism and growth in non-OECD countries. Kaur and Sharma (2012) studied the growth and development of the tourism industry in India by analyzing data using the Compound Annual Growth Rate (CAGR) from 1991 to 2011. According to Shukla (2016), tourism is a significant driver of a country's economic growth, foreign exchange earnings, and employment. The positive effects of the tourism industry are also seen in its related sectors, such as airlines and railroads, as per Singh et al. (2018). Khan et al. (2020) underscored the significance of tourism by examining its global impact on the economy, while Yadav and Qureshi (2021) discussed the adverse effects of the COVID-19 pandemic on the tourism sector, leading to declines in tourist numbers and economic activity. In recent years, studies by Holloway and Humphreys (2022), Thommandru et al. (2023), and Ramar and Ilavenil (2024) have highlighted the employment and foreign exchange benefits of the tourism sector in India, particularly focusing destination marketing strategies and efforts to promote religious tourism. Overall, the past literature demonstrates the multifaceted nature of tourism impact on economic growth, emphasizing its role as a major driver of employment, foreign exchange earnings, and economic development.

Need of the study

There are multiple areas which led to arise of need of this study. Service sector is fastest growing sector of the economy. Indian GDP has a share of more than half of service sector amongst which tourism plays a crucial role. Initially it has been studied to bind the loopholes of literature by taking into consideration the recent growth rate of tourism in India. Secondly, it is also studied to know the contribution of tourism in the employment growth, GDP, as well as foreign exchange earnings. Thirdly, it may also assist the government to plan for formulation of various policies for promoting tourism.

Research Gap

Multiple studies have been already done on tourism but they majorly work on relationship and contribution of different factors for the growth of tourism but only a rare analysis has been made which indicate the actual growth rate of tourism in India. This paper is unique as just post millennium data has been used i.e. 2001-2021 which has not been studied by any other researcher till now.

Objectives of the study

To study the growth and development of tourism industry in India.

To study the contribution of tourism sector to GDP and employment in India.

Research Methodology

This descriptive paper utilized data from secondary sources such as the World Travel and Tourism

Council's website, the Ministry of Tourism in India's website, and Annual Reports of the Tourism Ministry. Post-millennium data, spanning from 2001 to 2021, was obtained from the Ministry of Tourism, Government of India's website for Foreign Tourist Arrivals (FTAs), Foreign Exchange Earnings (FEEs), domestic and foreign tourist visits. The World Travel and Tourism Council's website provided data on GDP and employment for this period. CAGR technique has been implemented on the statistical data collected.

$$\text{CAGR} = \left[\left(\frac{\text{End Value}}{\text{Start Value}} \right)^{\frac{1}{(\text{Periods}-1)}} \right] - 1$$

Results and Discussion

Foreign Tourists Arrivals

India has a variety of tourist spots which attract large number of domestic as well as international tourists. India is rich in cultural heritage. Table 1 expresses the number of foreign tourists arrivals in India during the period of 21 years i.e. 2001-2021 along with growth rates.

Table 1: Foreign Tourists Arrivals (FTA's) in India, 2001-2021

Table 1: Foreign Tourists Arrivals (FTA's) in India, 2001-2021

Years	FTA in India (in millions)	% change over the previous year
2001	2.54	-
2002	2.38	-6.0
2003	2.73	14.3
2004	3.46	26.8
2005	3.92	13.3
2006	4.45	13.5
2007	5.08	14.3
2008	5.28	4.0
2009	5.17	-2.2
2010	5.78	11.8
2011	6.31	9.2
2012	6.58	4.3
2013	6.97	5.9
2014	7.68	10.2
2015	8.03	4.5
2016	8.80	9.7
2017	10.04	14.0
2018	10.56	5.2
2019	10.93	3.5
2020	2.74	-74.9
2021	1.52	-44.5
CAGR	-2.42%	

Source: India Tourism Statistics, 2022

Notable development can be noted from 2002 to 2005 in foreign tourist arrivals due to efforts of government of India by 'Incredible India' campaign which resulted in growth of 65% in these three years. Numerically it rose from 2.38 million in 2002 to 3.92 million in 2005. Later in the 2008-09, there was a dramatic fall in the tourism due to the terrorist activities at Taj hotel, and other significant locations in Mumbai. But a year later, commonwealth games made a recovery to this depression. After then, there is a swift development every year till 2016. In 2017, government encouraged 'M Visa' and 'Incredible India 2.0' campaign which gave 14% gain in tourism as compared to 2016. COVID-19 pandemic restrictions lead to a 44.5% decline in the total count of FTAs from 2.74 million in 2020 to 1.52 million in 2021. The Compound Annual Growth Rate in FTA in India during the period 2001-2021 was -2.42%.

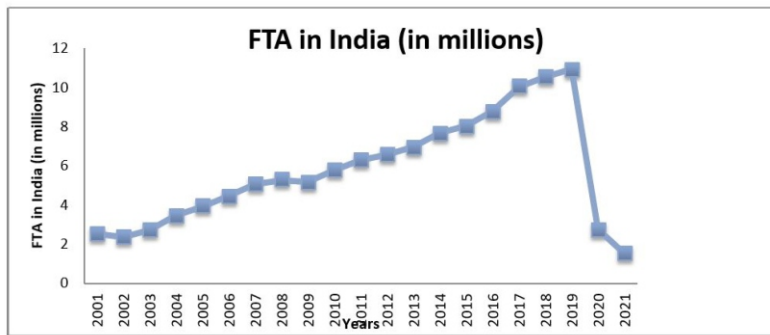


Fig: 1

Foreign exchange earnings

Foreign exchange earnings can be referred as invoice made by foreign travels in the domestic territory in the form of foreign currency that may ultimately raise foreign exchange reserve of India. This might not be a greater count in globalized competition but it contributes extravagant share in per capita income of the country. Table no. 2 depicts the foreign exchange earnings from tourism in India during the period from 2001 to 2021 and also its growth rate over previous year. 'Incredible India' was an effective campaign which result a hike in foreign exchange earnings. From the year of 2007, the foreign exchange earnings have arose from US\$ 10729 to US\$ 14490 in 2010 to US\$ 18445 in 2013 and decline due to COVID-19 to US\$ 6958 in 2020 and US\$ 8797 in 2021.

Table 2: Foreign Exchange Earnings (FEE) in India, 2001-2021

Years	FEE from Tourism in India(in US\$ million)	% change over the previous year
2001	3198	-
2002	3103	-2.97
2003	4463	43.82
2004	6170	38.24
2005	7493	21.44

2006	8634	15.22
2007	10729	24.26
2008	11832	10.28
2009	11136	-5.88
2010	14490	30.11
2011	17707	22.20
2012	17971	1.49
2013	18397	2.37
2014	19700	7.08
2015	21013	6.66
2016	22923	9.08
2017	27310	19.13
2018	28586	4.67
2019	30058	5.14
2020	6958	-76.84
2021	8797	26.4
CAGR		4.94%

Source: India Tourism Statistics, 2022

Overall the foreign exchange earnings jumped from 2001 to 2021 but in this progressive stage of swift growth, the attacks in 2008 to 2009 and COVID-19 restrictions in 2020 to 2021 showed a decline in foreign exchange. The Compound Annual Growth Rate in FEEs in India during the period 2001-2021 was 4.94%.

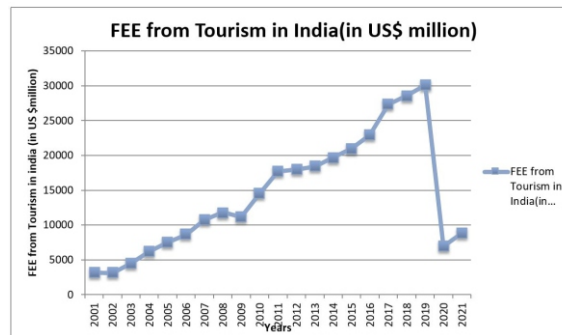


Fig: 2

Domestic and foreign tourists visits in India (numbers), 2001-2021

Table no. 3 represents the no. of domestic as well as foreign tourist arrivals to various spots in India. From the statistical data from ministry of tourism report, the number of tourist from native country have grown continuously every year which contributes a great percentage in earnings and national income, also contributing a major share towards employment generation. Simultaneously the no. of foreign tourist has also grown in subsequent manner and a swift growth has been analyzed over a no. of

years. Only the dark period of terrorist attacks in the year 2001 on legislative assembly in Jammu Kashmir and Parliament complex attack in New Delhi had given a shock to tourism industry. In 2002, the recovery measures were taken by Tourism ministry and government of India with the campaign *fIncredible India≈*. Additionally in 2008 attacks on Taj hotel created security questions in the minds of foreign travelers which led to falling visitors count but no effect was witnessed on domestic tourists. Over that Global financial recession and inflation added fuel to this fire. For remedial measures *fIncredible India 2.0≈* was launched in 2017. In 2019, domestic tourist visits increased by 25.33 percent over the previous year. On the other hand, there has been an increase in foreign tourist visits in 2019 as compared to 2017, 2018. However, domestic tourist visits remain far higher than foreign tourist visits. Aside from that, foreign tourists generally have a better level of awareness than domestic tourists. Table 3: Domestic and Foreign Tourist Visits to India (Numbers), 2001-2021

Years	No. of Tourists (in million)		Annual growth rate	
	Domestic	Foreign	Domestic	Foreign
2001	236.47	5.44	-	-
2002	269.60	5.16	14.01	-5.10
2003	309.04	6.71	14.60	30.10
2004	366.27	8.36	18.50	24.60
2005	392.04	9.95	7.00	19.00
2006	462.44	11.74	18.00	18.10
2007	526.70	13.26	13.90	12.90
2008	563.03	14.38	6.90	8.40
2009	668.80	14.37	18.80	-0.10
2010	747.70	17.91	11.80	24.60
2011	864.53	19.50	15.60	8.90
2012	1045.05	18.26	20.90	-6.30
2013	1142.53	19.95	9.30	9.20
2014	1282.80	22.33	12.92	13.12
2015	1431.97	23.33	11.60	4.48
2016	1615.39	24.71	12.80	5.92
2017	1657.55	26.89	2.61	8.82
2018	1853.79	28.87	11.82	7.36
2019	2321.98	31.41	25.33	8.80
2020	610.22	7.17	-73.70	-77.17
2021	677.63	1.05	11.00	-85.35
CAGR	5.14%		-7.53%	

Source: India Tourism Statistics, 2022

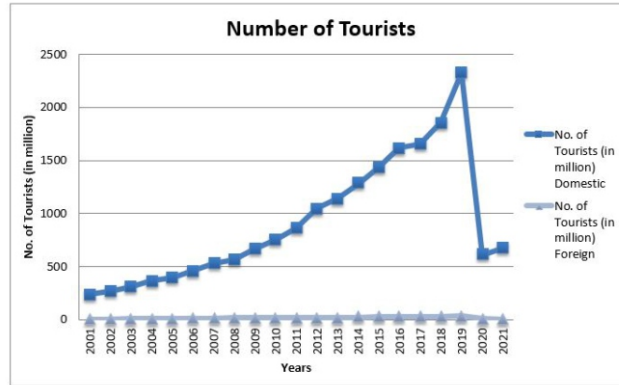


Fig: 3

In, 2021 India recorded 677.63 million domestic tourist visits, an 11 percent increase from 610.22 million in 2020. Due to COVID-19 Pandemic, fewer foreign tourists came. Therefore, India received 1.05 million international tourist visits in 2021 than in 2020 (7.17 million), representing a negative 85.29 percent growth rate. The CAGR of both the categories can be predicted as 5.14% for domestic tourist and -7.53% for foreign tourist arrivals.

State wise scene of foreign tourist arrivals in India

In India there are top 10 states where the foreign tourist visits every year. These states are of Punjab, Maharashtra, Delhi, Karnataka, Kerala, Tamil Nadu, Uttar Pradesh, West Bengal, and Rajasthan. The number of native and foreign tourists visits frequently to the important places to these states. Table no. 4 represents the total number of foreign tourists' visits to these states in 2021.

Table 4: State wise scene of foreign tourist arrivals in India

Rank	State/UT	Foreign tourist visits in 2021	
		Number	Percentage(%) share
1	Punjab	308135	29.2
2	Maharashtra	185643	17.6
3	Delhi	100178	9.5
4	Karnataka	72487	6.9
5	Kerala	60487	5.7
6	Tamil Nadu	57622	5.5
7	Uttar Pradesh	44737	4.2
8	Madhya Pradesh	41601	3.9
9	West Bengal	34828	3.3
10	Rajasthan	34806	3.3
	Total of Top 10	940524	89.2
	Others	114118	10.8
	G. Total	1054642	100.0

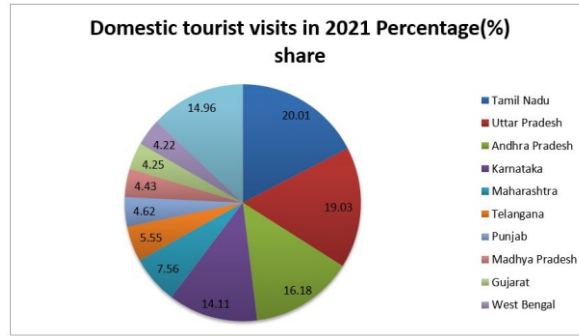


Fig: 4

Contribution of Travel and Tourism to GDP in India

Total contribution to GDP means GDP generated directly by the travel and tourism industry plus its indirect and induced impact. The total GDP rose from US\$ 55.9 billion in 2001 to US\$ 178.0 billion in 2021. There is a great jump in GDP of the tourism share in Indian economy in the year 2006-07. Due to COVID-19 pandemic, it was decline in 2019. The compound rate of total contribution to GDP was 5.67% during the time lap of 2001-2021.

Table 6: Travel & Tourism Contribution to GDP, 2001-2021

Years	Total Contribution to GDP (US\$ Billions)	Total Growth (%)
2001	55.9	-
2002	67.5	20.75
2003	82.6	22.37
2004	92.1	11.5
2005	78.6	-14.66
2006	85.7	9.03
2007	114.4	33.49
2008	124.9	9.18
2009	118.4	-5.2
2010	147.0	24.16
2011	166.6	13.33
2012	165.9	-0.42
2013	172.91	3.32
2014	185.63	7.88
2015	201.43	5.03
2016	219.72	7.26
2017	232.01	5.59
2018	247.37	6.62
2019	191.3	-22.67

2020	121.9	36.28
2021	178.0	46.02
CAGR	5.67%	

Source: World Travel & Tourism report, 2022

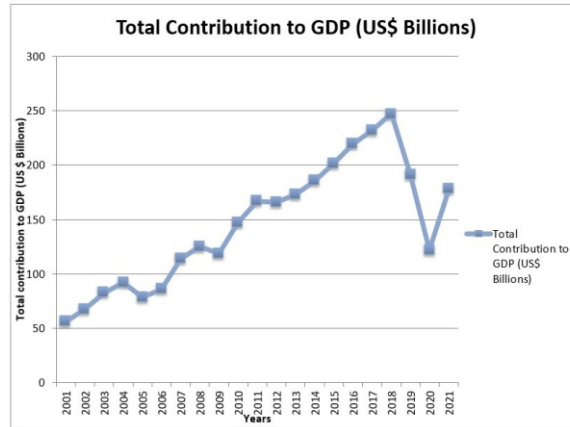


Fig: 5

Contribution of Travel and Tourism to Employment in India

Tourism industry creates a path for employment for formal as well as informal sectors in the economy. This employment includes both skilled as well as unskilled people. For this concern, government of India also takes initiative at certain times. Table no. 7 shows that total contribution to travel and tourism industry to employment has been increased from 40415.7 in year 2001 to 43649.9 in year 2019. This was majorly due to collaborations with various alien countries like with Indonesia in 2006 in hospitality sector, with Russia in 2008 for action plan and with Singapore in 2009 for action plan on tourism cooperation. Further, due to COVID-19 restrictions, it was decline after 2019.

Table 7: Travel & Tourism Contribution to Employment, 2001-2021

Years	FEE from Tourism in India(in US\$ million)	% change over the previous year
2001	40415.7	-
2002	45687.2	13.04
2003	48889.9	7.01
2004	49770.0	1.8
2005	42837.2	-13.93
2006	43132.7	0.69
2007	47105.1	9.21
2008	38904.6	-17.41
2009	36924.2	-5.09
2010	36159.1	-2.08

2011	37153.6	2.75
2012	37571.5	1.12
2013	38077.5	1.35
2014	39016.2	2.47
2015	39633.9	1.58
2016	40534.6	2.27
2017	41622.5	2.68
2018	42672.7	2.52
2019	43649.9	2.29
2020	29067.0	-33.41
2021	32264.4	11
CAGR		-1.07%

Source: world travel and tourism report, 2022

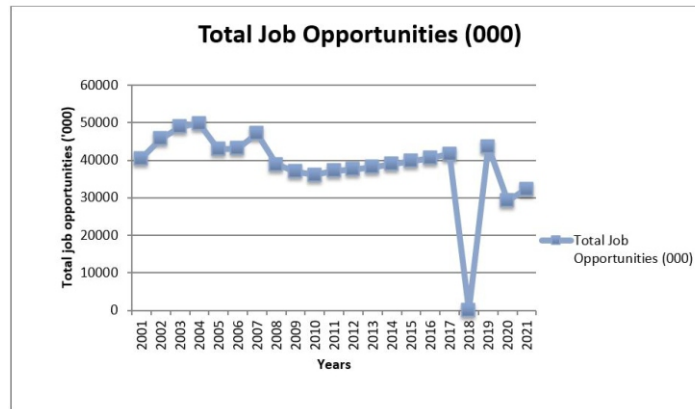


Fig: 6

Findings

From the above study made, it was found out that

1. The Compound Annual Growth Rate in FTA in India during the period 2001-2021 was -2.42%.
2. The Compound Annual Growth Rate in FEEs in India during the period 2001-2021 was 4.94%.
3. From Top 10 states of India, majorly 4 states named Punjab, Maharashtra, Delhi and Karnataka are the most important states which contribute 63.2% of foreign tourist arrival in 2021.
4. From Top 10 states of India, majorly 4 states named Tamil Nadu, Uttar Pradesh, Andhra Pradesh, and Karnataka are the most important states which contribute 69.33% of domestic tourist arrival in 2021.
5. Whereas employment is considered, no doubt years of destruction had led to downfall in employment yet in other years, employment has risen constantly. More government efforts are required to generate employment opportunities in this sector.

6. Continuous and steady growth was found each year in tourism industry except COVID-19 pandemic and thus more hikes can be seen in coming years in tourism.

7. Years of terrorist attacks and COVID-19 pandemic led to decline in foreign visitors and domestic tourist arrivals.

8. From the above tables, it can be estimated that tourism can bring more flourishing to Indian GDP in coming years as per previous records.

9. It can also be estimated that with the growth of domestic and foreign tourist arrivals, this industry can raise more in the coming future.

Suggestions

1. Hosting of various international events in our own country will promote tourism like common wealth games, stage show of international celebrities and cricket world cup in India.

2. Various strategies must be formed to enhance the growth of tourism and put oil to the development machinery. Not only officials, but the powers to promote tourism must be decentralized to notice greater growth.

3. Government should also raise their pace to promote tourism by contribution to tidiness of places and maintenance of these eyes catching spots.

4. Moreover the residents must also be made educated about the importance of these money earning sources.

5. Central and state government must take initiative to hire skilled and qualified staff with relevant facilities for the proper growth of tourism sector in India.

6. H.R. ministry should launch training programs to enhance efficiency of manpower indulged in tourism sector.

Conclusion

To verdict, it can ascertain that tourism sector is the fastest growing service as compare to other services. By promoting tourism in a responsible manner and avoiding the exploitation of natural resources, the country can generate foreign exchange earnings for overall development. The Indian government has taken various steps to transform India into a global tourism hub, recognizing the industry's potential. However, there is still need for improvement and the public and officials can take additional steps to develop this industry, which is a significant source of income. Empirical analysis of the period between 2001 and 2021 revealed a consistent year-on-year growth. This study has important policy implications, suggesting that India can enhance its economic growth by strategically utilizing the tourism industry's contribution and improving its governance performance. It is crucial to promote both domestic and international tourism to encourage local development and foster decentralized growth resulting from these activities.

Limitations

1. Only limited time period has been taken.
2. Only limited indicators have been used. If more of them were used then results may vary.
3. Secondary source of data has been used to work upon this paper so exact reliability issues on statistical values may vary.

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