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Emergence of Tourism in Sustainable Growth of India

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Abstract

Tourism has emerged as one of the world's largest growing service industries with sizeable economic benefits and immense opportunities. With the emergence of technological advancement, and competitiveness in service-based industries the tourism sector is playing a vital role in contributing to improve gross domestic product (GDP), creation of employment, poverty alleviation and sustainable human development across the world economy. Tourism has the potential to stimulate other economic factors through its forward and backward linkages with a host of sectors like agriculture, manufacturing, transport, hospitality, education, health, banking, etc. Expenditure on tourism induces a chain of transactions requiring supply of goods and services from these related sectors. The consumption demand emanating from tourist expenditure also creates more employment and generates a multiplier effect on the economy.

Keywords: Economic Development, Foreign Exchange, Sustainable Growth.

Introduction

Tourism is an important sector of Indian economy and contribute substantially in the country's Foreign Exchange Earnings. ¹ Globally an ever increasing number of destinations have opened up and invested in tourism, turning tourism into a key driver of socio-economic progress through export revenues, the creation of jobs and enterprises, and infrastructure development. Over the past six decades, tourism experienced continued expansion and diversification, becoming one of the largest and fastest-growing economic sectors in the world. Many new destinations have emerged apart from the traditional favorites of Europe and North America. Despite occasional shocks, international tourist arrivals have shown virtually uninterrupted growth from 25 million in 1950, to 278 million in 1980, 528 million in 1995, and 1,035 million in 2012. International tourist arrivals worldwide will increase by 3.3% a year from 2010 to 2030 to reach 1.8 billion by 2030 according to UNWTO long term forecast Tourism towards 2030. Between 2010 and 2030, arrivals in emerging destinations (+4.4% a year) are expected to increase at double the pace of that in advanced economies (+2.2% a year). The market share of emerging economies increased from 30% in 1980 to 47% in 2012, and is expected to reach 57% by 2030, equivalent to over one billion international tourist arrivals².

Global market trends indicate that long-haul travel, neighbouring country tourism, rural and ethnic tourism, wellness and health holidays, cultural tourism, spiritualism, ecotourism, sports and adventure holidays, and coastal tourism and cruises are a few emerging areas of tourist interest. From a geographic viewpoint, there has been a remarkable rise in Asian tourists, particularly from China and the East Asian countries. Further, the average age of an international tourist has also been reducing, representing a growing segment of young tourists who would typically travel to take a break from stressful professional lives.

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The World Tourism Organization (WTO) defines tourists as people who "travel to and stay in places outside their usual environment for more than twenty-four (24) hours and not more than one consecutive year, for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited". Persons whose duration of visit is less than 24 hours are called "Same Day Tourists" or "Excursionists". India also follows the same definition of the tourist³. As against the recommendation of collecting the data on international arrivals, India collects data on Foreign Tourists Arrivals (FTAs) because the data on arrival of non-resident Indians are still not available. Domestic tourist is defined as a person who travels within the country to a place other than his usual environment for duration of not less than 24 hours and for not more than 12 months at a time for any purpose other than taking up employment.

Objectives

It is true that tourism is an important and flourishing industry in the country. It accounts for one-third of the foreign exchange earnings of India and also gainfully employs the highest number of people compared to other sectors. Taking these factors into account the present article focuses on the following objectives,

- To understand the present scenario of Indian Tourism.
- To examine the International tourist arrival in India and find out the status of foreign exchange earning in India due to development of tourism industry.
- To analyse Indian tourism Sustainable Growth.

Present scenario of Indian tourism

The Indian Tourism sector is one of the largest service industries in the country in terms of its contribution to the Gross Domestic Product(GDP), and Foreign Exchange earnings, as well as for providing employment to millions. The sector in fact is expected to generate around US\$42.8 billion(INR 1,897.7) by 2017, according to an industry research. The amount of foreign direct investment(FDI) inflow into the hotel and Tourism sector during April 2000 at April 2013 was worth US\$6,664.20 million. Foreign tourist arrivals (FTA) during June 2012, registering a growth of 2.4 per cent and the domestic tourism is expected to increase by 15 percent to 20 percent over the next five years⁴.

Tourism in India is witnessing widespread growth on the back of increasing in bound tourism by the burgeoning Indian Middle Class, rising inflow of foreign tourists and successful government campaigns for promoting 'Incredible India'. Infrastructure development holds the key to India's sustained growth in the Tourism sector. Further the government has also allowed 100 percent foreign investment under the automatic route in Hotel and Tourism related industry. Significantly, the country has the potential to become a major global tourist destination, which the tourism sector exposed to contribute around INR 3,414.8 billion(US\$77.0 billion) by 2021. India is currently ranked 12th in the Asia Pacific region and 68th overall in the list of world's attractive destinations⁵.

Foreign tourist arrivals in the country have increased substantially during the past decade motivated by both, business and leisure needs and the further expected to grow at a compound annual growth rate(CAGR) of around 8 percent during 2014-2014. Visitor exports are a key component of the direct contribution of the sector. By 2021, international tourist arrivals are forecast to total 11,149,000, an increase of 6.1 percent pa generating expenditure of INR 1,344.7 billion (US\$30.3 billion). The country has received 3.3 million foreign tourist during the period January to June 2013⁵.

Sustainable tourism scenario in India

Tourism is one economic sector in India that has the potential to grow at a high rate and ensure the development of infrastructure at the destinations. It has the capacity to capitalize on the country's success in the services sector and provide sustainable models of growth. In India, the travel and tourism sector is estimated to create 78 jobs per million rupees of investment compared to 45 jobs in the manufacturing sector for similar investment. Along with construction, it is one of the largest sectors of the service industry in India. Apart from providing employment to a wide spectrum of job seekers from the unskilled to the specialized, a higher proportion of tourism benefits (jobs, MSME trade opportunities) accrue to women. Moreover, emphasis would increasingly be given to organising more short-term courses for the unskilled workforce as well as unemployed youth on the pattern of 'Hunar-se- Rozgar' and 'skill certification of service providers'. Besides, strategies followed during the 11th Plan may have to be suitably recalibrated to take care of the challenges from competing countries and to harness the full potential of Indian tourism. There are other concerns as well. A study conducted by Ministry of Tourism, Government of India at important tourist destinations reveals that lack of hygiene and sanitation is a major irritant for foreign and domestic tourists. Therefore, creation of awareness as well as making available the requisite facilities will be given high importance during 12th Five Year Plan through Plan through the following measures⁶:

- Sustainable Tourism criteria for India (STCI) and indicators for hotels, tour operators have been finalized. Similarly, the criteria and indicators for rural tourism and home-stays are being evolved. Action will be initiated for Tourism industry constituents not yet covered.
- The scope of Market Development Assistance scheme would be enlarged to cover participation of representatives of recognised national associations in workshops/ seminars on sustainable tourism organised by reputed organisations in India or overseas.
- Training of various stake holders under the existing plan schemes of the Ministry. Sustainable tourism development will include advancing some of the following niche tourism products or developing additional niche products such as :Adventure, Medical, Wellness, Golf, Polo, Cruise, Meetings Incentives Conferences & Exhibitions (MICE) ,Pilgrimage/Spiritual travel, Film Tourism and Eco/ Wildlife/ Caravan Tourism.

As tourism is a multi-sectoral activity, active convergence in the resources of various sectors involved in promotion of tourism at Central and State level is necessary for achieving the optimum results. It is the intention that the countrywide experiential tourism attractions get developed for the socio-economic benefit of local communities, especially in order to strengthen inclusive economic growth. It is equally important to ensure that increased socio-economic well-being does not cause permanent or long-term damage to the country's physical, cultural and environmental heritage. The use of existing resources, both tangible and intangible, has to be undertaken judiciously for the well-being of the present generation but not at the cost of depriving future generations of any part of our inheritance. The Planning Commission in the Approach Paper to the 12th Five Year Plan has mentioned that Tourism and Hospitality Sector has a key role to play in promoting faster, sustainable and more inclusive economic growth.

Tourists arrival and foreign exchange earnings in India

India is the world's seventh-largest country stretching from the high mountains of the Himalayas to the tropical greenery of Kerala, and from the sacred Ganges to the sands of the Thar Desert. More than one billion inhabitants are divided into two thousand ethnic groups and speak over 200 different languages. Conform its size and population, India has an almost endless variety of cultures, landscapes, monuments and places to explore. From the ancient ruins,

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fascinating religious structures, exotic cities and diverse landscape there is an endless collection of tourist attractions in India that will never cease to awe and fascinate the visitor. It accounts for one-third of the foreign exchange earnings of India and also gainfully employs the easily the highest number of people compared to other sectors⁷.

The FTAs in India continued to grow from 1.28 million in 1981, to 1.68 million in 1991, 2.54 million in 2001, to reach 6.58 million in 2012. During the year 2012, India registered a positive growth of 4.3 % over 2011. The compound annual growth rate (CAGR) in FTAs in India during 2001 to 2012 was 9.0 %. Table 1 gives the number of FTAs in India for the years 2000 to 2012 along with the corresponding growth rate over previous year¹.

Disembarkation card has the provision for recording the purpose of the visit for each foreign tourist. This data was compiled for the first time in the year 2009. Table 2 gives the percentage distribution of the FTAs according to the purpose of visit¹. An analysis of this data from disembarkation cards reveals that almost all the foreign tourists have recorded their purpose of visit. Country-wise data on purpose of visit, for those reporting the same, are presented in Table 2.8.2. About 27.2% of FTAs in India during 2012 were for the purpose of 'visiting friends & relatives' followed by the purpose of 'leisure, holidays and recreation'(27.1%) and 'business and professional' (22.5%). The highest proportion of visitors in the business and professional category were from China (64.4%) followed by Japan (60%). Regarding the regional distribution, for business & professionals, maximum (57.5%) visitors were from East Asia followed by 33 % from Central & South America. For visiting friends & relatives purposes, the highest proportion of FTAs came from North America (46.3%) followed by Australasia (42%). For medical purposes, the highest number of FTAs came from South Asia (9.3 %) followed by Africa (8.5%) and West Asia (8.4%).

Table 3 gives the percentage shares and ranks of top 15 source countries for India during 2011 and 2012¹. The top 15 tourist generating countries for India during 2012 and 2011 were same though there have been minor changes in the rankings of some countries in 2012 as compared to 2011. While Japan, Australia and Singapore have improved their rankings in 2012, decline in the ranks was observed for Malaysia and Nepal. The FTAs in India from United States of America (USA) were the highest (15.81%) during 2012, followed by United Kingdom (11.98%), Bangladesh (7.41%), Sri Lanka (4.51 %), Canada (3.89%), Germany (3.87%), France (3.66%), Japan (3.34 %), Australia (3.07%), Malaysia (2.98%), Russian Fed. (2.70%), China (Main) (2.57%), Singapore (2.00%), Nepal (1.91%) and Republic of Korea (1.66%). The share of FTAs from top 15 countries during the year 2012 was 71.37% as compared to 71.43% in 2011.

Foreign exchange earning in India

Tourism is an important sector of Indian economy and contributes substantially in the country's Foreign Exchange Earnings. FEEs from tourism, in rupee terms, during 2011 was Rs.77,591 crore (provisional), with a growth of 19.6%, as compared to the FEEs of Rs.64,889 crore (provisional) during 2010. During 2012, the Foreign Exchange Earnings (FEEs) from tourism registered a growth of 21.8% from Rs.77,591 to Rs.94,487 crore (provisional) when compared to FEEs during 2011. A statement giving FTAs in India and FEEs from tourism for the years 2000 to 2012 is given below in Table 4⁴.

Table 5 shows that the different states, Maharashtra (24.7 percent), Tamil Nadu (17.3 percent), Delhi (11.1 percent), Uttar Pradesh (9.7 percent) and Rajasthan (6.9 percent) were the top five states to receive inbound foreign tourists in 2011, accounting for nearly 70 percent of FTAs; West Bengal followed closely with 6.2 percent FTA traffic in 2011¹.

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The majority of foreign tourists visiting India are individual travellers (primarily business visitors), religious travelers and medical tourists; this is clearly evident from the high share of key business zones, religious sites and high-end medical facilities available in the country as represented in the top 10 Indian states that attracted over 90 percent of the FTAs in 2011.

Conclusion : To sum up, Indian tourism has vast potential for generating employment and earning large sums of foreign exchange besides giving a flip to the country's overall economic and social development⁸. Much has been achieved by way of increasing air seat capacity, increasing trains and railway connectivity to important tourist destinations, four-laning of roads connecting important tourist centers and increasing availability of accommodation by adding heritage hotels to the hotel industry and encouraging paying guest accommodation. But much more remains to be done. Since tourism is a multi-dimensional activity, and basically a service industry, it would be necessary that all wings of the Central and State governments, private sector and voluntary organizations become active partners in the endeavour to attain sustainable growth in tourism if India is to become a world player in the tourist industry.

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Table 1: Foreign tourists arrival in India

Year	FTAs in India	Annual Growth (%)
2000	2649378	6.7
2001	2537282	-4.2
2002	2384364	-6.0
2003	2726214	14.3
2004	3457477	26.8
2005	3918610	13.3
2006	4447167	13.5
2007	5081504	14.3
2008	5282603	4.0
2009	5167699	-2.2
2010	5775692	11.8
2011	6309222	9.2
2012	6577745	4.3

Source¹

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Table 2: Purpose of visit of FTAS in India

Year	FTA	Business and Professional	Leisure Holiday & Recreation	Visiting Friends and Recreation	Medical Treatments	Others
2009	5167699	15.1	57.5	17.6	2.2	7.6
2010	5775692	18.6	24.0	27.5	2.7	27.2
2011	6309222	22.5	26.0	24.9	2.2	24.3
2012	6577745	22.5	27.1	27.2	2.6	20.6

Source ¹

Table 3: Top 15 source countries for FTAS in IND.

Country	Rank	2011		Rank	2012		
		FTAs	% Share		Country	FTAs	% Share
USA	1	980688	15.54	1	USA	1039947	15.81
UK	2	798249	12.65	2	UK	788170	11.98
Bangladesh	3	463543	7.35	3	Bangladesh	487397	7.41
Sri Lanka	4	305853	4.85	4	Sri Lanka	296983	4.51
Canada	5	259017	4.11	5	Canada	256021	3.89
Germany	6	240235	3.81	6	Germany	254783	3.87
France	7	231423	3.67	7	France	240674	3.66
Malaysia	8	208196	3.30	8	Japan	220015	3.34
Japan	9	193525	3.07	9	Australia	202105	3.07
Australia	10	192592	3.05	10	Malaysia	195853	2.98
Russian Fed.	11	144312	2.29	11	Russian Fed.	177526	2.70
China(Main)	12	142218	2.25	12	China(Main)	168952	2.57
Nepal	13	119131	1.89	13	Singapore	131452	2.00
Singapore	14	119022	1.89	14	Nepal	125375	1.91
Rep. of Korea	15	108680	1.72	15	Rep. of Korea	109469	1.66
Total of top 15 Countries		4506684	71.43		Total of top 15 Countries	4694722	71.37
Others		1802538	28.57		Others	1883023	28.63
All Countries		6309222	100.00		Grand Total	6577745	100.00

Source ¹

Table 4: Foreign tourist arrivals and foreign exchange earnings

Foreign Tourist Arrivals and Foreign Exchange Earnings During the years 2000-2012						
Year	Foreign Tourist Arrivals (in nos.)	Percentage Change Over Previous Year	Foreign Exchange Earnings in Crore	Percentage Change Over Previous Year	Foreign Exchange Earnings (Million US\$)	Percentage Change Over Previous Year
2000	26,49,378	6.7	15,626,	20.6	3,460	15.0
2001	25,37,282	-4.2	15,083	-3.5	3,198	(-)7.6
2002	23,84,364	-6.0	15,064	-0.1	3,103	3.0
2003	27,26,214	14.3	20,729,	37.6	4,463	43.8
2004	34,57,477	26.8	27,944	34.8	6,170	38.2
2005	39,18,610	13.3	33,123,	18.5	7,493	21.4
2006	44,47,167	13.5	39,025	17.8	8,634	15.2
2007	50,81,504	14.3	44,360	13.7	10,729	24.3
2008	52,82,603	4.0	51,294	15.6	11,832	10.3
2009	51,67,699	-2.2	53,700*	4.7	11,136*	(-)5.9
2010	57,75,692	11.8	64,889#	20.8	14,193#	27.5
2011	63,09,222	9.2	77,591#	19.6	16,564#	16.7
2012	66,48,318	5.4	94,487#	21.8	17,737#	7.1
# Advance Estimates		*Revised Estimates				

Source: Ministry of Tourism, Annual Report 2012-13 ⁴

Table 5: share of top 10 states/uts in foreign tourist visits, 2011

Rank	State/UT	No. of Tourists (in millions)	Share(%)
1	Maharashtra	4.81	24.7
2	Tamil Nadu	3.37	17.3
3	Delhi	2.16	11.1
4	Uttar Pradesh	1.89	9.7
5	Rajasthan	1.35	6.9
6	West Bengal	1.21	6.2
7	Bihar	0.97	5.0
8	Kerala	0.73	3.8
9	Karnataka	0.57	2.9
10	Himachal Pradesh	0.48	2.5
	Total top 10	17.56	90.1
	Others	1.93	9.9
	Grand Total	19.49	100

Source: India Tourism Statistics at a Glance, 2011.¹