

The Impact of Tourism Industry on Gross Domestic Product and Balance of Payments in India

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Abstract

Tourism sector is one of the fast growing service sectors in the World. It acts as a powerful mechanism for economic growth. India is a matchless and perfect destination for both domestic and foreign visitors. India's wide variety of flora, fauna, tourist destinations, health and wellness centres, eco-tourism spots, adventure activities, culture, heritage, educational institution etc. attract both domestic as well as foreign tourists. The boost in the tourist arrivals have resulted in the swift growth of tourism sector in India. The growth of tourism sector has resulted in employment generation, foreign exchange earnings, development of infrastructure facilities, capital investment, socio-economic growth, increasing in the contribution to GDP and so on.

Keywords: India; Tourism; GDP; foreign earnings; Tourism policies

Tourism in India

Tourism in India has grown speedily from the last few years and is well bent to grow at faster pace in the upcoming years by the support of Indian government, the balanced growth in the income, employment, development of infrastructure and various international sports events. Government of India's 'Incredible India' campaign launched in 2002 has also been quite victorious [1]. In order to support quality standards and services, the Ministry of Tourism approves travel agents, tour operators, tourist operators and adventure tour operators in the country to firm guidelines. As per the estimate of Ministry of Tourism, there are almost 6,000 travel trade companies and firms comprising of tour operators, travel agents and tourist transporters. Tourist visits in the northern states of India witnessed a growth rate of 10.2% during 2008-2012 compared to the national average growth rate of 16.3% during the same period. U.S.A and U.K. accounted for the maximum number of foreign tourist visits in the northern states of Indian during 2012. Tourists were received from non-English speaking countries like Germany, Japan and UAE. While tourists visit states of Punjab, Haryana and Delhi for commercial land business related purposes, states of Himachal Pradesh, Uttarakhand, Jammu and Kashmir, Rajasthan and Punjab are preferred as respite destinations. For religious tourism, they choose states of Rajasthan, Uttar Pradesh, Uttarakhand and Jammu and Kashmir [2]. While multiple tourism circuits based on various themes exist across northern states, low level of stay durations by both domestic and international tourists indicates the need for more entertainment and leisure activities. India offers a wide collection of adventure sports for tourists. Trekking and skiing in the Himalayas, white water rafting on the Ganges and Beas, camel and jeep safaris in the deserts of Rajasthan, paragliding in Himachal, water sports in Goa and scuba diving in Lakshadweep and Andaman and Nicobar are just some of the options available for adventure tourists Buddhist circuit – There are various popular Buddhist tourist places in India, such as Bodhgaya, Rajgir, Nalanda, Patna, Vaishali, Kushinagar, Sarnath, etc. which attracts large tourists round the year. Religious tourism – India has a host of religious places stretching from Kashmir to Kanyakumari [3]. This spawns religious tourism. Illustratively, important destinations include Tirupati, Madurai, Rameswaram, Varnasi, Dwaraka, Amarnath, Badrinath and Kedarnath, The tourist organization of India had its foundation from the year 1945. A committee was appointed in 1945 under the Chairmanship of Sir John Sargent, Educational Advisor, and Government of India. The Sargent Committee submitted their interim

report in October 1946, but implication of the suggestions given by this committee was implemented after independence. As per the report of Sargent Committee, Tourist Traffic Committee was appointed in 1948. On the suggestion a Tourist Traffic Branch was setup in 1949 with regional offices at Kolkata and Chennai. The tourist traffic branch was further grown in 1955-56 from one branch to four branches and hand over a function to them via. Tourist Traffic, Tourist Administration, Tourist Advertisements, Distribution Section [4,5]. The main elements of culture which attract tourist to a particular destination fall under following categories: Pleasure climate, Scenic attraction, Historical and cultural attraction, Accessibility, Shopping, Adventure, Variety of cuisines, Accommodation, Relaxation and recreation

Impact of tourism sector on GDP

Travel and Tourism is the world's key industry and creator of jobs across countrywide and provincial economies. WTTC/WEFA research show that in 2000, Travel and Tourism was to generate, directly and indirectly, 11.7% of GDP and nearly 200 million jobs in the world-wide economy. These data are forecasted to total 11.7% and 255 million respectively in 2010. The industry's direct services to customers represent between 3 and 4% of GDP in most of the world economy and employ about 3% of the world's labour force. In some countries however, the hotel, catering and tourism industry employs as many as 10% of the work force [6]. Currently, the industry is growing worldwide about 3% per year; Tourism is vital sector of Indian economy and contributes significantly in the country's foreign exchange earnings. Foreign exchange earnings from tourism during 2011, were Rs 77591 Crore, with a growth of 19.6%, as compared to the foreign exchange earnings of Rs 64889 Crore during 2010. The flow of tourists directly and indirectly contributes to GDP of country

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the GDP of India was 1160 billion in 2008-09 which constantly start increasing with good pace and was touching 1920 billion in 2012-13. while in 2013-14 it further amplify to 2222 billion and is expected to grow as various measures are taken by the government to develop the new tourist destinations and various modern moods of entertainment are introduced (Table 1).

Foreign exchange earnings by India from tourism

Tourism is a vital sector of Indian economy and contributes considerably in the country's foreign exchange earnings. FEEs from tourism during 2011, were Rs. 77591 crore, with a growth of 19.6%, as compared to the FEE of Rs.64889 crore during 2010. In terms of US\$, FEE from tourism, during 2011, were US\$ 16564 million with a growth of 16.7%, as compared to US\$ 14193 million during 2010. The domestic tourist visits during the year 2010 are estimated to be 740.2 million, showing a growth of 10.7% over 2009. FEEs in US\$ terms during the month of June, 2016 were US\$ 1.595 billion as compared to FEEs of US\$ 1.498 billion during the month of June, 2015 and US\$ 1.470 billion in June, 2014. The growth rate in FEEs in US\$ terms in June, 2016 over June, 2015 was 6.5% compared to the growth of 1.9% in June, 2015 over June 2014. FEE from tourism in US\$ terms during January- 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 January/June, 2015 over January- June, 2014 (Table 2).

Balance of payments with respect to tourism

It is very important to focus on India's Balance of payment with regard to Travel and Tourism Sector. Travel receipts are mainly determined by the number of tourists visiting India during the time, social and political environment in India and abroad, cost conditions and so on. Even though gross receipts from travel and tourism have revealed a steady rise, there has been a deceleration in the rate of net receipts. This is because of a rise in payments under balance of payments account. This could be attributed to the fact that more and more of Indians are taking up foreign travel. The following table analyses the balance of payments and net receipts from the Travel and Tourism sector from 2007 to 2015 (Table 3).

Year	Travel and tourism direct contribution to GDP, INR Billion
2008-09	1160
2009-10	1228
2010-11	1437
2011-12	1674
2012-12	1920
2013-14	2222
2014-15	(7.64 trillion)

Source: India, Ministry of Tourism, Annual Report 2015-16.

Table 1: Travel and tourism direct contribution to GDP, INR Billion.

Year	Foreign Exchange Earnings (Rs. Crore)	Percentage Change Over Previous Year
2009	53,700	4.7
2010	64,889	20.83
2011	77,591	19.6
2012	94,487	21.8
2013	1,07,671	14
2014	1,23,320	14.5
2015	1,35,193	2.6

Source: Annual report 2015-16 govt of India.

Table 2: Foreign Exchange Earnings during the years 2009-2015.

Year	Tourist arrivals (Million No.)	Payments (million US\$)	Net receipts (m)
2010	2.52	2139	897
2011	2.67	2804	693
2012	2.43	3014	123
2013	2.45	3341	129
2014	2.88	3602	1435
2015	3.5	5510	985

Source: RBI Bulletin.

Table 3: Net receipts from the travel and tourism sector from 2007 to 2015.

Years	Capital investments
2010	1319.4
2011	1545.1
2012	1750.1
2013	1926.8
2014	2089.4
2015	2264.1
2016	2575.4

Source: Ministry of tourism, govt of India.

Table 4: Capital investment in tourism industry in India.

Capital investment in tourism industry in India

Due to the development of tourism in India, the Capital investment in Travel and Tourism industry has seen consideration in recent years. These tables reveal the capital investment in Travel and Tourism industry in India from the year 2010. Tourism sector is one of the fast budding service sectors in the World. It acts as a powerful instrument for economic growth (Table 4).

Conclusions

From the above study we can say that Indian tourism has an enormous potential for generating employment and foreign exchange earnings. Since it is a multi-dimensional and service oriented industry all divisions of the Central and State governments, private sector and charitable organizations become vigorous partners in the effort to attain sustainable growth in tourism of the country. The total number of foreign tourist arrivals in the country has increased. It showed an increasing trend except few years during the study period. It denotes that the Indian government is giving concentration both on the development of the tourism and activities related to tourism industry in India.

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