



## Tourism- Its Contribution to Growth

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### KEYWORDS

### INTRODUCTION:

Tourism is an important catalyst in the socio-economic development in the modern times because it contributes in multiple ways and strengthens the inter-connected processes. Tourism is portrayed as panacea for many evils such as underdevelopment, unemployment, poverty eradication, social-discrimination and so on. It also contributes in creating a global and regional socio-political environment for peaceful co-existence of the cultures and societies. As a result tourism is considered as one of the biggest "peace industries" which is a means to achieve global peace through development. Because tourism practiced in a responsible and sustainable manner brings about peace and prosperity of the people.

### Objectives of the study

1. To know the present status of global and Indian Tourism,
2. To recognize and understand relation between tourism and economic growth.
3. To study the challenges at present and future.
4. To suggest remedies.

### Method and Methodology

This study is based on secondary data which is available from Reports, journals, websites and books. The methodology adopted is to compare and analyze the data available for the period of seven years ie from 2005 to 2011 related to the topic and estimate the prospects for future.

### Present- Status of Global Tourism

The phenomenon of tourism since 1950 has been remarkable in terms of growth spread and diversification. The fast growth and spread not only resulted the globalization of people's movements as never before but also contributed in creating a vibrant industry and opportunities for millions of people.

According to the estimates of UNWTO, during 1990-2010, international tourist arrivals grew from 435 million to 940 million, recording an average annual growth of 5.8%. During this period, the international receipts also recorded considerable growth from USD 262 billion to USD 919 billion and its average growth has been more than double to that of the arrivals at about 12.54%. Regionally, international arrivals can be seen growing faster in emerging economics at a rate of about 7% compared to the world average of 4.45% during 2005- 2010, (Table1)

**Table 1 Regional Trends in International Tourist Arrivals**

	International Tourist Arrivals				Market share (%)	Avg Annual growth (%)
Region / year	2005	2008	2009	2010	2010	2005-2010
World	798	917	882	940	100	4.45
Advanced economies	453	495	474	498	53	2.48
Emerging economies	345	421	408	442	47	7.0

Source: UNWTO Barometer)

### Tourism Industry, world GDP and Employment

With passage of time, the travel and tourism industry has evolved to become one of the largest and most dynamic industries of the global economy. A WTTC study has estimated in 2010 that the contribution of travel and tourism to the world GDP was to the tune of 9%, whereas, its total employment effect was more than 235 million jobs, representing 8% of global employment.(Table- 2)

**Table 2 Economic Effects of Global Tourism and Travel Sector (WTTC)**

World	2005	2006	2007	2008	2009	2010
Travel Tourism Direct Contribution to GDP						
In US \$ bn	1377.85	1471.67	1647	1755.23	1641.27	1757.54
2011Price (US \$ bn)	1692.25	1732.33	1787.9	1763.93	1711.85	1768.77
Real growth (%)	0.4	2.4	2.8	-1.5	-3.4	3.2
% share	3	2.9	2.9	2.8	2.8	2.8
Travel and Tourism Total Contribution to GDP						
In US \$ bn	4415.35	4768.24	5366.87	5807.13	5408.68	5701.95
2011 Price (US \$ bn)	5424.19	5618.8	5853.46	5852.7	5652.89	5754.96
Real growth	3.3	3.6	3.6	0	-3.9	1.7
% share	9.6	9.6	9.6	9.4	9.3	9
Travel and Tourism direct contribution to Employment						
Real growth %	1.1	3.3	-0.6	-0.2	-2.3	0.9
% share	3.5	3.5	3.4	3.4	3.3	3.3
In thousands	95307.4	98473.9	97794	97527.6	95260.1	96130.5
Travel Tourism total contribution to employment						
Real growth (%)	0.6	2.7	3.1	-4	-3.1	-0.8
% share	9.4	9.5	9.6	9.1	8.8	8.6
In thousands	256508	263553	271805	260838	252720	250565

(Source: World Travel and Tourism Council)

Further the employment effect of international tourism appears to be optimistic in the medium to long-term. According to the UNWTO forecasts, the sector is expected to provide nearly 296 million jobs by 2019 given that there would be sustained growth of global tourist arrivals and the major economies maintain its momentum.

Status of Indian Tourism:

The tourism industry of India is economically important and grows rapidly. The world Tourism council calculated that tourism generated INR 6.4 trillion or the 6.6% of the nation's GDP in 2012. It supported 39.5 million jobs, 7.7% of its total employment. The sector is predicted to grow at an average annual rate of 7.9% from 2013 to 2023. This gives India the third rank among countries with the fastest growing tourism industries over the next decade.

According to the provisional statistics 6.29 million foreign tourist arrived in India in 2011, an increase of 8.9% from 5.78 million in 2010. This ranks India as the 38<sup>th</sup> country in the world in terms of foreign tourist arrivals. Domestic tourist visits to all states and union territories numbered to 850.86 million.

The Travel and Tourist competitiveness Report 2013 ranks India 65<sup>th</sup> out of 144 countries over all. The report ranks the price competitiveness of India's tourism sector 20<sup>th</sup> out of 144 countries. It mentions that India has quite good air transport (ranked 39<sup>th</sup>), particularly given the country's stage of development, and reasonable ground Transport infrastructure (ranked 42<sup>nd</sup>).

As per the UNWTO World Tourism Barometer, December 2013, India's rank in the World Tourism Receipts during 2012 was 16<sup>th</sup> and rank in international tourist arrival was 41. The rank of India was 7<sup>th</sup> among Asia and the Pacific Region in terms of Tourism receipts during 2012.

Talbe-3 Domestic Tourist Arrivals in India

Years	Domestic Tourist [in millions]	Percentage [%] change
2005	391.25	7.0
2006	462.31	18.0
2007	526.56	13.9
2008	562.98	6.9
2009	669.02	18.8
2010	740.0*	10.61

Source: Tourist Statistics, GOI  
\*Provisional

The tourist numbers and activities in India seem to suggest more of an optimistic scenario. The massive nature and significance of domestic tourism acts as the backbone of Indian tourism industry. The domestic tourist data further reveals a pattern of a few states garnering a larger chunk of the growing traffic. For instance, top five states namely Andhra Pradesh, Uttar Pradesh, Tamil Nadu, Maharashtra and Karnataka constitute around 67% of the total traffic in 2010. This is indicative of a trend in spatial concentration of tourist activities, which indeed has been consistently observed over many decades owing perhaps much to the religions / pilgrim tourism and location of important cultural attractions in those states.

Tabl-4 Indian Nationals Going Abroad  
No. of outbound visits [in millions]

Year	2005	2006	2007	2008	2009	2010
Growth %	15.6	16.1	17.3	11.1	11.8	11.4
Total	7.18	8.34	9.78	10.87	11.07	12.28

Not that Indians are touring only within its national limits. It is rather interesting to observe two main features of their overseas travel patterns. First and foremost is a consistent increase in the numbers of Indians taking international vocation travel over the years, which Table-4 would suggest growing from 7.2% in 2005 to 12.3% in 2010. Even when the global tourist movements fallen substantially as a results of global recession, Indian outbound traffic has been growing with consistency and stability. Second, rather more pertinent from the perspective of travel account balance, is the difference in terms of inbound and outbound tourist numbers. Where the later can be seen double to inbound numbers.

The phenomenal growth in outbound travel could be a by-product of many economic and social factors, most important being material prosperity and urge for travel and life styles. Other contributing factors being ease of travel documents like passport, visa, relaxation in foreign exchange regulations, better awareness of destinations and benefits of travel, etc.

Table-5 Contribution of Travel and Tourism sector in India [WTTC]

INDIA	2011			2021		
	INR bn <sup>1</sup>	% of total	Growth <sup>2</sup>	INR bn <sup>1</sup>	% of total	Growth <sup>3</sup>
Direct Contribution to GDP	1,570.5	1.9	8.7	3414.8	2.0	8.1
Total Contribution to GDP	3680.4	4.5	8.7	8523.1	4.8	8.8
Direct contribution to employment <sup>1</sup>	24,931	5.0	2.4	30,439	5.2	2.0
Total contribution to employment <sup>4</sup>	37655	7.5	2.4	47,480	8.1	2.3
Visitor exports	678.6	3.8	5.7	1344.7	2.1	7.1
Domestic spending	3509.6	4.3	9.1	7758.3	4.4	8.3
Leisure spending	3003.0	3.7	7.5	6332.8	3.6	7.7
Business spending	1196.6	1.5	11.1	2791.8	1.6	8.8
Capital investment	1233.0	4.7	12.2	2827.5	4.8	8.7

Source: WTTC estimates

1. 2011 constant prices and exchange rates
2. 2011 real growth adjusted for inflation [%]
3. 2011-2021 annualized real growth adjusted for inflation [%]
4. '000 jobs.

Based on an emerging tourism demand scenario of this nature, WTTC has estimated direct contribution of tourism and travel to India's GDP at constant prices for 2011 to be about 1.9% or 1570.5 billion and the same might reach 2% by 2012. Perhaps, total economic impact of the sector is estimated to be much higher at Rs.3680.4 billion [4.5% of GDP] and Rs.8523.1billion [4.9%] respectively during this period [Table-5].

As regards to employment generation in 2011, the sector's direct contribution worked out to be 5% and the total effects-direct and indirect together to stand at 7.5% in the country's total employment. Respective figures might rise to 5.2% and 8.1% by 2021 & such prospects need to be taken as an important indicator for concerted policy interventions and programming for tourism sector. Because as already established, the sector has a key role to play in the eradication of poverty and under development by way of creating employment and income opportunities for millions of the marginal and less empowered sections across the country.

Table-6 Investment Scenario of Travel and Tourism Sector in Asia [WTTC]

Travel and Tourism Investment		2011 [US \$ bn]
Ranking	Country	
2	China	95.80
4	India	26.70
14	Indonesia	12.20

18	Thailand	8.63
26	Malaysia	4.89
28	Vietnam	4.59
	World Average	3.60
53	Pakistan	1.57
75	Srilanka	0.58
79	Bangladesh	0.47
100	Cambodia	0.26

As it evolves, what is encouraging is an atmosphere of confidence for investments in the travel and tourism sector in India. Instantaneous being, as revealed by WTTC estimates, India ranks 4<sup>th</sup> in terms of travel and tourism investment in 2011 with a total of USD 26.7 billion (Table- 6). The Table would further suggest that in terms of investment, India is much ahead of most countries in the Asian region. Many factors can be attributed to this, like a consistently growing economy, fast expanding travel and tourism demand and supply, dynamic business environment, global integration and so on.

**Perspective of Tourism in India:**

The present day tourism activity has created considerable dynamism in India's aviation market. Air Travel has been accessible to millions of people. Further, with 454airports, of which 16 with international status, India may also be rated as one of the leading countries in Asia with regard to airport density. Under the new economic policy, the aviation sector is a critical enabler and enhancer of the overall business environment and economic growth.

The hotel industry, another major component of tourism, is also moving northward. For instance, during 2005-10, it grew at an impressive compound annual growth rate (CAGR) of 9.5% with Rs 131 billion earnings in 2010. The sector is also expected to provide over 40,000 jobs. (Source: FHRAI)

**Challenges to Tourism development:**

If tourism is to achieve its full potential as a force for promoting peace and prosperity, several challenges must be addressed.

**1. Internal stability:** In order to build a successful tourist industry, there is need to tackle internal instability and provide a safe environment for potential visitors.

**2. Solid infrastructure:** solid infrastructure is another pre-condition. There is need for huge capital investment to build the roads, air ports, hotels and leisure facilities needed to attract visitors in large numbers.

**3. Special Training:** Investment in human capacity are equally important Local communities need special training to work in the international hospitality industry. The hotel industry expects that people who work with foreign visitors be culturally aware of and sensitive to the expectations of a wide range of nationalities All of this requires training.

**4. Regulations and standards:** Laws must protect the environment from over development and safeguards the land, property, and livelihoods of communities affected by tourism. This requires the presence of strong and effective institutions, at national and local levels.

**5. Eco- tourism:** Governments need to emphasize implementing sound principles and best practices of ecotourism. High quality ecotourism can bring more revenue and decrease the harmful social and environmental effects of uncontrolled mass tourism.

**6. Strategic oversight:** Too many countries fail to reap the rewards of tourism because of poor planning, poorly thought out strategies and fundamental policies. Strategic oversight includes everything from overall budget planning and encouraging outside investment to educating host communities.

**Conclusion:**

Tourism is a global industry with which the developing countries can shape their economies positively and can achieve higher levels of growth. Tourism is no longer a pursuit of the rich but millions of people from all walks and shades of the society have already embraced it as a means to fulfill their social needs and economic achievement. The potential of tourism can be used as one of the engines of socio-economic progress. It is certainly an effective tool to solve many issues of development of a country. But much depends on the way the tourism sector is planned, managed and developed along with the role and responsibilities of the people and the government in building a qualitatively better and stronger tourism industry.

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