



TOURISM INDUSTRY – A TOOL FOR ECONOMIC DEVELOPMENT OF INDIA

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INTRODUCTION

Tourism industry is one of the major segments of our economy, it contributes major part of foreign exchange and generates employment and helps infrastructure development. Government of India has formulated policies to boost the tourism industry. Tourism will expand greatly in future mainly due to the great revolutions that are taking place in demand and supply. Thus the study is a critical issue in tourism industry. And new product development and innovation is essential for survival. Health tourism in India is promoted as high-tech healing destinations, while provide world-class treatment at low cost, incorporating the India system of medicine-ayurveda, naturopathy, unani, sidha and allopathic.

These are attracting both domestic and international tourists. In India, adventure tourism and nature tourism have been identified as the largest segment of global and domestic tourism. The geographical diversity makes India as a heaven for adventures. MICE (Meetings Incentives Conventions and Exhibitions) tourism is a fast emerging sector; especially after the liberalization of the India economy and Indian tourism industry is equipped' with all facilities to welcome business tourists. Sustainable tourism is a new concept, which says that the tourism development should meet the needs of the present without compromising the ability of future generation to meet their needs.

Tourism is not merely an activity for pastime and entertainment. It is an enriching and energizing activity. For a developing country like India which is on the path of modern economic growth through structural transformation of the economy, In 2005 India emerged as one among the top 40 tourism earners. Thanks to the vibrant tourism industry, there is now an almost assured channel of financial flow to the country. India's tourism is also a major source of employment, as a labor-intensive activity in a labor-surplus economy. With its forward and backward linkages with a host of sectors like transport, hospitality, education, health, banking etc, India is all set to reap full potential of this vibrant sector.

PROGRESS OF TOURISM INDUSTRY IN INDIA

Tourism development has always has been an integral part of the country's five year plans. Initially allocations were meager: Rs.3.36 crore in the Second Plan and Rs.5.00 crore in the Third Plan, Rs.36 crore in the Fourth Plan. It doubled in the Fifth Plan. The National Tourism Policy in 1982 gave a momentum to this sector. Expenditure rose from about Rs.187 crore in the Seventh Plan to Rs.595 crore in the Ninth Plan and further to Rs.2900 crore in the Tenth five-year Plan. The Tourism Development Corporation, Tourism Finance Corporation, Hotel Management and Catering Technology Institutes, Food Craft Institutes, Indian Institute Tourism and Travel Management, India Tourism Development Corporation, Indian Association of Tour Operators, Travel Agents Association of India and a large number of hotel management colleges, sports and adventure clubs, beach resorts etc have also contributed to the growth and development of this industry. Emphasis laid on HRD is clear.

The first major effort to promote the industry was launched with the announcement of 1991 as the '**Visit India Year**'. Enormous tourist resources were commercialized. The first ever Indian The next decade saw the restructuring of the schemes of Integrated Development of Tourist Circuits, and Product/Infrastructure Destination Development. Additional schemes/incentives were announced for service providers. Upgrading of beaches, airports, tax incentives were also introduced. Besides creating an official website for the Tourism Ministry, now the calendar of events is planned. Even the new initiatives to encourage the NRIs and PIOs, through visit India programmes,

Tourist arrivals are projected to increase by over 22 per cent per year through till 2010, with a 33 per cent increase in foreign exchange earnings recorded in 2014. The Tourism Ministry has also played an important role in the



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development of the industry, initiating advertising campaigns such as the “**Incredible India**” campaign, which promoted India’s culture and tourist attractions in a fresh and memorable way. The tourism industry has helped growth in other sectors as diverse as horticulture, handicrafts, agriculture, construction and even poultry. India’s governmental bodies have also made a significant impact in tourism by requiring that each and every state of India have a corporation to administer support issues related to tourism. The tourism industry of India is based on certain core nationalistic ideals and standards which are: Swaagat or welcome, Sahyog or cooperation, Soochanaa or information, Sanrachanaa or infrastructure, Suvidha or facilitation, Safaaai or cleanliness and Surakshaa or security.

The number of domestic tourists rose from 63 million in 1990 to 109.2 million in 1993 and to 341 million in 2013, registering an annual growth of over 18 per cent. Inbound tourism was only 17,000 in 1951. Foreign arrivals to India rose from 0.12 million in 1960 to 1.68 million in 1991, to 2.75 million in 2001 and to 4.37 million in 2013. In rupee terms tourism receipts have grown from Rs.7.7 crore in 1951 to 11,540 crore in 1998, to Rs.14,408 crore in 2000, and to Rs.22,883 in 2014.

NEW ISSUES AND CHALLENGES OF TOURISM INDUSTRY IN INDIA

Post globalization and under GATS many changes and challenges are confronted by the tourism industry in India. A few are may be mentioned here.

1. **Liberalization and Tourism:** - GATS came into existence as a result of the Uruguay Round of negotiations and entered into force on 1 January 1995, with the establishment of the WTO. India also signed all the WTO agreements under the single undertaking rule and GATS is a part of this whole package. More and more services like transport, banking and insurance, tourism etc became “tradable services’. Under GATS, tourism and travel related services – hotels and restaurants (including catering), travel agencies and tour operators’ services, tourist guide services etc are covered for open market access and liberal FDI. With this, tourism has become “consumption abroad” and travel of tourists, “**movement of natural persons**”.. Now the question is whether India is in a position to export-import labor, capital and technology to reap the advantages of enhanced market access an upgrade its tourism sector. Openness in sky and land – vigorous competition ahead, need for quality assurance – is India able to meet the challenges? This is the ground reality. Already the growing focus on China in food chains etc is visible. How will India be able to handle the issue of “direct interaction with service providers”?, how equipped is it to meet the high international standards in services? Shortage of skilled and trained manpower is another obstacle in benefiting from the opportunities thrown open by GATS to tourism. There has been increasing pressure form powerful blocks like European Community (EC) also.
2. **Social and Political Concerns:** - Globalization – like in most other fields – has raised socio-cultural issues in tourism too. These relate to the developmental, cultural and environmental effects liberalization of tourism can have on local communities and sensitive locales. From going global we have arrived to the need for “thinking globally and acting locally”. The nexus of globalism and tourism is so sensitive that it is a real challenge to development of environmentalism. These are a few aspects of the new paradigm of “geo-politics of tourism” today. No doubt, technological improvements are likely to lead to increased destination alternatives to physical tourism (e.g. cyber tourism). Our tourism industry must prepare itself to meet these and other emerging challenges.
3. **Infrastructural Bottlenecks:** - A sector that is expected to increase forex by rupees 5000-10000 crore by 2010, cannot go on and on with the mediocre infrastructural facilities. For example, the Indira Gandhi International Airport which today ranks amongst the worst in the world according to the WTCC Report needs to be converted into a modern state-of-the-art airport. Lack of integration between domestic and international tourism, lack of coordination between modes of transport and communication is eating up people’s time and money, unproductively. Success of tourism depends to a large extent on better access to infrastructure, with a consumer-centric approach.



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4. **Alternatives:** A major breakthrough is taking place in international tourism. That is alternative tourism, a new option for India too. This includes health tourism, village tourism (in the vintage of global village!), sports and games tourism etc. Kerala has done innovative thinking in “monsoon tourism”. This is really a rich and attractive avenue that not only helps reduce seasonality of tourism but also ensure optimum use of tourist facilities and services. India’s challenge is illuminating because of its vast rural areas and rural-urban continuum.

TOURISM- AN INSTRUMENT FOR ECONOMIC DEVELOPMENT OF INDIA

- **Indian tourism on a roll**
With increasing disposable incomes and a flourishing economy, holidaying remained a popular trend driving travel and tourism. Indian travellers continued to spend lavishly on travel and were keen to explore newer destinations. Travel is further promoted by addition of capacity by airlines which are offering value fares to the booming population of Indian travellers. Domestic tourism also grew in a big way with increased holidaying.
- **Ministry of tourism engages in further promotional activity**
Ministry of Tourism, in efforts to tap the potential markets, extended the facility for Visa on Arrival (VoA) to a further six countries, in addition to the existing five in 2011. On top of the Incredible India campaigns, the government continued to raise interest in India by conducting trade shows in many countries including Cambodia, Vietnam, Bangkok, Los Angeles, New York, and Port of Spain. State governments are planning to promote each state as a destination for different form of niche tourism. In line with this, the North-east region would be promoted as a destination for adventure tourism and Jammu and Kashmir would be promoted as a destination for pilgrimage tourism.
- **Medical tourism strengthens**
Medical tourism, of all forms of niche tourism, grew at a rapid pace and is expected to maintain double-digit growth over the forecast period. With qualified Indian doctors and advanced equipment, India also benefited from offering cheaper medical services compared with other competing destinations including Singapore, Malaysia, and the Philippines. Indian medical tourism attracts many tourists from US, Europe and Middle Eastern regions where medical treatment remains more costly. Medical tourism in India is likely to be one of the key niche tourism growth areas for in India throughout 2011 and 2012.
- **Travel accommodation players increase capacity at a faster rate**
In anticipation of huge demand driven by inbound and domestic travel, and current scarcity of rooms, hotels continued to add capacity at a fast rate. In 2011, travel accommodation witnessed the entry of many foreign players who foresaw huge demand for budget hotels, and subsequently planned to launch their brands in India. A few leading foreign chains and domestic players including Starwood Capital and Carlson Hotels are adding capacity to increase supply in the budget segment. Addition of huge capacity is likely to create a supply demand mismatch resulting in intensive competition in the near future. However, a few regions including Maharashtra and Karnataka are likely to absorb capacity due the increasing demand driven by business and luxury travellers. Luxury hotels also added capacity and have launched new outlets in 2011 and quite a few hotels are in pipeline.
- **Low-cost carriers outperform competition**
Indian aviation underwent intense competition throughout 2011 and share of throat continued to gradually shift hands towards low-cost carriers. Low-cost carriers including Spice Jet and Indigo witnessed growth at a much faster rate than scheduled airlines, and continued to gradually eat into the share of other major players. With such growth, low-cost airlines are expected to account for the major share over the forecast period. Low cost leaders including IndiGo and SpiceJet have launched international flights and are offering value fares. The move would create even stiffer competition for other international and Indian



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players which operate international flights. With budget airlines offering international flights, outbound travel is going to get cheaper to further drive Indian tourists to make international trips.

- **Increased tourist movement**

Increased FTAs and tourist movement within the country has aided growth in the hospitality industry. Healthy corporate profits and higher disposable incomes with easier access to finance have driven the rise in leisure and business tourism, thus having a positive impact on the hospitality industry.

- **Economic growth**

India is one of the fastest growing economies in the world. It recorded healthy growth in the past few years, at more than 9% each during FY06-FY08. Despite the global economic slowdown, the Indian economy clocked growth of 6.7% and 7.4% in FY09 and FY10 respectively. Attractiveness of India has encouraged foreign players to set up their operational facilities in the country. Domestic industries have also made heavy investments to expand their facilities through Greenfield and brownfield projects.

- **Changing consumer dynamics and ease of finance**

The country has experienced a change in consumption patterns. The middle class population with higher disposable incomes has caused the shift in spending pattern, with discretionary purchases forming a substantial part of total consumer spending. Increased affordability and affinity for leisure travel are driving tourism in India and in turn aiding growth of the hospitality industry. Emergence of credit culture and easier availability of personal loans have also driven growth in the travel and tourism and hospitality industries in the country.

MEASURES UNDERTAKEN BY THE GOVERNMENT OF INDIA TO PROMOTE “TOURISM INDUSTRY”

Various policy measures undertaken by the Ministry of Tourism and tax incentives have also aided growth of the hospitality industry; some of them include:

- Allowance of 100% FDI in the hotel industry (including construction of hotels, resorts, and recreational facilities) through the automatic route
- Introduction of ‘Medical Visa’ for tourists coming into the country for medical treatment
- Issuance of visa-on-arrival for tourists from select countries, which include Japan, New Zealand, and Finland
- Promotion of rural tourism by the Ministry of Tourism in collaboration with the United Nations Development Programme
- Elimination of customs duty for import of raw materials, equipment, liquor etc
- Capital subsidy programme for budget hotels
- Exemption of Fringe Benefit Tax on crèches, employee sports, and guest house facilities
- Five-year income tax holidays for 2-4 star hotels established in specified districts having UNESCO-declared ‘World Heritage Sites’.
- The fourth meeting of ASEAN and India Tourism Ministers was held in Vientiane, Lao People’s Democratic Republic (PDR). A protocol to amend the memorandum of understanding (MoU) between ASEAN and India to strengthen tourism cooperation was also signed.
- Mr Chiranjeevi, Union Minister for Tourism, Government of India, has complimented the Government of Madhya Pradesh for becoming the first State in the country to fully utilise plan funds released to them by the Ministry of Tourism, Government of India for the development of tourism infrastructure at various tourist sites in the State.
- The Ministry of Tourism has also sanctioned central finance assistance (CFA) worth Rs 43.87 crore (US\$ 8.02 million) for the development of Solapur mega circuit in Maharashtra.
- The tourism sector can also be considered as the backbone for allied sectors, like hospitality, civil aviation, and transport. Domestic tourism is very huge in the country, promoted by various intents. Pilgrim and leisure tourism are two very important sectors.



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The Ministry of Tourism has also played an important role in the development of the industry, initiating advertising campaigns such as the 'Incredible India' campaign, which promoted India's culture and tourist attractions in a fresh and memorable way. The industry has been witnessing an upswing for last few years partially due to an excellent 'Incredible India' campaign and is expected to increase up to US\$ 431.7 billion by the end of 2020. On the other front, India has the potential to develop the rural tourism industry. This can benefit the local community economically and socially, and enable interaction between tourists and locals for a mutually enriching experience.

SUGGESTIONS

The following are certain guidelines that have to be followed to achieve sustainable tourism:

1. A general tourism policy incorporating sustainable tourism objectives. National regional and local level should be followed.
2. Targets established for the planning, development and operation of tourism involving various government departments, public and private sector companies, community groups and experts could provide widest possible safeguards for success.
3. Primary consideration should be given to the protection of natural and cultural assets.
4. All tourism participants will follow ethical and sound behavioral and conservative rules regarding nature, culture, economy and community value system. The distribution of tourism development project should be rationed .on the basis of equity.
5. Public awareness of benefits tourism and how to mitigate its negative impacts should be pursued.
6. Local people would be. encouraged to assume leadership roles in planning and development. In the Tourism Policy, 1982 the guidelines in Eco-tourism. It indicates that the key players in the eco-tourism are Central Government and state government, local authorities, developers, operators, visitors and local community. Each of them has to be sensitive to the environment and local traditions and follow the guidelines for' successfully development of sustainable tourism.
7. 1. India should make the most of its topography, natural resources and labor to develop not only traditional products but also non traditional products of tourism.
8. There is a need to showcasing rural tourism as a byproduct of Indian tourism. At the same time eco-tourism for sustainable livelihoods must be encouraged.
9. Stepping up investment and boosting (world class) infrastructural activities, and enhancing security should be on the top of the agenda. Service quality – in hotels, airports, railway stations, etc – needs to be upgraded.
10. Proper market segmentation should be done on the basis of criteria like demographic, socioeconomic and geographic variables. Yet a holistic approach should be the objective to project an Incredible and Inclusive India. Commercialization should not result in dehumanizing tourism.
11. Education, research and training are crucial cogs in the wheel of tourism. HRD should be given priority. Adequate importance should be given to inductive research on historical importance and contemporary relevance. Tour operators, guides must develop a good rapport with tourists. Edutainment is in vogue. We must circulate it faster. From touring to learn we should move to learning to tour.

CONCLUSION

Tourism can be one of the effective tools for building a prosperous community, economically, socially and culturally. It must be environmentally sustainable and based on the sustenance of the natural and cultural base. Each destination should examine whether it has adequate attractions and facilities for tourism and there is a potential for tourism generating markets to be open to exploitation. The carrying capacity is the central principle in environmental protection and sustainable tourism development. It determines the maximum use of any place without causing negative effects on resources on community, economy and culture. Thus tourism has to be environmentally sustainable in both natural and cultural environment. The story of globalization and tourism are interrelated as both are crossing the national boundaries, making interconnectivity in world on an unprecedented



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scale and unimaginable speed. GATS has indeed opened new vistas of growth for the tourism industry and fresh challenges are in the offing. India needs a long term plan for this industry with periodic evaluation and revision. A one size fits all approach to tertiary activities including tourism, will not help. Tourism's uniqueness should be clearly understood. Our preparedness for new challenges can be tested by growth coupled with qualitative changes.

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