

Government Initiatives and Tourism Growth in India: A Quantitative Analysis

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Abstract

Government is a powerful stakeholder which determines and regulates the role and behaviour of stakeholders that aids the business to prosper with equity. Government facilitates the business by providing basic infrastructure and essential services. Various initiatives of the government as an interested party in Hospitality and Tourism in the country has been analysed. There is a clear evidence of tourism progressing in all aspects by the efforts of government. Tourism in our country is progressing by attracting foreign direct investment, upward movement in the ranking as a tourism destination by international institutions, improved foreign exchange earning and world class infrastructure. Tourism and hospitality industry in the country is rising with a promising future.

Keyword: Government of India, Tourism, PRASAD, HRIDAY, FDI, Visa on Arrival

Introduction

The sustained success of any business depends on the role of different stakeholders and the interactive actions between them. Business is a bundle of stakeholders with different resources, each having their vision, goals, objectives, and motives that may conflict with each other. The customer wants the best value for the money where as the service provider intends to maximise their profits which may lead to a difference in opinion. The industry has a broad array of stakeholders with a different business perspective which inflates the complexity in the business that may detrimental to the prospects of an industry. Government facilitates the business by providing basic infrastructure and essential services. Government is a powerful stakeholder which determines and regulates the role and behaviour of stakeholders that aids the business to prosper with equity. Among different stakeholders, the government has the power to negotiate with stakeholders to ensure stability and security through its legal and financial frameworks (Elliot,

1997). Tourism is not an exception, the government provides various infrastructure and services that catapult the growth of tourism in a country. Generally though there is no direct benefit in tourism growth other than recovering taxes, the state investment for tourism is mainly for the wellbeing and the growth of the local economy of a destination.

UNWTO states that the contribution of the tourism industry to world' GDP (Gross Domestic Product) is about 10 per cent and generates 9.99 % jobs across the world. Tourism is a major economic force that obtains foreign exchange for a country (Senthil & Seal, 2017). The ministry of tourism of a country act as a nodal agency that develops policies and regulations. It also facilitates by providing investment, marketing of destinations, encouraging private investment, and developing human resource (Ministry of Tourism, Government of India, 2017).

The paper focuses on various initiatives of the central government as a stakeholder that has a significant influence on hospitality and tourism growth in the country. The role of government initiatives towards foreign direct investment (FDI), new visa policies, tourism promotional schemes, and development of new tourism circuits were analysed.

Government initiatives on FDI

Reserve Bank of India (RBI) defines FDI as "*Investment by non-resident entity/person resident outside India in the capital of an Indian company*" (Reserve Bank of India, 2017). The outward FDI denotes the investments made by the residents of a country in foreign countries while the term inward FDI denotes that the value of investment received by a country through the foreign country nationals. (OECD, 2017). FDI for a country leads to an increase in economic growth and development as foreign companies contribute a large sum of money, transfer of new management skills and technology which broadens the knowledge and experience of domestic firms (OECD, 2003). The government of India allowed 100% FDI to tourism and hospitality industry for construction of accommodation and recreational facilities. International hospitality chains such as Hilton, Accor, Marriott International, Berggruen Hotels, Cabana Hotels, Premier Travel Inn (PTI) and InterContinental Hotels group have proposed big investments in India. Tourism and Hospitality is one of the major service sectors that attract the maximum FDI (DIPP, 2016). The details on changes of FDI inward and outward is analysed and presented in Table 1.

Table 1**FDI flow -Inward and outward from 2007-08 to 2015 -16**

Year	FDI Investment (Inward) (in US \$ Million)	Year to year Change	FDI Investment (outward) (in US \$ Million)	Year to year Change
2007-08	43406		19257	
2008-09	35581	-18%	16096	-16%
2009-10	27397	-23%	15968	-1%
2010 -11	36499	33%	12608	-21%
2011 -12	23996	-34%	8553	-32%
2012 -13	28153	17%	1766	-79%
2013 -14	34576	23%	11687	562%
2014 -15	44008	27%	7515	-36%
2015 -16	44458	1%	5048	-33%

(Source: OECD FDI flows assessed from <https://data.oecd.org/fdi/fdi-flows.htm#indicator-chart>)

The analysis concludes that inward flow of FDI started increasing from the year 2013 onwards and reached a peak in the year 2014-2015 with the year to year growth rate of 27% and later it remains constant. The data during the 2008-2012 shows a steep decrease and increase. There is no stability in the FDI inflow. The outward FDI results show that the highest FDI outflow was in the year 2013-2014 with a year on year growth of 562%. But the data shows that except for the year 2013-2014, there is a negative trend of FDI outflow. Results reveal that our country is presently able to attract more FDI in tourism and hospitality industry as it encourages the domestic investors to invest more in Indian soil.

The balance of payment (BOP) is also a macro economic indicator, an orderly recorded economic transactions between the resident of reporting country and a foreign country for certain period (Rahman, 2016) and is closely related to FDI. The BOP of a country should be in equilibrium. A deficit in BOP may lead to deflation and unemployment. From the year 2010 onwards, there is a sharp increase in BOP deficit in India till the year 2012. The correlation between BOP and the contributions of tourism to GDP is analysed, to determine the significant relations between two macro economic indicators. The result of Pearson product movement correlation between BOP and Tourism's contribution to GDP shows that there is a strong negative correlation. The strong negative correlation shows that the tourisms' GDP contribution helps the BOP to be retained close to equilibrium.

Table 2

Result of Pearson Correlation between India's BOP and Tourism Contribution to GDP

Year	TOURISM to GDP (in Percent)	BOB (US\$ Million)	Correlation Coefficient (r)
2007-08	8.48	30972	
2008-09	10.26	26186	
2009-10	6.64	54516	
2010 -11	5.48	62518	
2011 -12	6.54	91471	-0.746**
2012 -13	7.18	49226	
2013 -14	7.93	27456	
2014 -15	7.14	22456	

** Significant at 5%.

(Source: OECD FDI flows assessed from <https://data.oecd.org/fdi/fdi-flows.htm#indicator-chart>)

Growth of Tourism in India

Table 3 presents the tourism growth in the country for eight years. The data on Ranking in terms of Foreign Tourist Arrival (FTA) by UNWTO, the foreign exchange earnings (FEE) from the Annual Reports of Ministry of Tourism, Government of India and the ranking given by World Economic Forum based on countries travel and tourism competitiveness.

Table 3

Performance of India as a Tourism Destination

Year	World Rank *	FEE** (in US\$ Billion)	Competitiveness Index***
2008-09	41	11.4	65
2009-10	40	14.2	62
2010 -11	68	16.6	68
2011 -12	42	17.7	-
2012 -13	65	18.4	65
2013 -14	41	20.2	-
2014 -15	40	21.1	52
2015-16	24	23.15	40

- * UNWTO, -World Tourism at a Glance: Yearly Reports
- ** Annual Report of Ministry of Tourism, Government of India
- *** Travel and Tourism Competitiveness Index by World Economic Forum

It terms of World ranking based on the FTA, India' rank has been considerable increasing. There is a commendable jump in the world ranking during the year 2015-2016. The increasing ranking shows that India has been a favourable tourist destination among foreign travellers. The foreign exchange earnings through tourism in India increased to twofold compared to the initial years of study.

World Economic Forum (WEF) developed a process to create travel and tourism competitiveness index based on four parameters such as "Enabling Environment", "Travel and Tourism Policy and Enabling Conditions", "Infrastructure" and "Natural and Cultural Resources". This helps both destination and the travellers to have a vivid idea about the travel and tourism facilitation in a particular country. India as a travel destination based on the defined travel and tourism competitiveness moved from 65th position to 40th position. The improvement in tourism related infrastructure and government policy helped India to move forward in the competitiveness ranking.

Visa on arrival is a scheme to facilitate the foreign travellers plan to visit India to promote tourism footfall in India. The scheme is implemented from the year 2010 providing visa on arrival initially for five countries, presently expanded to more than 161 nations. Three Indian ports and 24 airports were permitted to provide visa on arrival (Incredible India, 2017). The data on the visa on arrival is presented in the following Table 4.

Table 4**Correlation between the Number of Visa on Arrivals issued and Foreign Tourist Arrival in India**

Year	Number of Visa	Percentage Change	of FTA	Correlation Coefficient (r)
2010	6549	-	5775692	0.970**
2011	12761	95%	6309222	
2012	16084	26%	6577745	
2013	20294	26%	6967601	
2014	39046	92%	76790999	
2015	445300	1040%	8027133	
2016	1075696	142%	14569000	

** Significant at 1%.

Source: Press Notes of Visa on Arrival (VOA), Ministry of Tourism, Government of India

The number of visas issued on arrival follows a linear trend from its inception. The highest growth year to year was found in the year 2015, since the visa-issue on arrival is modified as a

simplified e-visa. It is a fast and convenient way to tourists who willing to travel India for business, leisure and medical purpose. There is a strong positive correlation between the numbers of e-visa issued and the foreign tourist arrival in the country.

Government investment in Tourism

Government invests in tourism for tourism promotion that supports direct and indirect employment for residents of the country, to generate foreign exchange that supports countries import of raw materials and scarce resources. National/ state/ regional/local level government spending in tourism supports destination promotion, visitor information service, administration of public utility services (WTTC, 2016). The Indian government has started several innovative tourism initiatives such as Swadesh Darshan, HRIDAY and PRASAD scheme to promote domestic tourism, pilgrimage tourism and the holistic development of cities of heritage identity since 2014.

Swadesh Darshan is a scheme for developing tourism circuits based upon high tourist value that envisages quality tourism experience. The scheme also addresses the needs of all stakeholders that supports destination competitiveness, and increases employment opportunities (Ministry of Tourism, 2016).

HRIDAY (National Heritage City Development and Augmentation Yojana) is a new scheme that was conceptualised in 2015 to focus upon and preserve heritage cities in the country under the flagship of The Ministry of Housing and Urban Affairs, Government of India. This initiative aims to preserve aesthetic appeal and revitalises heritage cities in a secured environment (Ministry of Urban Development, 2015).

PRASAD (National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive) is a scheme introduced with a vision to rejuvenate the religious destinations that ensure comprehensive experience for a tourist. Presently government has selected 25 pilgrimage sites to strengthen its infrastructure to supports better tourism experience. (Ministry of Tourism, 2017)

The government investment on various new tourism promotion drives from its commencement are presented in Table 5.

Table 5

Government investment on New Tourism Initiatives

Year	New Tourism Investment by Government of India (Rupees In Lacs)		
	Swadesh Darshan	PRASAD	HRIDAY
2014 -15	18966.10 (3)	10715.70 (7)	
2015-16	151293.04 (17)	20595.51(7)	
2016-17	319138.14 (37)	21887.20 (8)	
Total	489397.28 (57)	53198.41 (22)	45391 (12)

*The number of projects are mentioned in brackets

There are 57 projects undertaken under the Swadesh Darshan scheme with an overall spending of Rs.489397 lacs and the PRASAD government has to spend Rs.53198 lacs for 22 projects. The total spending in HRIDAY scheme stood at Rs.45391 lacs for 12 heritage destinations.

Maintaining the aesthetics and cleanliness of tourism destination are important determinants of tourist satisfaction (Mendes, Valle, Guerreiro, & Silva, 2010) (Chi & Qu, 2009). The Government of India has initiated a great cleanliness movement in the country named "Swachh Bharath". To keep the monument clean, Ministry of Tourism launched an app named "Swachh Paryatan Mobile App", by which the tourist may inform the authorities about issues related to cleanliness and hygiene along with their valuable suggestions (DIPP, 2016).

Historical monuments are an important tourism product that attracts people to a particular destination. Restoration and maintenance of the monument are critical for the sustenance of tourism (Pedersen, 2002). Ministry of Tourism initiative known as "Adarsh Smarak" identified 100 heritage monuments under Archaeological Survey of India (ASI) to be developed as a model monument with improved infrastructure which includes Wi-fi, signages, and interpretation centres.

"Make in India" is a novel national level plan that facilitates the investment, innovation, skill development, protection of intellectual property and building world class infrastructure that supports business environment in the country (DIPP, 2017). Tax exemptions for five years are allowed for setting up hotels, convention centres, and resorts at selective destinations. To facilitate the approval process of hotels government initiated a web based service protocol for filing application for star hotel classification.

Discussion and Conclusion

Government is an important stakeholder of business in a country. The role starts from conceptualisation business to provide resources, policies, funds, skill building and fostering the business in a predetermined manner (Kuye, Ogundele, & Alaneme, 2013). The government of India considers tourism industry as an agent of countries development and principal tool for socioeconomic growth. The present government considers tourism and hospitality industry as a harbinger of inclusive growth. It considers by supporting tourism with backward and forward linkage will generate employment for the residents in various sectors of hospitality and tourism.

Presently, the government allows 100% FDI in tourism and hospitality industry to build accommodation and leisure facilities. The government support for tourism in the country facilitates the trade to attract maximum FDI. Many international hotel chains accepted and proposed for big investments in tourism and hospitality in the country. The travel and tourism competitiveness of India as a tourism destination moved upward by 25 positions ranked 40 from its previous position of 65. The upward ranking shows a positive outlook on tourism industry competitiveness of India mainly due to government policy and infrastructure development. E-visa

regime of the government encourages more tourism foot fall in the country. The e-visa has been now expanded to more than 161 countries. The analysis in this research shows that there is a strong positive correlation between the numbers of e-visa issued and the foreign tourist arrival in the country.

Some of the new government initiatives such as Swadesh Darshan, HRIDAY and PRASAD gives much needed thrust for infrastructure development and the growth of domestic tourism. For the conservation of historical monuments and tourism destinations in the country, Ministry of Tourism launched an app named “Swachh Paryatan Mobile App”. “Adarsh Smarak” is another unique initiative that identifies and preserve 100 heritage monuments as a model.

Through its flagship plan “Make in India”, the government facilitated the investment, innovation, skill development, protection of intellectual property and building world class infrastructure that supports business environment in the country.

Tax exemptions for five years are allowed for setting up hotels, convention centres, and resorts at selective destinations. To facilitate the approval process of hotels government initiated a web based service protocol for filing application for star hotel classification.

There is a clear evidence of tourism being progressing in all aspects by the efforts of government. The current world ranking of India in terms of FTA and Travel and Tourism competitiveness have shown an upward trend. The highest FEE has been obtained in the year 2015-2016. There is a considerable increase in domestic tourism too.

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