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**“ECONOMIC IMPACT ON TOURISM AND ITS CONTRIBUTION IN INDIAN GDP” –  
A STUDY**

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**Abstract:** Tourism is an activity carried out primarily for recreational purposes. This activity has proven essential for many developing and developed countries. This is unambiguous by the case of India. Growth in the tourism sector is expected to continue increasing in the coming decades as the sector expands rapidly. Some establishments belong to the tourism industry, and their products are mainly sold to visitors. Facilities such as railways, waterways, roads, electricity, water supply, sanitation, accommodation facilities, leisure facilities in the aviation sector, restaurants, and shopping facilities are among them. All of these aspects form the basis of the tourism industry, so the Government of India and the Ministry of Tourism have launched various development programs to improve India's current infrastructure. The present paper aim is to assess the economic impact on tourism sector and its contribution to Indian GDP. The study is based on secondary data collected from various reports on tourism sector at Global and India level and through articles, magazines, journals, websites and blogs also. The study highlights the new projects sanctioned and budget allocated by the central government and no of foreign & domestic tourist visitors, spending on their visits. The study concludes that there is huge gap in infrastructural development and growth in employment creation in the tourism sector especially in accommodation and professional guides in respective tourism spots.

**Keywords:** Foreign Exchange Earning, Contribution in GDP and Tourist Visitors arrivals.

**Introduction:** India is famous for its rich cultural heritage. This cultural tradition of the country was based on the catchphrases 'Athidhi Devo Bhava' and 'Vasudhaiva Kudumbakam.' The "Incredible India" advertising campaign launched by the Ministry of Tourism aims to promote Indian culture and tourist attractions in a fresh and unforgettable way. A number of tourist attractions are developed by government of India to reach both domestic and international



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tourists. (Mathur, A. (2016). Tourism protects and conserves a country's natural and cultural resources, prevents migration of local populations, and improves the economic and socio-cultural level of local communities. They serve as a means of financial protection for natural areas, increasing their economic importance and raising awareness of their ecological value. Social interaction between tourists and host communities fosters mutual appreciation, tolerance, understanding, recognition, family ties, learning, respect, and empathy. Residents of the host country learn about the outside world from the comfort of their own homes, and the tourism industry contributes by utilizing facilities such as schools, libraries, medical facilities, and internet cafes. Tourism in India has generated USD 247.3 billion in 2018, with a growth of 6.7 per cent and accounting for 9.2 per cent of the total economy. Currently, it is the 8th largest country in terms of contribution to travel and tourism GDP and the largest market in South Asia. By 2029, Indian tourism sector is likely to grow at 6.7 per cent per annum to reach INR 35 trillion with 9.6 per cent of GDP, a FICCI-Yes Bank Report titled 'India Inbound Tourism: Unlocking the Opportunities' highlights. India's major tourist attractions include a diverse lifestyle, vast cultural heritage, beautiful sunny beaches, colorful fairs and festivals, forests and wildlife, fascinating flora and fauna, amazing architecture, technology parks and science museums. , yoga, Ayurveda, handicrafts, especially jewelry, and carpets. Leather goods, ivory, and brass work. Different tourism products in India include: Medical/Health Tourism, Spiritual Tourism, MICE Tourism, Adventure & Wild Life Tourism, Heritage & Culture Tourism, Cruise Tourism Polo Tourism Eco Tourism and Film. In fact, they account for almost 40% of the money tourists spend on shopping.

**Government initiation towards tourism development in 2019:** India's travel and tourism industry is expected to be valued at US\$460 billion by 2028 (up from US\$194 billion in 2019), accounting for 9.9% of India's GDP, and to invest in its growth. It attracts a large number of domestic and foreign stakeholders. The government wants to promote India as a 365-day travel destination. Started two of this systems, Swadesh Darshan and PRASHAD. Strengthening domestic tourism infrastructure. Fifteen themed circuits were designed under Swadesh Darshan. It



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will be further developed in 77 projects. Cumulative \$863.6Millions sanctioned, \$526 million released From December 2019 for the development of these circuits.A total of 51 sites were identified as part of the PRSHAD program in 28 states. Invested \$120.2 million since inception 28 projects have been licensed for development in 17 states. Until then as of December 2019, \$72.3 million same.

### **Infrastructure Development and Favorable Fiscal Conditions:**

As of June 2019, the travel and tourism industry had raised a total of \$13 billion in capital spending. India's FDI policy allows 100% investment through automatic route for all travel and tourism sectors.Hotel construction, road infrastructure, tourism activities, etc. A number of international players with a small presence in India have also strengthened their Indian portfolios this year.Airbnb invested his US\$75 million in his OYO to boost Indian users

- Radisson Hotel Group has announced plans to double its India portfolio from 94 to 200 by 2023.
- Hilton Group has announced plans to add 18 more hotels in India by 2021.
- Louvre Hotels Group further penetrated the Indian hotel industry with its 2017 acquisition of the Sarovar Hotels and Resorts network. They plan to expand their business in the following regions India to have 10-15 hotels by 2021.

India has entered into bilateral tourism cooperation agreements with countries such as the Maldives, Finland, South Korea, Qatar and Paraguay to facilitate Free Trade Agreements (FTA) and subsequent Foreign Exchange Earnings (FEE) with these countries. 47 Memorandums of Understanding (MoUs) have been signed. Interchange of data and knowledge.

**Types of Tourism:**Better infrastructure is another advantage of the tourism industry. Cultural exchange is nothing more than tourism. There are many types of tourism. Recent trends are towards a niche segment of tourism. Different Forms of Tourism The tourism industry has made a significant contribution to the prosperity of the Indian economy. The tourism industry is the



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backbone of any country's economic status. It improves the living conditions of the citizens of the country. It helps boost the country's GDP. Self-employment gives the country a new boost.

**Medical tourism:** Medical tourism, also known as health tourism, has become one of the most important sectors of the tourism industry. The term was coined by travel agencies and the mass media to describe the rapidly growing practice of traveling across borders for medical purposes. Travelers are typically looking for services such as elective surgery, joint replacement (knee/hip), heart surgery, dentistry, and complex specialty surgeries such as cosmetic surgery. Psychiatric, alternative treatment, and convalescent care are also available.

**Wellness tourism:** Wellness tourism is considered a subsector of medical tourism. It is primarily concerned with attaining, promoting, or maintaining health and well-being. India is a well-known wellness destination with widespread Ayurveda, Yoga, Siddhas and Naturopathy, complemented by spiritual philosophies. Wellness tourism includes Ayurvedic therapies, spa visits, and yoga meditation. The government promotes this form of tourism through advertising and promotional activities.

**Adventure tourism:** Travel for the purpose of exploration and travel to remote, exotic and hostile regions is known as adventure tourism. Adventure tourism is experiencing healthy growth as tourists seek out different options. Adventure tourism is any activity involving a great deal of effort and some degree of risk or physical danger. Activities include mountaineering, trekking, bungee jumping, mountain biking, rafting and rock climbing. With its diverse topography and climate, India offers tremendous opportunities for adventure tourism. Climbing, mountaineering, trekking, skiing, skating, mountain biking and safaris are available in the mountains. Rafting, canoeing and kayaking are available on the rapids. The sea offers us great opportunities for diving and snorkeling.



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**Heritage Tourism:** Heritage tourism is defined as “travel undertaken to explore and experience places, activities and artifacts that truly represent the stories and people of the past and present”. It is based on the cultural heritage of the tourist destination. This includes visits to historical or industrial sites, religious trips, or pilgrimages. India is known for its rich heritage and ancient culture. The country's rich heritage is well reflected in the diverse temples, majestic forts, amusement parks, religious monuments, museums, art galleries, urban and rural ruins that are strongholds of civilization. All these structures are products of heritage tourism.

**Ecotourism:** Ecotourism, also known as ecotourism, promotes the cultural and natural history of the environment without disturbing the integrity of ecosystems and without creating economic opportunities that make the conservation and protection of natural resources beneficial to local people. To understand is to travel to natural areas. Includes trips to destinations where plants, animals and cultural heritage are the main attractions. Ecotourism also minimizes the waste and environmental impact of sensitive tourists. It can be one of the means to protect local culture, flora and fauna, and other natural resources.

**Rural tourism:** Rural tourism promotes rural life, arts, culture and heritage, benefits local communities economically and socially, enables interaction between tourists and locals, and enhances the tourism experience. make it possible. India's rural, geographical and cultural diversity allows it to offer a wide range of tourism products and experiences. Increased awareness, increased interest in heritage and culture, improved access to rural areas, and environmental awareness play an important role in promoting rural tourism.

**Wildlife tourism:** Wildlife tourism is one of the fastest growing tourism sectors, visiting different locations to experience wildlife in its natural environment. Blessed with a wide variety of flora and fauna, India is home to numerous species of birds, mammals, reptiles, amphibians, flora and fauna. To realize the potential of wildlife tourism, the government has launched several



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wildlife packages for tourists. Wildlife tourism in India includes wildlife photography, bird watching, jungle safaris, elephant safaris, jeep safaris, jungle camping, ecotourism and more.

**MICE Tourism:** MICE (Meetings, Incentives, Conferences and Exhibitions) tourism is also one of the fastest growing segments of the global tourism industry. Mainly for business travelers, mostly corporates. Suitable for various forms of business meetings, international conferences and conferences, events and exhibitions. Hong Kong, Malaysia and Dubai are the top destinations

## **2. Review of Literature:**

Malik, M.M. &Nusrath, A. (2012) reviewed the tourism development in India, they pointed that tourism industry has the significant contribution to Indian GDP, employment and foreign exchange earnings. They analyzed the changes in number of tourist arrivals from 1997-2012 and found that there is an increase in economic growth rate and development of tourism.

The research article conducted by Zurub, et al (2015) has found that the majority of developed economies consider tourism as a fundamental industry for their economic growth because it depends on other productive sectors making the infrastructure of a zone and cycling its economic wheel. They used the descriptive statistics to analyze the time evolution of the concerned socio-economic phenomenon, the tourism industry's contribution to the gross domestic product (GDP) by using data from the selected countries.

Anupriya,M.&Rajasekaran, R.(2016) has conducted a study toward tourism and its financial impact on the Indian GDP. The findings of the study that travel and tourism industry focuses on the economic and social contribution which promotes sustainable growth for industry.

Tourism contributes in the significant growth of economic, social, cultural, education and political sectors. The growth of tourism sector has resulted in employment generation, contribution to GDP (KC, D. &Leelabati, D.S. (2016).Foreign exchange earnings (FEE), capital investment (CI), socio-economic growth (SEG), increasing in the contribution to GDP.



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Shiji, O. (2016).has studied Economic impact of tourism in India. In this study, the researcher using the Visitor Spending Method to assess the economic impact of tourism sector and its contribution to GDP and found that there is 7.7% CAGR of tourism contribution in next 10 years.

Research Gap: Tourism Sector plays an important role in development of Indian economy. Over the years, there is a declining contribution (% share in GDP) makes the researcher to address the research gap. Most of the researchers contributed on positive and negative impact of travel and tourism sector on economy, trends and growth in tourism industry, foreign and domestic tourist visitors in different states and destination. In this scenario, the present paper is marked to measure the economic impact on tourism and its contribution in GDP in terms of Tourist arrivals, Foreign Exchange Earning and Employment creation from 2007-2019.

### **3. Methodology**

The present study is based on the secondary and adopted quantitative research design. For this purpose, the researcher collect the secondary information from various authorized sources such as World Travel and Tourism Council, Ministry of Tourism (India), Reports on Indian Tourism and articles from reputed journals.

Objectives of the study: the following are important objectives framed under the study,

- To assess the Value (%) contribution in GDP by tourism sector
- To measures the growth in tourist arrivals and foreign exchange earnings

**Scope of the study:** The present study is limited to assess the growth and contribution of tourism sector in GDP. Further, the data is collected and analyzed to measure the significant contribution in terms of tourist arrivals, FEE and employment created during the years 2007-2019.

Time period: The time period under the study is 2007-2019



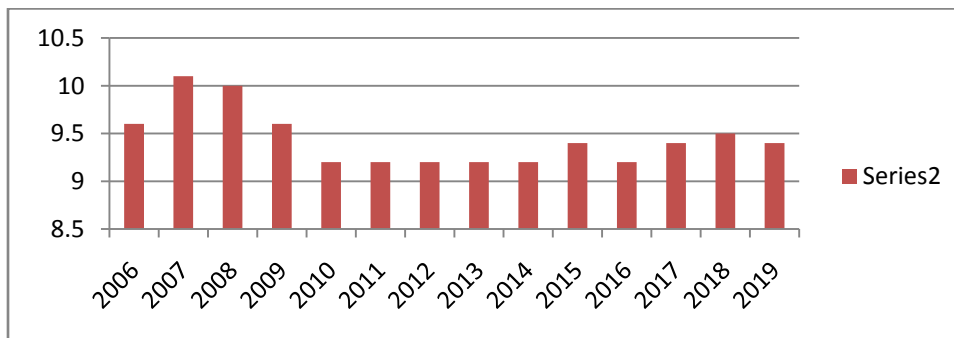
#### 4. Data Analysis and Interpretation:

**Economic Impact on Tourism and Its contribution to GDP:** Travel and tourism play an important role in the Indian economy. Tourism can provide direct and indirect support to a country's economy. Directly, it provides financial support to hotels, retail stores, transport services, entertainment venues and attractions, while through government spending on related infrastructure and domestic spending by Indians employed in the tourism sector. It indirectly contributes to the creation of economic activity.

**Table 1 - Contribution of Travel and Tourism to GDP**

Year	Value (% share of GDP)
2006	9.6
2007	10.1
2008	10.0
2009	9.6
2010	9.2
2011	9.2
2012	9.2
2013	9.2
2014	9.2
2015	9.4
2016	9.2
2017	9.4
2018	9.5
2019	9.4

Source: [www.knoema.com](http://www.knoema.com)



**Fig.1.1: share of tourism sector in GDP**





Table 1.1 shows the contribution of travel and tourism in GDP (%). From 2007-2010, there is a decline in the contribution of tourism sector in GDP i.e., 10.1% to 9.2%. Further, 2010-2014 contribution of travel and tourism sector in GDP is constant at 9.2%. Moreover, the contribution from 2014-2019 is ranging between 9.2% - 9.5%. This indicates that, the government must focus on development of new travel attraction in India.

**Table 1.2: Foreign Tourist Arrivals of India, Growth Rate and Foreign Exchange Earning from Tourism Industry of India**

Year	Total Tourists Arrivals of India	Growth (%)	FEE (US\$ Million)
2007	4447167	13.5	8634
2008	5081504	14.3	10779
2009	5282603	4	11382
2010	5167699	-2.2	11136
2011	5775692	11.8	14193
2012	6309222	9.2	16564
2013	6577745	4.3	17737
2014	6967601	5.9	18445
2015	7679099	10.2	20236
2016	8027133	4.5	21071
2017	8804411	9.7	22923
2018	10035803	14	27310
2019	10557976	5.2	28585

**Source: Ministry of Tourism, Economic Survey and Government of India; FEE: Foreign Exchange Earnings**



Fig 1.2: Growth in Tourist arrivals

Table 1.2 shows the foreign tourist arrivals of India, Growth rate and FEEs from Tourism Industry of India 2007 – 2019. The growth rate in tourist’s arrivals of India in 2007 is 13.5% declined to 5.2% in 2019. But, Foreign Exchange Earnings were \$8634 million in 2007 and increased to \$28585. Almost increased by 3 times from 2007 – 2019. On the other hand, foreign tourist arrivals are increased from 4447167 to 10557976 in between 2007-2019.

**Table 1.3: Number of direct and indirect jobs in the travel and tourism sector across India from financial year 2014 to 2020 (Millions)**

Year	Employment	Change
2014	67.2	---
2015	69.75	2.55
2016	72.26	2.51
2017	75.34	3.08
2018	72.69	-2.65
2019	75.85	3.16

Source: Statista.com

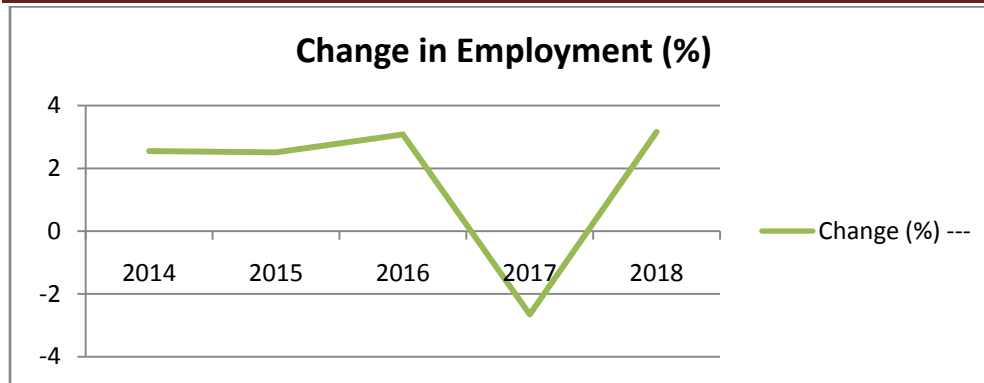


Fig 1.3: Change in Employment

Table 1.3 shows the number of direct and indirect jobs in the travel and tourism sector across India from financial year 2014 to 2020 (Millions). Total employment creation increased to 75.85 million (2019) from 67.2 in 2014. It has created a growth of 3.16 million from 2018 to 2019.

## 5. Results and Discussion:

India is famous for its rich cultural heritage. This cultural tradition of the country was based on the catchphrases 'Athidhi Devo Bhava' and 'Vasudhaiva Kudumbakam'. The results shows that the growth in tourism sector contribution is increased in the years 2006-2008 and after that it is constant in 2010 -2014 with 9.2%. The growth in foreign tourist arrival is decreased from 13.5% to 5.2% in last 12 years. Considering the employment creation is increased from 67.2 million to 75.85 millions in last 5 years (2014-2019). This shows that there is a huge growth opportunity to increase tourist arrival in India. Government of India has initiated policy framework to develop the Infrastructure development – Hotels, Sea, Road and Railway transportation and tourist destinations in major states and cities etc.,



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