

## **Comparative Analysis of Financial Growth of Tourism Industry in India, China and United States of America**

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### **Abstract**

Tourism has contributed a lot to the financial growth of the respective countries, the average global contribution to GDP is around 10% and the total employment generations is around 320 million, by the end of 2018. The rate of per annum growth is 9.7% considering current year as basis. Tourism and hospitality sector plays an important role in economic development of countries. This present paper is based on the comparison of tourism industry of India, China and USA. The major components that will be compared are contribution to GDP, employment generation and inbound tourism, some of the other factors like capital investment, GDP growth, etc. will also be considered.

**Keywords :** Financial Growth, Tourism, GDP

### **Introduction**

There are a number of meanings associated with the term 'Tourism', at times it is very closely related to recreation, leisure, relaxation, new experiences, health and even medical recovery. The relevance of all these meanings calls for travelling near or distant places and the same can be replicated in the form of tourism. As per the report of UNWTO (2018) tourism is one of the major industries and contributing highly to GDP at global level. As a matter of fact it is one of highest earners from service sector all over the world. Experts of the field stated that the most important component of tourism industry is hospitality i.e. if a tourist is satisfied with the hospitality then it is a guarantee for his or her re-visit as a matter of fact whole tourism industry is running on the assumptions related to re-visit of a tourist.

As far as tourism industry of India is concerned, it is one of the biggest contributors to the overall economy and as per the reports of FICCI (2018) and CII (2019) tourism is at 5<sup>th</sup> place in the list of highest contributor in GDP of the country, if 2015 is considered as base year then the contribution has raised to USD 132 Billion and this was the 6.3% of India's GDP this again raised to the level of USD 196 Billion and the percentage remained at 6.41% in the year 2019. Then on the other hand more than 37 million people were engaged in tourism industry, directly or indirectly, which is around 9% of the total employment stature and second to the railways. As far as China is concerned, tourism has contributed a lot to the economy of the country after the reforms, here the middle class is rising at a multifold rate and all type of industries are getting the benefit of the same, as a matter of fact in the last 5 years i.e. 2015-2019 there is registered 23% growth of foreign visitors in the form of outbound tourism. UNWTO (2020) stated that there were around 2.03 billion trips to different countries of the world and this is expected to grow by 5% per annum till next 3-4 years. Also this percentage is 50% more than the travel record of last ten years. In the year 2019, tourism industry of China has contributed 2.7% in the GDP of the country and accumulated to around 23 million jobs and it is expected that the tourism industry of the country will employ around 65 million people in next two years. Lee et al (2019) The revenue from inbound tourism of China was around USD 114 in 2015 and the same reached to the level of USD 164 Billion by 2018. Then on the other hand the outbound tourism of the country accumulated to around 26 million in 2015 and reached to 34 million in next three years. The value of outbound tourism raised from USD 292 billion in 2015 to 368 billion in next three years. Then in case of US tourism industry, the actual growth was recorded as USD 1.53 trillion in 2017 and is expected to grow by the rate of 13% per annum, on the other hand the industry has supported around 8 million jobs in the country in the same year. Here it is important to mention that 32% of the total exports of US is from the tourism industry and the same is expected to grow by 7% per annum in the years to come. Tourism industry is contributing around 2.8% of the total GDP of the country. The total value of inbound tourism of the country was around USD 251 billion in 2017 and is expected to grow by the rate of 13% in the next year. In the year 2018 the tourism industry gathered a USD 75 billion in the total trade of the country. DoC, America (2019) It is expected that the country may host around 95 million tourist by the year 2023 at the current rate of growth. Here it is important to mention that America has topped the list for 5 consecutive years, i.e. 2015 to 2019.

As stated above the tourism industry is a great contributor to the economic activities around the world and in most of the parting countries it is one of the biggest source of employment, like in case of India it just second to Railways. Hwang (2019) stated that in countries like Korea and Japan, international arrivals are increasing and the expected rate of growth is around 7.9% per annum. Then on the other hand Jawahar (2018) found that in the next five years tourism industry will become the highest contributor to GDP and core of economic development of the respective country. As per the reports of WTTC (2019) tourism has contributed a lot to the economic growth of the respective countries, the average global contribution to GDP is around 10% and the total employment generations is around 320 million, by the end of 2018. The rate of per annum growth is 9.7% considering current year as basis. Tourism and hospitality sector plays an important role in economic development of countries. Tourism industry has has great capacity to create large scale employment of diverse kind – from the most specialized to the unskilled. It can also play an important role in achieving equitable growth. Present study is based on the evaluation and comparison of tourism industry in India, China and USA and the basic components that will be compared are FTA (*Foreign Tourist Arrivals*), FEE (*Foreign Exchange Earnings*) and contribution in GDP of respective country.

## **Literature Review**

Ray et al (2017) conducted a worldwide study on tourism industry and the major reference was the heritage sites. Findings of the study stated that most of the heritage sites sue to attract a number of tourists all over the world and will remain the factor of interest in China and both the countries have successfully converted it into a vast market and earning a substantial fortune from the same. This study also states the characteristics of all the heritage sites in a given country have different meaning and nature and it depends on the view of the person who is visiting it. In this sense the heritage sites of India are favorite of inbound visitors.

Schofield (2018) conducted a study on the inbound and outbound tourism of USA and China, the findings of the study stated that if the number of arrivals is compared then USA is at number one of the most preferred tourist destinations and if outbound tourism is considered the China will be first in the list. As a matter of fact USA is able to secure the first position, as far as tourist destinations are concerned. then comes the comparison of value contribution, analysis of data

reveals that USA is accumulating more value as compared to China, but from 2017 both the inbound and outbound tourism is increasing in China and may be in the next two years it will surpass USA in terms of value.

Ali,(2018) stated that tourism is one industry that is liable to grow by leaps and bound for every given economy, but then again the comparative growth is dependent on the respective infrastructure of the country and nature of hospitality that a country is liable to provide to its visitors. He also stated that in the last five years the tourism value of South-East Asian region as improved and 17% growth is registered in the inbound tourism. This is a good sign for tourism in this region.

Banerjee (2019) stated that evaluation of Indian tourism, in terms of development and growth, the author found that the tourism industry of India is one of the fastest growing industries and is expected to grow by 13-17% in the next 5 years. He also stated that the rate of growth may fluctuate but then again there is no question on the cumulative growth of the industry. As a matter of fact, India has secured 8<sup>th</sup> position in list of international tourism consortium, but the nearest competitor is China and this competition is based on inbound tourism for heritage places in both the countries.

## **Objective**

The objective of this study is to evaluate the scenario of tourism in between USA, China and India. Then on the other hand the study will also state a comparison between the three countries on the basis of inbound and outbound tourism and contribution to GDP.

## **Research Methodology**

### ***Type of Study***

- This study is based on secondary data so the researcher has considered exploratory research as the type of study. As a matter of fact exploratory study is based on secondary data and is used to frame design of descriptive research, but here the respective tools will be used to analyze the secondary data.

### ***Sources of Data***

- Most of the studies based on secondary data, it is the first and foremost requirement that the source of data should be authentic and reliable. Here in this present study the researcher has considered the following sources of information:
  - Websites
    - Ministry of Tourism of India
    - World Tourism Organization
    - World Travel and Tourism Council
    - Annual reports of Tourism Ministry (India and abroad)
  - Published sources
    - Research journals
    - Indian and Foreign newspaper article on tourism

### ***Period of Study***

The respective period of study is 5 years i.e. 2015 to 2019, the researcher has considered this period because during this period all the related resources i.e. IT infrastructure, internet, travel and logistics industries are at their peak and latest development in the field are regularly taking place.

### **Analysis and Interpretation**

**Table 1: Tourism Receipt (in USD Million)**

|              | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>Total</b>   |
|--------------|-------------|-------------|-------------|-------------|-------------|----------------|
| <b>USA</b>   | 200996      | 218497      | 235989      | 247394      | 244710      | <b>1147586</b> |
| <b>China</b> | 176254      | 178229      | 192530      | 199389      | 215647      | <b>962049</b>  |
| <b>India</b> | 183221      | 179534      | 182304      | 191224      | 205074      | <b>941357</b>  |

*Source: OECD-Library.org*

### **Interpretation**

- As can be seen from the above table and figure, USA is first in case of inbound tourism and the same is visible from the reports of WTTC and UNWTO for the study period,
- China is at the second place, here it is important to mention that in China and India heritage tourism is the USP of overall tourism industry and this is one avenue that can take the tourism industry to the next.
- Apparently India is at the third place in case of inbound tourism as compared to China and USA as a matter of fact India is in better condition than its nearby countries.

**Table 2: Growth in Employment (*Including all related industries*)**

|              | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>Total</b>    |
|--------------|-------------|-------------|-------------|-------------|-------------|-----------------|
| <b>USA</b>   | 5175690     | 5063540     | 5174210     | 5252750     | 5346040     | <b>26012230</b> |
| <b>China</b> | 6820919     | 7133805     | 7699124     | 8119243     | 8023575     | <b>37796666</b> |
| <b>India</b> | 3065784     | 4158657     | 4565318     | 5124983     | 6589714     | <b>23504456</b> |

### **Interpretation**

- As far as employment is concerned, China has topped the list during the study period. Here it is important to mention that China is enriched with the biggest workforce of the world and having an advantage of highest population it is easier for China to cater the HR need of the tourism industry.
- Then at the second level, USA is there, though the population of the country is nowhere in comparison with India and China but then again it is employing second highest numbers in the tourism industry. The human resource of USA is more skilled in comparison of China and India and people engaged in the supporting industries are properly trained to handle the concerned trade.
- Then at the third place, India is there. Though there is not much difference in the population of India and China but then again the skill set and expertise in allied

industries, China is in better position and as a result maximum number of people are engaged in China.

**Table 3: Internal Tourism Consumption (In USD Million)**

|              | 2015   | 2016   | 2017   | 2018   | 2019    | Total          |
|--------------|--------|--------|--------|--------|---------|----------------|
| <b>USA</b>   | 737048 | 845001 | 886521 | 932219 | 1025682 | <b>4426471</b> |
| <b>China</b> | 541587 | 589875 | 625892 | 874942 | 975542  | <b>3607838</b> |
| <b>India</b> | 381478 | 468795 | 529338 | 692482 | 798564  | <b>2870657</b> |

### Interpretation

- As given in the above table and chart USA is earning more than India and China as far as internal consumption of tourism industry is concerned. Here the term 'Internal Consumption' is related to domestic tourism and the respective earnings from the same.
- Then at the second number there is China, though in the last two years of the study period i.e. 2018 and 2019, the domestic earning of China from tourism was higher than USA and India but considering the total value USA tapped the first place.
- Then at the third place there is India, here it is important to mention that India is a constant gainer in the field of domestic tourism and is a consistent player, but then again on the grounds of total earnings USA is at the top of the list.

### Contribution of Tourism and Travel in GDP (2019-20)

| 2019fgf<br>gfggf | 2019<br>Rank | 2019 T&T<br>Contribution To GDP<br>(Us\$ BN) | 2019<br>T&T %<br>Of<br>Country<br>GDP | 2019 T&T<br>GDP<br>Growth<br>(%) | 2019<br>T&T<br>GDP<br>Growth<br>CAGR<br>% | Domestic<br>Spend, %<br>Share Of<br>Total, 2019 | International Spend, %<br>Share Of<br>Total, 2019 | Leisure<br>Spend, %<br>Share Of<br>Total,<br>2019 | Business<br>Spend, %<br>Share Of<br>Total,<br>2019 |
|------------------|--------------|--|---------------------------------------|----------------------------------|---|---|---|---|--|
| USA              | 1            | 1,595  | 7.8                                   | 2.2                              | 2.6                                       | 81.2  | 18.8  | 71.3  | 28.7   |
| China            | 2            | 1,509  | 11.0                                  | 7.3                              | 6.5                                       | 85.8  | 14.2  | 81.4  | 18.6   |
| India            | 8            | 247  | 9.2                                   | 6.7                              | 7.0                                       | 87.2  | 12.8  | 94.8  | 5.2  |

**TABLE 5: Travel & Tourism Total Contribution to GDP (2019-20)**

| <b>Countries</b> | <b>TOTAL GDP US\$BN</b> |
|------------------|-------------------------|
| United States    | 1595.1                  |
| China            | 1509.4                  |
| India            | 247.3                   |

**Table 6: international Visitor Spending (2019-20)**

| <b>Countries</b> | <b>Estimated Visitor's Spending<br/>US\$ (Billion)</b> |
|------------------|--|
| United States    | 198.8  |
| China            | 128.9  |
| India            | 50.4   |

**Table 7: Travel and Tourism Capital Investment (2019)**

| <b>Countries</b> | <b>Estimated Visitor's Spending<br/>US\$ (Billion)</b> |
|------------------|--|
| United States    | 200.6  |
| China            | 161.5  |
| India            | 45.7   |

### **Interpretation**

- As stated in the above given tables of GDP, inbound value and Capital investment, USA is at number one. This is because of two reason, first reason is that USA is very focused on its hospitality avenues and taking a good care of its tourist at very corner of the country and secondly the skill level of people engaged in both the direct and indirect business are trained enough to handle the concerned issues on their own.
- On the other hand 'HR Shift' is another reason of dearth of skilled employees in India and China, this is because of the reason that, after a certain level the earnings in the industry are stagnant and for better options highly skilled people from China and India shift to countries like USA, Italy, Middle east region, etc.
- Then in all the tables, China is at second place and India is at third place, as a matter of fact this nomenclature has continued for the whole study period i.e. 2015 to 2019. This is because of the same reasons as stated above.

### **Conclusions**



This study has compared the tourism related avenues of India, China and USA, and as per the results of the study it is clear that during the study period USA has remained at the top of the list, for almost all the avenues. The comparison is made between the components like contribution to GDP, employment, capital investment, etc. and USA received the highest point in the same. Here in this study India is at the second place but actually as per the records of WTTC and UNWTO India is at 8<sup>th</sup> place in the list. Hence the respective agencies are required to pay attention to the related avenues and look forward to raise the capital investment in tourism industry, because in near future tourism industry is going to become the biggest contributor in total GDP of the country.

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