

# **INDIAN TOURISM – A PERSISTENT FIELD OF SUSTAINABLE DEVELOPMENT**

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## ***Abstract***

*Tourism currently is a crucial foreign exchange market for the Indian economy and a major contributor to GDP. Due to their potential for growing efficiency, creating job opportunities, expanding infrastructure facilities and improving domestic competitiveness, FDI (foreign direct investment) has been seen as a key for accelerated economic growth and development. It acts as precursor to "more inclusive development" in India through the promotion of other business sectors within the economy through backward connections and employment generation in various sectors such as hospitality, travel and entertainment. Therefore, by integrating national citizens and building foreign awareness, it fulfills the Indian economy's long term socio-economic goals. The Indian authorities have taken a variety of initiatives to stimulate domestic and foreign investments, in this sector because of the importance of the travel and tourism industry in 'inclusive development.' The aim of this paper is to illustrate Foreign Direct Investment ( FDI)'s current state and contribution to facilitating tourism in India, to highlight the challenges of tourism in India, and to highlight issues which need to be addressed by policymakers to achieve inclusive growth through the tourism sector.*

*Keywords: Travel & Tourism, FDI, Inclusive Growth Challenges, Economy.*

## **Introduction**

In India, every 1 million dollars worth of travel and tourism expenses produces 1.3 million dollars in GDP, according to the World Travel and Tourism Council (WTTC). It has served as a precursor to "more inclusive development" in India by encouraging other industries within the economy by establishing backward and forward ties and creating jobs in different sectors, including hospitality, travel and entertainment. The Indian tourism industry will generate

approximately 40 million jobs by 2019 according to WTTC. In addition, the Indian economy has achieved its long-term socio-economic goals by integrating national populations and building international awareness. Due to their potential for growing efficiency, creating job opportunities, expanding infrastructure facilities and improving domestic competitiveness, FDI (foreign direct investment) has been seen as a key for accelerated economic growth and development. In order to draw foreign investors, the Indian government has implemented numerous financial and fiscal reforms. The FDI not only grew in quantity as a result of these changes, but also dramatically modified its composition. Services business, telecoms, computer software, Hotel and Tourism, among other industries, have drawn the highest FDI. Actually, 3,28 per cent of all FDI equity flows (DIPP 2015) are owned by the hotel and tourism industry. In India's economic planning, 'inclusive development' has been the exclusive objective in recent decades. Under Plan 12 the government also redefined its position as a regulator under the development of tourism and the 'pauper tourism' strategy for poverty reduction and inclusive growth was adopted. All sectors of the economy are protected by widespread growth, including low and middle-income classes, and are distributed to minimize income inequality (Hampton and Jeyacheya, July 2012). The idea of inclusive growth contributes to poverty reduction by job creation in all sectors of society. This includes the excluded agents whose inclusion in the development process is necessary and not just development programme's social security goals (Planning Commission 2007). Inclusive growth means the poor masses have to share in the benefits of increased economic development in an economy.

### **Review of Literature**

Aguayo Eva (2011) in his paper "Impact of Tourism on Employment: An Econometric Model of 50 Central and East European regions? analyzed the economic impact of tourism development. He employed an econometric model to show that there is positive impact of tourism on employment and market services. In this paper the model shows the positive impact of tourism on the services sector.

Sandeep Das (2011) in his paper "Tourism Contribution towards Employment Generation" analyzed that tourism industry has lot of potentiality in generating employment opportunities, forced earning to achieve higher economic growth. In the 11th five year plan period number of programmes, incentives have been taken by the Govt. to develop tourism industry under Incredible India Revolution scheme.

Dives Chaturvedi (2010) in his work "Tourism in India- A bird view? analyzed that

tourism is the largest sector in terms of generating employment. It helps to maintain balance between demands for and supply of human capital. IN other words; tourism industry has tremendous potential for employment generation.

### **Objectives of the study**

1. To Study the Role of Travel and Tourism in Indian Economy.
2. To Know the Foreign Direct Investment and Tourism

### **Methodology**

For the compilation of information such as reports from the World Tourism Organization, the Tourist Competitiveness Report of the World Economic Forum (TTCR), the study report of the World Travel and Tourism Council (WTTC), economic surveys and Government of India budgets. The data gathered was presented in absolute form and percentages in tabular form and discussed with a measurement of ratios and rate of growth.

### **Travel and Tourism Sector in India**

According to the World Tourism Organization ( WTO) tourism includes activities for recreation, company and other reasons, with people traveling and staying in places outside their accustomed setting for no more than one year in a row. International tourism consists of inbound and outbound tourism (residents traveling from a country to abroad) inbound and inbound. Inbound tourist arrivals (foreign) are a source of foreign exchange generation for any country. Tourism is generally considered as a private sector driven activity (UNCTAD XIII, 2012). Government action and support initiatives are still required to make full use of the tourism sector 's potential and to achieve inclusive and sustainable growth and development. In this regard, the Indian administration has initiated various schemes, for example schemes to establish tourism circuits by means of mega-projects, schemes to build the capacity of service providers, schemes of large-scale revenue generators for tourism infrastructure investments, schemes for tourism related events, scheme for rural tourism promotion since 2002 and scheme of ' Visa on Arrival' for tourists since January 2010. In accordance with this, the Indian Government has taken steps to boost this sector:

1. Arrival visas from 43 countries are currently extended from 2015-16 to more than 150 countries in a phased manner.
2. The first policy for tourism in 1982, regarded by the tourism sector as an engine of growth, was approved by a new tourism policy in 2002.
3. The Export Promotion Service Board for 'Hotels and Tourism' related services was

established by the Department of Commerce for export promotion.

4. Status of export house for various travel and tourism organisations.
5. The Marketing Development Assistance (MDA) program included medical tourism.
6. The UN Development Program (UNDP) has taken initiatives to promote rural tourism.
7. Under the Five Year Plan for completion of 991 tourism infrastructure projects and improved national roads, the total sum of Rs.3112.71 was approved to promote travel and tourism.
8. Government has given 100 % foreign investment to the hospitality and tourism related industry under the automatic path.
9. “Incredible India” and “Atithi Devo Bhavah” Campaign launched in to promote tourism.
10. The websites of MOT ([www.tourism.gov.in](http://www.tourism.gov.in)) and Incredible India campaign.

**TABLE: 1 Role of Travel and Tourism in Indian Economy**

	India		World average	
	2013	2014 (% Growth)	2013	2014 (% Growth)
Direct contribution to GDP(USD Billion)	37.2	7.5	18.0	4.3
Total Contribution to GDP (USD Billion)	113.2	7.3	55.0	4.3
Visitor Exports (USD Billion)	19.0	4.8	7.0	2.9
Capital Investment (USD Billion)	33.1	9.8	4.2	5.7
Direct Contribution to Employment (1000 jobs)	22320.2	2.5	799.8	2.2
Total Contribution to Employment (1000 jobs)	35438.5	2.7	2017.4	2.5

*Source: Compiled WTTC Travel & Tourism Economic Impact 2014, World Travel & Tourism Council.*

In 2014, visitor export growth is 4.8% higher than the global average, i.e. 2.9% for the same duration. The trend is expected to continue in the coming decade, with visitor exports expected to expand at 4.3% in comparison with the world average of 4.2% for total exports.

### **Foreign Direct Investment and Tourism**

The hotel and tourism industry is one of the top ten industries that draw FDI. This industry attracted some US\$ 7,441 million FDI between January 2000 and August 2014, according to the Department of Industrial Policy and Promotion (DIPP).

**TABLE : 2 FDI Equity Inflows in Hotel & Tourism (January 2000 to December 2013)**

Source	Amount (USD Million)	% Share of Total FDI Inflows
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Hotel & Restaurants	6398.87	3.04
Tourism	426.41	0.20
Other (Hotel & Tourism)	84.90	0.04
Total	6910.19	3.28

*Source: Compiled from SIA Statistics, Department of policy and promotion*

A number of foreign hotel firms, such as Hilton, Accor and the Intercontinental Hotels Group have reported significant investment plans in India and a US\$ 11.41 billion growth in the hotel sector is anticipated in inbound investment over the next two years (Dezan Shira & the associations) The hotel industry is currently holding 3.28 per cent of the total FDI equity inflows. Make My Trip Ltd plans to invest US\$ 15,000,000 in Indian e-tourism. Due to the role played in inclusive growth by the hotel and tourism industry, this sector has been declared a priority for investment and 100% for foreign direct investment (FDI) in the sector is allowable in the sector on the automatic route. Investments in hotels and other projects and operations connected with tourism, such as the development of airport projects, are permitted. The term hotels comprises restaurants, beach resorts and other tourist complexes that provide visitors with lodging and/or catering and food. Tourism-related industries, including travel agents, tour operators, tourism operating agencies, and other tourist services, are also broadly described.

### **Conclusion**

In order to encourage this sector and receive foreign receipts, the Government implemented various schemes and policy acts. Several emerging tourist regions are able to attract FDI and contribute to integrated growth: eco-tourism, cultural tourism, agro-tourism, health tourist activities, MICE tourism, cruise and Adventure tourism. The vast opportunities in the tourism sector must be evangelized in order to promote inclusive and sustainable development in India.

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