

THE INTERNATIONAL JOURNAL OF BUSINESS & MANAGEMENT

Growth Drivers of Tourism Industry in India

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Abstract:

Tourism is an industry that has been registering enormous growth year over year. Tourism plays vital role in a country's growth and development. India has become an attractive destination for global tourists. Liberalisation and Foreign Direct Investment brought huge investment and cash flow to tourism industry in India. Government of India adopted policies and initiated campaign to aid growth of tourism industry and marketed India to the global investors and tourists. In last decade the industry growth was outstanding in terms of foreign exchange earnings, employment generation and GDP contribution. This paper aims to brief the factors which have been act as growth drivers of tourism in India with the help of available data. Data presented in this study have been collected form government reports, published articles and government websites.

Keywords: *Tourism industry, Gross Domestic Product (GDP), Foreign Direct Investment (FDI), Ministry of Tourism*

1. Introduction

Tourism is one among the largest services industry in the world. Its contribution to the world economy has been growing year over year in terms of contribution to Gross Domestic Product (GDP), employment generation and Foreign Exchange Earnings (FEE). Tourism contributed much for the economic growth of emerging economies. In countries like France, Lebanon, Spain, Italy, Mauritius, The Bahamas and Thailand tourism plays a vital role in boosting up their economies. Millions of money are being spent by countries to make their place as a best tourist destinations. Tourism is a highly fragmented industry, it can be categorized into three sub segments as Hotel and Restaurant, Tour operators and Travel industry (Human Resource and Skill Requirements of the Tourism Sector Report 2009). India is a country which has been given significant contribution to the world tourism and it had shown rapid growth in the last decade and some occasions it was better than the overall growth rate of the world tourism.

2. Industry Growth

Tourism economy is wider economy and growing year over year. A recent report from WTTC (World Tourism and Travel Council) said tourism economy is growing faster than financial and business services and manufacturing industry. In 2013 it contributed 9.5 % to global GDP. It is one of the largest employer in the world, because it generates employment opportunities to skilled, semi-skilled and unskilled people. People have been getting employment directly as well as indirectly from this industry. Nearly 266 million jobs were supported by this industry as of 2013 (WTTC). The Indian tourism industry has been significantly contributing to the world tourism and country's economy as well. According to World Travel & Tourism Council (WTTC) report India's travel and tourism sector is expected to be the second-largest employer in the world, employing 40, 37,000 people, directly or indirectly, by 2019. India is the largest diversified country, which has robust culture, heritage and tradition. India Tourism has offered a variety of tourism products to the tourists such as eco-tourism, culture tourism, medical tourism and adventure tourism. Tourism industry growth has been influenced by certain factors, they actually act as growth drivers of this industry. Growth drivers of the tourism industry in India are

- Country's growing economy.
- Foreign direct investment regulation.
- Geographic and cultural diversity of the country.
- Domestic tourism.
- Government Initiatives.

2.1. Growing Economy

In general economic growth of a country is used to measure in terms of gross domestic product (GDP) of the country or other related indicators of GDP such as gross national product (GNP) or national income (NI). Statistics and reports reveal that the most developed countries are those with the highest GDP per capita (Easterly 2002). Indian economy witnessed rapid growth year over

year. Recently World Bank announced in a report that India overtook Japan as the world's third largest economy in terms of purchasing power parity (PPP). India holds a 6.4 percent share of global GDP on a PPP basis. The United States remains in first place with a 17.1 percent share, followed by China with 14.9 percent as per World Bank's International Comparison Program (ICP) data. Quarterly GDP at factor cost at constant (2004-2005) prices in Q1 of 2014-15 is estimated at 14.38 lakh crore, as against 13.61 lakh crore in Q1 of 2013-14, showing a growth rate of 5.7 per cent over the corresponding quarter of previous year (Central Statistics Office). Trade, hotels, transport and communication sectors registered 2.8 per cent growth in Q1 of 2014-15 over Q1 of 2013-14. As per Indian Travel, Tourism and Hospitality Industry publication report, 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 recorded a growth of 6.7% and 7.4% in FY09 and FY10 respectively. Because of the economic growth, foreign players are interested to establish their operational facilities in the country and domestic players also made huge investments to expand their business. Tourism industry get benefited from the growing economic environment and investment made by both domestic and foreign players. The country's growing economic environment acts as one among the major influential driver for tourism growth and development of the country.

2.2. Foreign Direct Investment (FDI)

Foreign direct investment is a key element in international economic integration. International Monetary Fund (1977) defines FDI as investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor's purpose being to have an effective voice in the management of the enterprise. The United Nation 1999 World Investment Report defines FDI as an investment involving long term relationship and reflecting a lasting interest and control of a resident entity in one economy in an enterprise resident in an economy other than that of a foreign direct investor. It does transfer of technology between countries. It allows the host country to promote its products to global market.

FDI is directly related to the development of host country economic growth and transformation, because foreign companies often invest large amount of money. When foreign companies decide to invest in host countries they have come with large sums of money, developed technology and advanced management skills. Host countries gain global exposure and lots of experience from the FDI. The UNCTAD World Investment Report (WIR) 2013 said India is the third most attractive location for FDI. India accounted for more than four fifths of the FDI in South Asia in 2012 that report extended. Tourism industry one at where FDI is permitted up to 100 %, under the automatic route. According to Department of industrial policy and promotion, Government of India report 2013-2014, India had received 7.74 billion US dollars from FDI equity inflows during January-March 2014. This represents growth of 41% compared to corresponding period (January-March 2013) of the preceding calendar year (2013). NDTV Profit Article dated August 22, 2014 said that the telecommunication sector received maximum FDI in the first quarter followed by services.

Sector	Amount of FDI Inflows In INR crores	Amount of FDI Inflows In US\$ million	%age with total FDI Inflows
Services sector*	182,955.00	39,038.84	18.41
Hotel & tourism	35,565.83	7,013.29	3.31

Statement on Sector-Wise Fdi Equity Inflows from April, 2000 to January, 2014

**Services Sector Includes Financial, Banking, Insurance, Nonfinancial / Business, Outsourcing, R&D, Courier, Tech. Testing And Analysis*

Source: RBI's Monthly Bulletin Dated: 10.03.2014.

Foreign companies like Accor, Starwood, Marriott, Premier Travel Inn (PTI), Cabana Hotels, Mandarin Oriental, Hampton Inns, Banana Tree, Satinwoods, Amanda had established their presence in the Indian hospitality market. Indian hospitality space became highly competitive due to increasing foreign establishments. Some domestic players such as Asia Hotels, ITC, East India Hotels (EIH), Bharat Hotels, Hotel Leela venture and last but not the least, Indian Hotels Company (IHCL) also expanded their business to compete with global competitors. It creates huge employment opportunities in this sector. Indian hospitality sector is second largest employer in the country, employment opportunities are wide range from professional to unskilled workers. So FDI is another factor which influences the industry growth towards upward path.

2.3. Cultural diversity

India is known for its diversity in the world. It's been diversified by geography, culture, tradition and religion. India offers a very rich cultural diversity which is being considered as one of the oldest culture in the world. Ancient India had been ruled by various dynasties such as Maurya, Gupta, Mughal, Vijayanagara Empire, Pallavas, Cholas dynasty. They were established some cultural and traditional memorials and temples which showed the ancient architecture to the world. Ancient architecture attracts a considerable amount of tourists to India every year. Indian Culture and traditional values make it an attractive destination for a life time experience to the visitors. India is birth place for Hinduism and Buddhism. Those two religions are third and fourth largest religions in the world. (Pew Research Centre's Forum report 2012). India has 32 UNESCO world heritage sites as of 2013. (25 cultural sites and 7 natural sites). Indian festivals are also one of the influential factors of tourist attraction. Culturally diversified India has different festivals, every culture have its own traditional festival celebrations. Durga Pooja and Konark dance festival are major traditional festivals of eastern India. Ellora festival, Nagaur fair and Desert festival are the reputed festivals of the western part of India. Maha sivrathri, Ram Navami and Janmashtami are the notable traditional festivals of northern India. Nag Panchami,

Maha shankaranthi, Pongal and Onam are the festivals of South India. Tuluni, The Bihus and Chapchar Kut are celebrated in the northeast part of India. Holi, Diwali and Navarathri are almost celebrated all over the India. These cultural festivals are attracting people from every corner of the world. So Indian tradition and cultural values are considered to be one of the influential driver for growth and development of tourism in India.

2.4. Domestic Tourism

Domestic tourism is the base for the tourism industry and it is the backbone of international tourism. India is a very large country and diverse in nature, India is second most populous country in the world. The Indian population was 1.24 billion in 2012 (WHO 2012). Since India is second most populous country domestic tourism plays a predominant role in the growth of the tourism industry. In 2013 number of domestic tourists visited different states and union territories was 1145 million, 9.6 % growth rate over preceding year. Domestic tourist visits have been growing year over year. Last decade, it registered drastic growth, in 2001 it was 236.47 million and 2013 it recorded 1145 million domestic tourist visits (India Tourism Statistics at a Glance 2013, MOT). One of the main reasons for this growth is the change in disposable income of the individuals. Disposable income can be seen as the maximum amount that a unit (family) can afford to spend on consumption of goods or services without having to reduce its financial or non-financial assets or by increasing its liabilities (OECD Factbook 2013). India's disposable income statistics have shown drastic growth in the last decade. In 2012 disposable income recorded all time high value, during that year it was 80663730 INR million, and it was 71787870 INR million in the preceding year. (Ministry of Statistics and Programme Implementation). Disposable income growth leads to increase of domestic tourism visits and more demand in this industry. Service providers associated with the tourism industry are making huge investments to meet demand and customers' requirements. Increasing demand and investment from the companies for domestic tourism drive this industry to grow to new horizons.

2.5. Government Initiatives

Without government initiatives and supports it is difficult to achieve growth and development in any industry. Ministry of tourism, government of India has done active promotional campaigns and introduce new schemes to overcome hurdles and obstacles for development of the tourism industry. This government initiatives aimed to enhance tourism services attract more tourists as possible. Government of India has introduced various policies to expose Indian tourism industry to foreign and domestic tourists. Tourism Ministry did sign MoU with Ministry of Civil Aviation on 21-March 2012 (Ministry of Tourism, Government of India). Media of Civil Aviation will be used to promote the "Incredible India" brand for achieving more tourist movements in the country. Incredible India promotional films will be screening in foreign and domestic carriers. Some important policy measures undertaken by the Ministry of Tourism which aided the growth of the tourism industry, include

- 100 % FDI in tourism industry through the automatic route (Ministry of commerce, Department of industrial policy and promotion annual report 2013-2014)
- Medical visa, often known as 'M' visa for those who have come for medical treatment. Indian medical tourism sector has been growing enormous way. It is likely to reach 10800 INR core by 2015 (Associated Chambers of Commerce and Industry of India, 2011)
- Visa – on – Arrival (VOA) scheme initiated on January 1, 2010 with the objective to promote inbound tourism in the country (Ministry of Tourism, Government of India)
- The 'Incredible India' campaign. It is an international marketing campaign initiated by Indian government in 2002 to promote tourism in India to global audience. This campaign initiated in 2002 to market Indian tourism and it had achieved what purpose it was started for. In first year of the campaign it generated tourist traffic 16% more than previous year; it was 28.8% increase in second year and number one ranking in Travel+Leisure readers survey. India was established as a high end tourist destination (incredibleindiacampaign.com). India has been one of the top ten preferred destinations for the discerning traveller (Condé Nast Traveller, 2003).

Government initiatives and campaigns established India as a favourable destination to the global tourists and exactly support enormous growth of tourism industry.

3. Conclusion

Tourism is one of the fastest growing economic sector in the world (UNWTO, 2013). It has given significant contribution to GDP and employment. Tourism in India has experienced huge growth in the last decade, major source of this growth was rise for foreign tourist arrival and enormous rise in the number of domestic tourists. Nations economic growth, rise of individual disposable income, government regulation and policies on FDI and most valuable, robust ancient culture and traditional values are the major factors which attract people from every corner of the world. Now a day's medical tourism and adventure tourism in India are being got attention by global audiences. In future they would also be giving sustainable contribution to the growth of tourism in India.

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