

# Tourism Industry – The Impact on Indian Gross Domestic Product (GDP)

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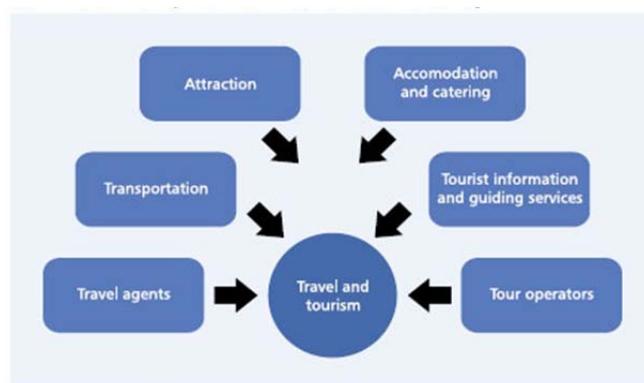
**Abstract** — Tourism industry is the fastest growing industry in modern era. World tourism is considered as a significant factor in the economy of many nations. In hospitality Industry, tourism is generating more income to Gross Domestic Product (GDP) in India. Hence, this study has been taken to know about tourism and its financial impact on Indian GDP. India's glorious traditions and rich cultural heritage are closely related with the development of tourism. Tourism industry is the biggest service providing industry of India. Indian tourism is expected to cross 400 billion by 2019. This demonstrates the sector's enduring ability to generate economic growth and create jobs at a faster rate than the global economy, which is due to growth of 2.9% in 2015. Present research is a descriptive study and secondary data is used. Objectives were framed, research design prepared, required data have been collected and suitable analysis were given. Findings of the study reveal that Travel & Tourism industry focuses on the economic and social contribution which promotes sustainable growth for the industry, it also works with governments and international institutions to create jobs, to drive exports, generate prosperity and to create positive impact on GDP.

**Keywords:** Tourism, Gross Domestic Product(GDP), Impact, Hospitality, Sustainable.

## 1. INTRODUCTION

The Hospitality industry is people and service oriented sector. It is made up of businesses and organisations belonging to various other industries. It is interplay among these businesses and organisations, persons which offer "travel experience" to tourists. The tourism industry comprises hospitality (related to accommodation and dining), travel (transportation services through different modes), and various other businesses which offer services and products to tourists. The components of the tourism industry Shows in Chart I

CHART I



Source: D&B Research

## Tourism Worldwide

Over the decades, hospitality industry has experienced continuous growth and deepening diversification to become one of the fastest growing economic sectors in the world. Modern tourism is closely linked to development and encompasses growing number of new destinations. These dynamics have turned tourism into a key driver for socio-economic progress.

Today, the business volume of tourism equals or even surpasses that of oil exports, food products or automobiles. Tourism has become one of the major players in international commerce, and represents at the same time one of the main income sources for many developing countries. This growth goes hand in hand with increasing diversification and competition among destinations. This global spread of tourism has produced economic and employment benefits in many related sectors from construction to agriculture or telecommunications.

The contribution of tourism to economic well-being depends on the quality and the revenues of the tourism offer. UNWTO assists destinations in their sustainable positioning in more complex national and international markets. As the UN agency dedicated to tourism, UNWTO points out that particularly

developing countries stand to benefit from sustainable tourism and acts to help make this a reality.

Reasons behind the trend in tourism is due to More affluence, Greater awareness, More car ownership, Improvements in technology, More choice and More leisure time. The massive trend is the continued dominance of Europe as a destination, but also the massive growth in numbers to East Asia and the America. It generates huge amounts of wealth for countries and generates jobs of all stage of development. Most Caribbean countries get at least half of their GDP from tourism, France, Spain, the USA, China, Italy and the UK are the most visited countries. Indian Tourism

Indian Tourism industry offers most diverse products globally. The country's rich history, cultural heritage, beauty, diversity of religion and medicine fascinate budget and luxury travellers. Tourism in India has registered significant growth over the years. This has been led by growth in both leisure and business tourism. Rising incomes, increasing affordability, growing aspirations, increasing globalisation, and a growing airline industry along with improvement in travel-related infrastructure have supported tourism industry growth. Tourism holds immense potential for the Indian economy. It can provide drive force to other industries through backward and forward linkages and can contribute significantly to GDP.

Indian tourism has vast potential for generating employment and earning large sums of foreign exchange besides giving a boost to the country's overall economic and social development. Much has been achieved by way of increasing air seat capacity, increasing trains and railway connectivity to important tourist destinations, four-laning of roads connecting important tourist centres and increasing availability of accommodation by adding heritage hotels to the hotel industry and encouraging paying guest accommodation.

It identifies a number of consistent customer experiences across different channels involving both international and domestic travel in emerging economies with limited internet access. The web today has only evolved over the last 18 years, yet no other technology has ever had such a significant and radical impact on the history of humanity.

Service providers are now offering attractive price ranges for services on their websites, this has led to increase in online transactions. Consequently, the market size for travel agents has been narrowing. Given this change, travel agents and tour operators now need to diversify their business models and adopt the role of a travel advisor. Travel companies should also start offering valuable services to end-customers for hassle-free travel. Online travel market sales are growing tremendously in the coming years by Spontaneous travel, Finite travel, Need to diversify business model.

### **Statement of the problem**

Tourism industry is the sector generally contributes a lot to GDP of any nation. Due to recent European Economic Crises,

most of the countries adversely got affected. In India due to threats like inadequate Infrastructure, Transport problems, Environmental hazards, Pollution, Global Warming, bird flu, Anthrox, H1N1 Virus, and Natural Disaster adversely affects Tourism industry. In order to know the performance of tourism industry at present, this study has been carried out. This study focuses on financial impact of tourism industry on Indian GDP, factors affecting Tourism industry and an attempt has been made to identify the problems faced by Indian tourism industry.

### **Objectives of the study**

1. To study the impact of tourism industry on GDP.
2. To know the factors affecting tourism industry.
3. Identifying problems in tourism industry.
4. To offer valuable suggestions.

### **Scope for the study**

India has moved up 13 positions to 52nd rank from 65th in Tourism & Travel competitive index. The industry is expected to generate 13.45 million jobs, across sub-segments such as Restaurants (10.49 million jobs), Hotels (2.3 million jobs) and Travel Agents/Tour Operators (0.66 million). The Ministry of Tourism plans to help the industry to meet the increasing demand of skilled and trained manpower by providing hospitality education to students as well as certifying and upgrading skills of existing service providers. Today India has the world's second largest number of internet users (after China), online booking of travel plans have become more convenient now.

The traffic and transactions from mobile apps and mobile websites are on the rise. Many Online Travel Agency (OTA's) are now observing more than 50% of their bookings through Mobile Apps and Mobile websites. The future of Online travel industry can be defined as 'Personalization and Convenience'. The travellers are ready to pay more for their convenience and personalized experience. This can be achieved using Data analytics. By analyzing the data one can know that where a traveller might like to travel or what the traveller might want do in the destination and hence offer the services more suitable to the traveller. It throws light on the systematic performance of the Indian tourism industry and its impact on GDP.

### **Methodology**

For this study Secondary data has been collected from the official publications of United Nations World Tourism Organisation (UNWTO), World Travel and Tourism Council (WTTC), Ministry of Tourism Government of India.

Also from various secondary sources like books, periodicals, research articles, seminar reports, newspapers, study reports of expert committees, departmental publications, plan documents, unpublished dissertations, broucher, pamphlets and advertisements.

Period considered for the study is 10 years from 2006 to 2015. Geographical area covered is India and the Sector chosen is Tourism Industry.

## 2. REVIEW OF LITERATURE

**Cooper C. (1999)**, entitled "Tourism Principles and Practices" was elaborating theoretical framework of tourism. Concerned with concept and indicators of tourism demands, also emphasized on economic, environmental and socio-cultural impact on tourism development. Highlights issues pertinent to the future of tourism development.

**Subhash N. Nikam. (2003)**, has presented in his research work entitled "Potential and Prospects for Tourism Development in Nasik District". Attempt has been made to understand for the tourism development by considering case studies and finding out the potential and prospects for the planning at different destinations in the district.

**O. P. Kandari and Ashish Chandra. (2004)**, entitled "Tourism Development Principles and Practices". Helps in planning and assessment for sustainable development of tourism. Focused on issues of tourism development, particularly from economic, ethnic and environmental perspectives and also explained the Goals and strategies for effective tourism practices.

**M.M. Khan. (2009)**, "Encyclopedia of Tourism". To know the role of tourism organization at the international and national levels for the development and promotion of tourism industry, all phenomenon has been explained regarding types of tour operations, system of social organizations, different theories of criminality, relation between tourism and hotel industry, also deals with the basic aspects of ticketing and booking, global ticketing, complete history of ticketing and booking of air, rail, water and road transportation for travelling.

**Madhusmita Mishra and Prabina Kumar Padhi. (2011)**. Tourism is an important and flourishing industry in the country. It is termed as a useful measure for employment generation, poverty alleviation and sustainable human development in India. It accounts for one-third of the foreign exchange earnings of India and also gainfully employs the highest number of people compared to other sectors. It shows that due to tourism sector India has gained brand image in the mind of foreign tourist and the data regarding tourism shows increasing trend of foreign tourist arrival which resulted the boosting in foreign exchange earnings.

**Deepanshu and Nitin Gupta. (2013)**. The world today faces enormous challenges in establishing tourism as a Sustainable tool to improvise the economic and social growth of the people around. Tourism should always be developed in such a move that it should be beneficial for the locals and should have a positive impact on the livelihood and the overall life of the inhabitants. In today's changing scenario of the tourism industry, demands of the tourists have propelled Indian

Destinations and in particular. Despite of all these facts, these islands lacks the basic attention of the tourists, be it Domestic Tourists or the International Tourists.

**Archana Bhatia. (2013)**. Tourism today is a leisure activity of the masses. People today travel to international destinations to break the regular monotony of life. They are mainly attracted by either the scenic beauty of its nature or by fascinating leisure, sports and adventure activities offered by the destination. Therefore an attempt is made in this research paper to analyze the strengths, weaknesses, opportunities and threats of Indian tourism to be utilized to increase its foreign footfalls.

**Iuliancondratov. (2013)**. Tourism has closely been connected to progress of ICTs for over 25 years. Nowadays, the Internet and ICTs are relevant on all operative, structural, strategic and marketing levels to facilitate global interaction among suppliers, intermediaries and consumers around the world. This paper provides a review for the key aspects of ICT that influenced and influence the tourism sector activity. It also presents future developments in E- Tourism that will influence the tourism industry.

**B. Chandrashekara & Nagaraju L. G. (2014)**. Karnataka rich with scenic beauty is located at the southern part of India. Resourceful with all kind of verities including temples, wild life sanctuaries, waterfalls, cosmopolitan cities, valleys, hill resorts, beaches. This paper focus on what are the costal destinations located in Karnataka, impact of costal destinations for Karnataka tourism Development and suggest guidelines for Development of Sustainable Costal Tourism in Karnataka with Sustainable costal products.

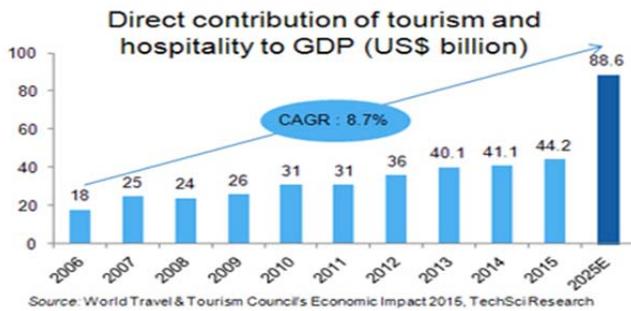
**Leila Moradi et al., (2015)**. E-tourism industry is blood of economic. Tourism industry in Iran are a vital part of the courtier's wealth creation and for economic. The main objective of this paper is to focus on e-marketing strategy's effective elements in E-tourism industry, from theoretical factual and practical perspective. In addition, research focus is on Airlines, tour operator, chain hotels, and Iran. This study contributes to the knowledge body on E-tourism industry by having a better understanding of e-marketing strategy elements that are crucial for E-tourism industry to assist in the country economy.

## 3. ANALYSIS AND FINDINGS

### Tourism Industry In India And Its Contribution On GDP

Since the tourism industry has the potential to provide services to the society, it also has the capability to generate fund and contribute to countries GDP. Following are the information explains the contribution for the past ten years that is from 2006 to 2015

**CHART II**



The above chart clearly states that the

- Tourism in India accounts for 6.8 per cent of the GDP and is the third largest foreign exchange earner country.
- The tourism and hospitality sector’s direct contribution to GDP totalled US\$ 44.2 billion in 2015.
- Over 2006–15, direct contribution is expected to register a CAGR of 10.5 per cent.
- The direct contribution of travel and tourism to GDP is expected to grow 7.2 per cent per annum to US\$ 88.6 billion (2.5 per cent of GDP) by 2025.

**CHART III**

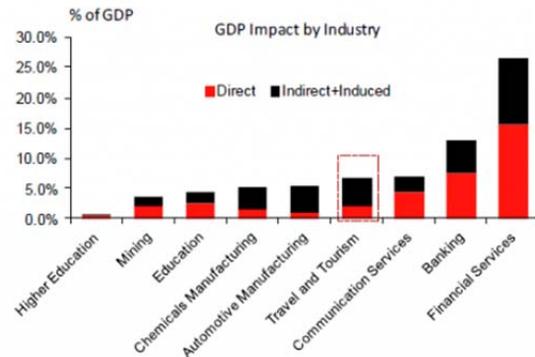


The above information shows about Increase in foreign arrivals

- Over 7.757 million foreign tourist arrivals were reported in 2015.
- Foreign tourist arrivals increased at a CAGR of 7.1 per cent during 2005-15.
- By 2025, foreign tourist arrivals are expected to increase to 15.3 million, according to the World Tourism Organisation.

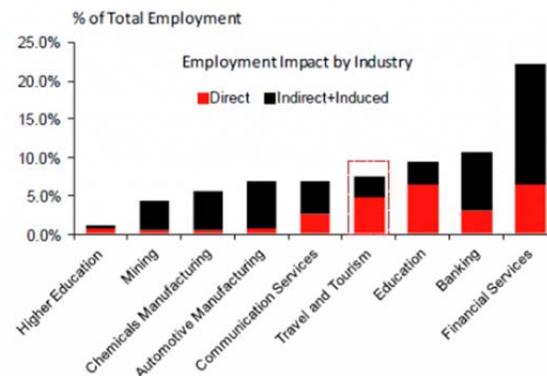
**CHART – IV**

**Impact of Sectors on India’s GDP**



**CHART – V**

**Impact of Sectors on India’s Employment**



This study proves to be beneficial in order to know prospects, sustainable development, potentials, and its positive impact on GDP for Indian tourism industry.

The tourism sector in India holds immense potential, and if the government sustains its renewed focus, the sector can add more than \$100 billion to GDP by 2025. Over the past six years, total contribution (both direct and indirect) of tourism to GDP increased at a 4% CAGR to \$128 billion. Citing recent estimates by the World Travel and Tourism Council, the analysts point out that the total contribution should rise to \$230 billion by 2025, a CAGR of 7%.

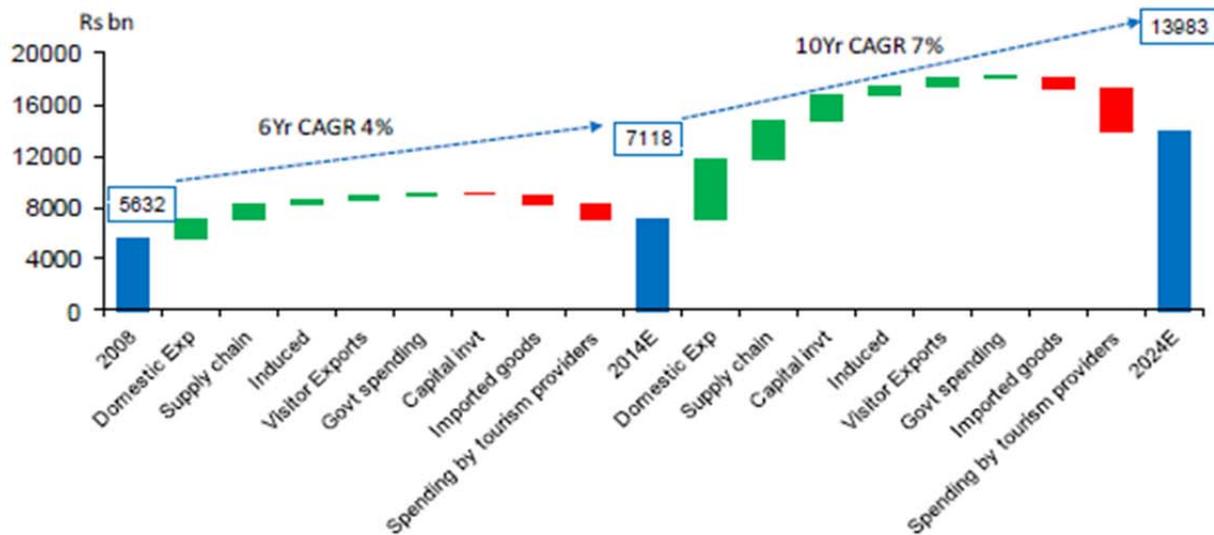
CHART VI: Foreign Tourist Arrivals



CHART VII: Foreign Exchange Earnings



Chart VIII: Total Contribution (Direct + Indirect) of Travel and



Source: WTTC, Macquarie Research, July 2015

It has been noted that \$37 billion industry (in terms of sector GDP) is important not only due to the direct impact that tourism has on GDP growth, but also due to the indirect and induced benefits that outpace the direct benefits. According to the WTTC estimates, direct sector output set to grow by 6.4% per annum over the next 10 years, while contribution (both direct and indirect) could grow by nearly 7% to touch \$230 billion by 2024.

#### 4. SUGGESTIONS AND CONCLUSION

##### Suggestions

Indian Tourism is the third largest foreign exchange earner country. The Indian tourism and hospitality industry has emerged as one of the key drivers of growth among the services sector. Online tourism industry is emerging in India. The tourism industry is also looking forward to the expansion

of E-visa scheme which is expected to double the tourist inflow to India. India is projected to be the fastest growing nation in the wellness tourism sector in the next five years, indicating over 20 per cent gains annually through 2017.

Impact of tourism in order to boost up the GDP of India in the next decade are growing recognition of tourism's contribution to employment and economic growth, availability of better infrastructure, focused marketing and promotion efforts and liberalisation of air transport. Also mainly online travel portals which offer online booking system with the help of technological advancement which stimulate the growth. The major challenges facing by industry is to assess the impact of these technologies on different aspects of the travel industry and to find out how much value-added services they actually provide to consumers. Huge number of emerging new technologies such as mobile devices and global positioning systems (GPS) which need to be taken into account and its effects systematically in tourism industry.

### Conclusion

As far as the tourism industry of India is concerned, it generates not only employment opportunities, it also generate income to the nation, which has create a positive impact on countries GDP. The GDP as such the gross value of all final goods and services produced in an economy during a particular period and it clearly shows the positive trend for tourism Industry.

The tour operators in Tourism industry actively show their interest, for which the present technology also helps for the sustainable development. This particular study clearly reveals that the potentiality of the tourism industry in the country which influence the economic development. It also creates a room for further research in this respective field.

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