

TREND AND PROGRESS OF TOURISM IN INDIA: AN EMPIRICAL ANALYSIS

Himanshu B. Rout¹, P. K. Mishra² and B B Pradhan³

Abstract: *The importance of tourism in India can by no means be underestimated. It helps the tourists to get use to with the culture, customs and conventions, language and mode of living of the people at destination. The most important benefits of tourism include job creation, foreign currency earnings, infrastructure development, poverty eradication, inequality reduction and balanced regional development. In addition, tourism is critical for increasing world peace. Thus, we have studied the trend and progress of tourism in India over the period spanning from 1995 to 2015. All tourism indicators except total contribution of travel and tourism to employment have been showing an increasing trend in India over the sample period. All these have been possible due to the constructive efforts made by the Centre and State governments over years. The government of India understands the importance of tourism in building a vibrant sustainable economy in the long-run. Thus, from time to time increasing importance has been attached to this service sector. Several plans, policies, projects, and schemes have been launched for the development of tourism sector activities in India. India is therefore, hopeful to accrue the benefits of multiplier effects of tourism in coming days.*

Key Words: *Tourism, India, Trend Analysis, Role of Government*

JEL Classification: *L83, Z32, Z39*

1. INTRODUCTION

In India tourism has become the most vibrant service sector activity and a multi-billion industry over years (Patel, 2012). Tourism has been recognised as the as an engine of economic growth and development. Its role and importance in generating employment opportunities and contributing to national income has well been agreed worldwide (Vethirajan and Nagavalli, 2014). Besides tourism is the significant contributor to the foreign exchange reserves of a country (Fayissa *et al.* 2007; Mishra *et al.* 2011; Mishra

¹ Assistant Professor in SHM, Siksha O Anusandhan University, Odisha-751030, E-mail: himanshurout3@gmail.com

² Associate Professor in Economics, Central University of Punjab, Bathinda, India-151001, E-mail: pkmishra1974@gmail.com

³ Professor in Finance & Registrar, Siksha O Anusandhan University, Odisha-751030, E-mail: registrar@soauniversity.ac.in

and Rout, 2012-13; Munshi and Mishra, 2016; Rout *et al.* 2016; Iqbal and Sami, 2016). India has identified tourism significant for employment generation, poverty alleviation, inequality reduction and sustainable human development (Mishra and Rout, 2012-13; Iqbal and Sami, 2016). Tourism has been credited for improving social cohesion and bringing global peace (Richardson, 2010; Gill & Singh, 2011; Gill & Singh, 2013; Mishra *et al.* 2016). Tourism can give impetus to the development other sectors such as agriculture, manufacturing, transport and communication, accommodation and hospitality and others (Mishra *et al.* 2011). It has the potential to positively influence the quality of life and the pace of growth of a country.

It is with this backdrop, this paper is an attempt to make an analysis of the trend and progress of tourism sector in India. The natural surroundings, the architectural masterpieces, the music, dance, paintings, customs and languages are all made India the tourist paradise (Bhatia, 2013). India has been succeeded in attracting growing number of foreign tourists from all corners of the globe. Indian tourism has got the potential to strengthen the socio-economic-cultural and political fundamentals of the country (Tripathi & Siddiqui, 2010). The growth of tourism industry in a country can change economic conditions (Nag, 2013). Thus, prudent policies and projects are warranted for furthering the sector. So a study of this kind keeps much relevance in the present day globalized scenario. The rest of the paper is organised as follows: Section 2 highlights the progress of tourism in India; Section 3 makes the statistical analysis of the trend patterns that the indicators of tourism have been exhibiting over years; Section 4 focuses on the role of the government in contributing to the growth of tourism sector in India; and Section 5 concludes.

2. PROGRESS OF TOURISM IN INDIA

Although travel and tourism have a deep rooted origin in India, the sector has been accorded importance only during the 2nd FY Plan (1956-61) with the allocation of INR 3.36 crores for the creation of isolated facilities in important tourist centres. However, the 3rd FY plan period is the true beginning of the tourism era in India with the creation of the Indian Tourism Development Corporation in 1966 for the development of tourism infrastructure and promoting India as a tourist destination. The 6th FY plan period was a major landmark in the history of Indian tourism because the first ever tourism policy of the country was announced during 1982 focusing on the maximization of benefits of tourism. The development of tourism was stated as a plan objective in the 7th FY plan and the sector was accorded the status of an industry. The GoI constituted the National Committee on Tourism in 1986 to evaluate the socio-economic relevance of tourism in India and draw up a long measure for ensuring accelerated growth of tourism. As a focus point during 8th FY plan, the National Action Plan for tourism was presented in the Parliament on May 5, 1992. It was proposed to achieve diversification of tourism product, accelerated growth of tourism infrastructure, effective marketing and promotional efforts in the overseas markets and removal of all impediments to tourism. A major component of the Action Plan was the

development of all inclusive special tourism areas and intensive development of selected circuits. The National Strategy for the Development of Tourism was prepared in 1996 aiming at the achievement of the benefits of tourism for the overall growth and development of Indian economy. The Expert House status was granted to tourism units so as to give a boost to foreign exchange earnings, employment and income generation through tourism activities during the 9th FY plan. In 2002, National Tourism Development Policy was prepared with the objective of positioning tourism as a major engine of economic growth so as to realize the direct as well as multiplier effects of tourism activities for employment and poverty reduction in an environmentally sustainable manner. The seven most important areas, viz., Swagat (Welcome), Soochna (Information), Suvidha (Facilitation), Suraksha (Safety), Sahyog (Cooperation), Samrachna (Infrastructure Development), and Safai (Cleanliness) were highlighted as a means of tourism sector development.

However, the new era in Indian tourism begun with the launch of the most well known campaign 'Incredible India' in 2002, and in 2003 the Condé Nast Traveler magazine ranked India as one of the top ten most preferred destinations for sensitive travellers in the world. Thereafter the performance of tourism sector in India became exceptionally high. The tourism in India could establish its own brand 'India Tourism' by 2009-10. In last few years the 'Incredible India' and other campaigns have been successful in attracting millions of foreign tourist to India, and the industry has become an important source of foreign exchange earnings. Not only inbound tourism, but also the domestic tourism has also been developed to a great extent which has helped in bringing balanced regional development in India.

3. TREND ANALYSIS

In India the tourism industry has been showing a tremendous growth over the decade or so. The crucial indicators of tourism such as domestic tourist arrivals, foreign tourist arrivals, foreign exchange earnings, total contribution of travel and tourism to GDP, and total contribution of travel and tourism to employment have been performing well. This section of the paper makes a case for the analysis of the trend pattern of the growth of tourism industry in India in terms of these indicators. The analysis considered the post-reform period from 1995 to 2015 as the study period. All the time series data over this period have been collected from the publications of India Tourism Statistics by Ministry of Tourism, Government of India and from the tourism statistics database provided by World Travel and Tourism Council.

The trend analysis has been performed by plotting the time series with respect to each specified indicator in the form of histograms, and estimating the best fitted linear/non-linear trend curve by the least square method the explanatory power of which is justified by R-square values. We have estimated the linear, quadratic and exponential trend curves as observed to be best fitted using the OLS method of estimation.

Linear Trend Line: $Y = a + bt$

Quadratic/Parabolic Trend Curve: $Y = a + bt + ct^2$

Exponential Trend Curve: $Y = Ae^{bt}$

We have used the coefficient of determination R-Square to capture the proportion of variability in a data series that is accounted for by a trend curve. R-Square is a statistical measure of how close the data are to the fitted trend line. It is the percentage of the variation in tourism variable explained by a linear/ model. In general, the higher the R-squared, the better the model fits the time series.

At the outset, we plotted the domestic tourist visits to various States/UTs of India over the period 1995 to 2015, and estimated the best fitted trend curve in Fig.1. The data best fitted to an exponential trend curve with R-square value of 0.996. It signifies that the arrival of domestic tourists to Indian States/UTs grow at an increasing rate thereby justifying the governments' efforts and initiatives taken for the tourism sector development both at the Centre and State levels. The number of domestic tourist visits in India increased from 136.65 million in 1995 to 1431.97 million in 2015. There may be several reasons for such growth pattern in domestic tourist visits in India over the years.

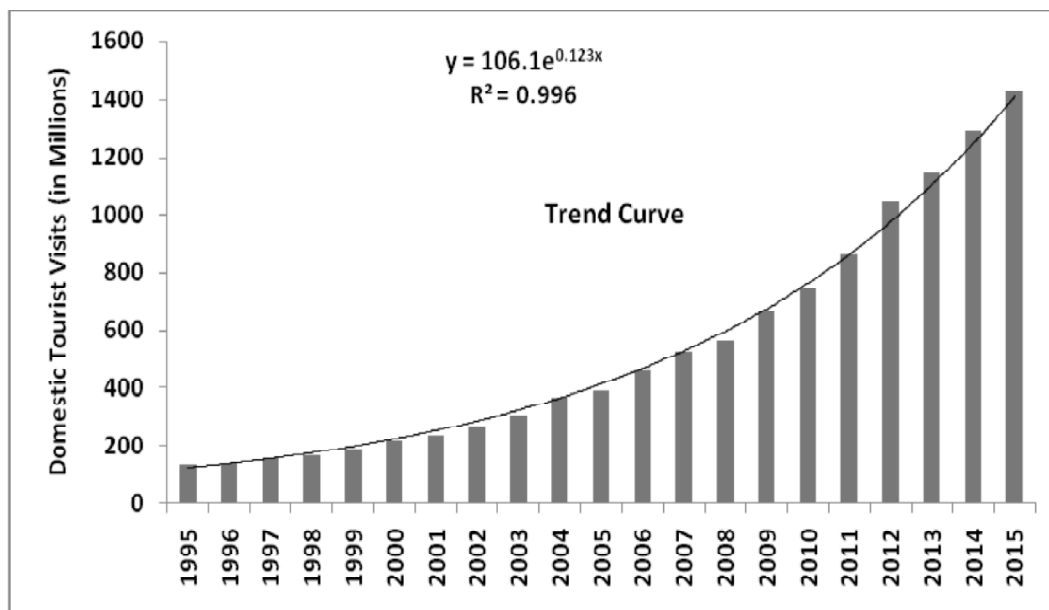


Figure 1: Domestic Tourist Visits in India, 1995 to 2015
(in millions)

Source: Authors' Own Plot of MoF, GoI data

First, the remarkable growth of India's macro economy has increased the purchasing power of the growing middle class which prompts Indian citizens to spend more and more on leisure, business, etc. within the country. Second, in recent years India has become an important hub of information technology which necessitates more people visiting several places inside the country for business purposes. Third, in recent years boom in education and health care services also contributes to the exponential growth of domestic tourism in India. Fourth, in recent years the development in transportation facilities also adds to this growth pattern. Fifth, there has been a significant change in the life style of masses. Last but not the least, the aggressive 'Incredible India' campaign by Ministry of Tourism, Government of India has created an attraction for tourism which really changed the image of India to a great extent.

Then, we plotted the foreign tourist visits to India over the period 1995 to 2015, and estimated the best fitted trend curve in Fig. 2. The data best fitted to an exponential trend curve with R-square value of 0.952. It signifies that the arrival of foreign tourists to Indian States/UTs grow at an increasing rate thereby justifying the governments' efforts and initiatives taken for the tourism sector development both at the Centre and State levels. The number of foreign tourist visits in India increased from 2.12 million in 1995 to 8.03 million in 2015.

There may be several reasons for such growth pattern in foreign tourist visits in India over the years. First, India offers magnificent monuments that attract a large number of tourists from all over the world. Second, India is a land of peace which

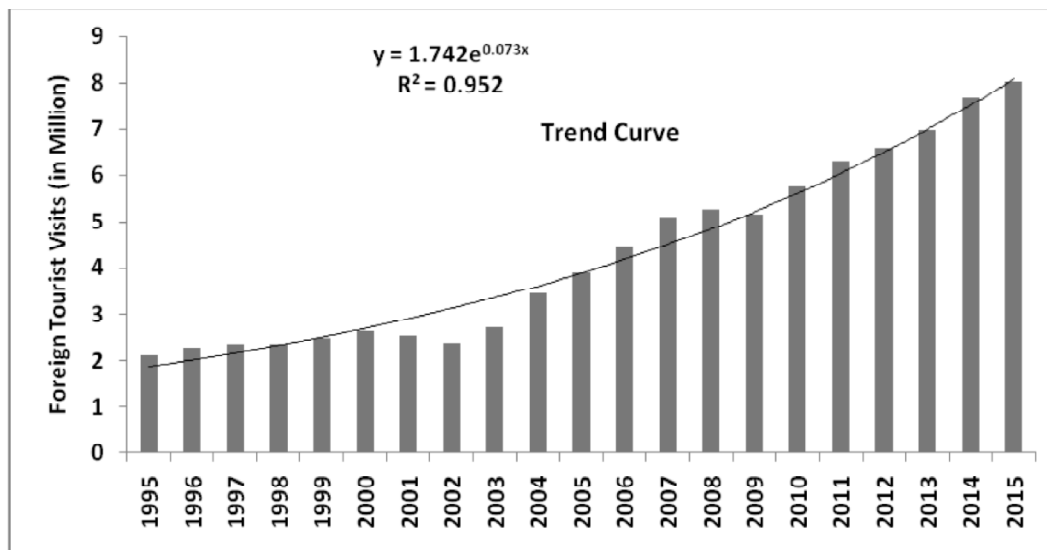


Figure 2: Foreign Tourist Visits in India, 1995 to 2015
(in millions)

Source: Authors' Own Plot of MoF, GoI data

attracts many to visit its glorified tradition, and prosperous present. Third, India is a land of wonderful music and dance which also attracts a large from each and every corner of the globe. Fourth, unity in diversity in everything in India has got a brilliant attraction for foreign tourist to its States/UTs. Fifth, this growth may be attributed to the rising income levels and changing life styles of people across the globe. Sixth, the exponential growth may be due to diverse tourism offering in terms of products and services. Seventh, reform in the aviation sector has made travelling easy and comfortable. Last but not least, the most important is the policy and infrastructural support by government including simplification in visa procedures and tax holidays for hotels, etc.

Next, we plotted the international tourist receipts, i.e., the foreign exchange earnings by India from inbound tourism over the period 1995 to 2015, and estimated the best fitted trend curve in Fig.3. The data best fitted to an exponential trend curve with R-square value of 0.953. It signifies that the international tourist receipts grow at an increasing rate thereby justifying the governments' policies and strategies to enhance inbound tourism and to earn foreign exchanges both at the Centre and State levels. The foreign exchange earnings from inbound tourism in India increased from \$ 2583 million in 1995 to \$ 21017 in 2015. This is a remarkable achievement over years.

There may be several reasons for such growth pattern in foreign exchange earnings from inbound in India. First, the foreign tourist visits to India is growing at an increasing rate. Second, the foreign tourists are staying longer in India, and thus, spending larger

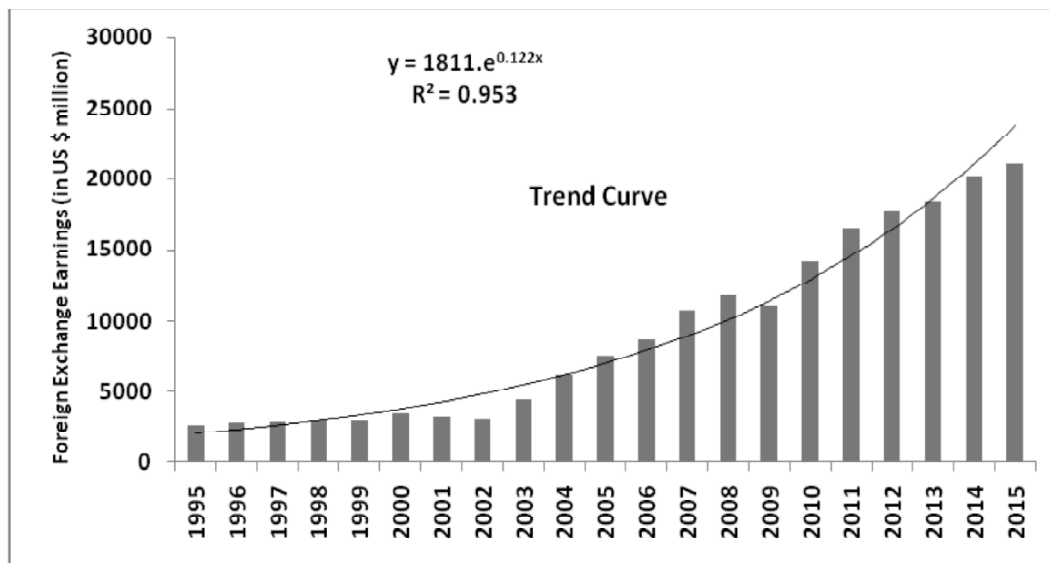


Figure 3: International Tourist Receipts in India, 1995 to 2015
(in US \$ million)

Source: Authors' Own Plot of MoF, GoI data

on accommodation and food & beverage. Third, foreign tourists are spending sufficiently on Indian handicrafts, paintings, and other goods & services of India's unique creativity. Last but not least, foreign tourists are spending plenty on travelling within India for sightseeing, and other related purposes. However, India's share of international tourist receipts from inbound tourism in the world is quite low, but increasing over time.

It has been well recognised in tourism literature that the money spending by foreign tourists in the destination always have multiplier effects on country's national income and employment. Thus, we have plotted money spending by foreign tourists in India over the period 1995 to 2015, and estimated the best fitted trend curve in Fig.4. The data best fitted to a second degree parabolic trend curve with R-square value of 0.985. It signifies that the international tourists' expenditure in India is growing at an increasing rate thereby creating rooms for the possible multiplier effects on national income and employment. The spending by international tourist in India increased from \$ 3.61 billion in 1995 to \$ 19.47 billion in 2015.

Thus, we have plotted the total contribution of travel and tourism to GDP in India over the period 1995 to 2015, and estimated the best fitted trend line in Fig.5. The data best fitted to a linear trend pattern with R-square value of 0.923. It signifies that the total contribution of travel and tourism to GDP in India has been rising at a steady rate over years thereby justifying for the presence of possible multiplier effects of tourism expenditure on Indian economy. The total contribution of travel and tourism

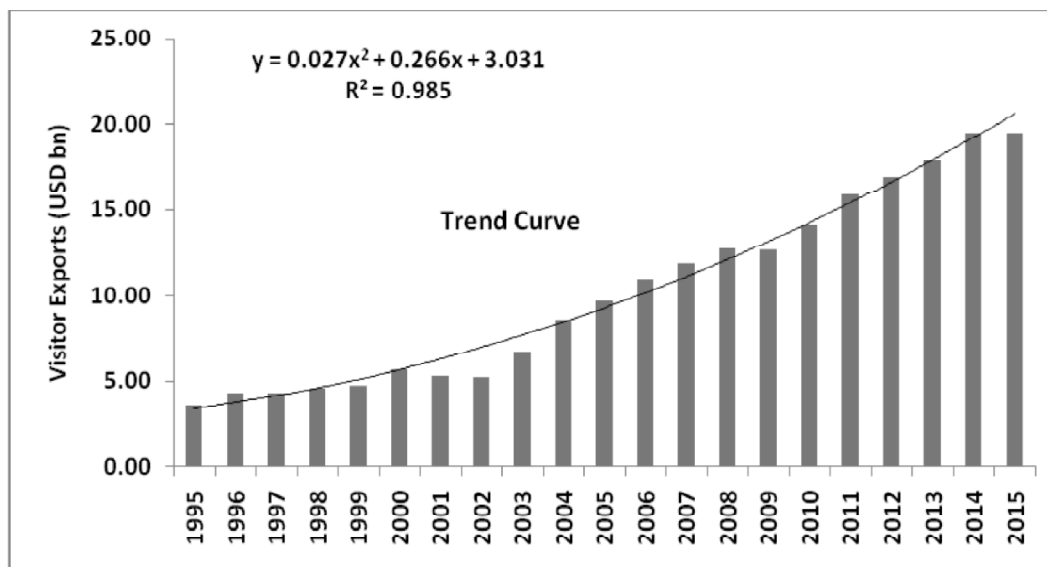


Figure 4: Total Inbound Travel & Tourism Expenditure, 1995 to 2015
(in US \$ billions)

Source: Authors' Own Plot of WTTC data

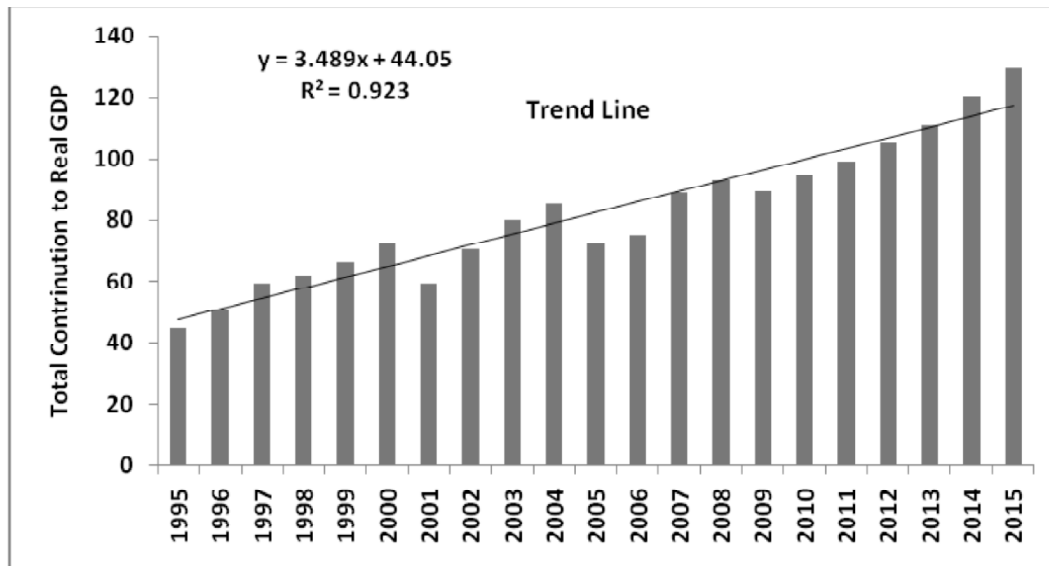


Figure 5: Total Contribution of Travel & Tourism to Real GDP, 1995 to 2015
(in US \$ billions)

Source: Authors' Own Plot of WTTC data

to GDP in 1995 was \$ 45.0892 billion which increased to \$ 93.0031 billion in 2008 and further to \$ 129.493 billion in 2015. The annual growth rate this contribution in 2010 was 5.96 percent which increased to 6.07 percent in 2012 and further to 7.42 percent in 2015.

The extant tourism literature indicates the growth of job opportunities in a country due to the development of tourism sector. Both direct and indirect employment opportunities are created in the tourism and allied sectors propelled by the increase in tourists' visits and their spending. So we plotted the total contribution of travel and tourism to employment in India over the period 1995 to 2015, and estimated the best fitted trend line in Fig.6. The data best fitted to a linear trend pattern with R-square value of 0.533. It is inferred from the time series plot that the trend pattern is linear, but declining. In 1995, the sector contributed 15.14 percent to employment which has been reduced to 8.82 percent in 2015.

The primary reason may be the growth in the use of computers and information technology in providing necessary services in the tourism industry. The use such technology always has a negative effect on job creation. Moreover, the wider participation of private sector has also lessened the employment opportunities in the travel and tourism sector because of their motive for higher profit margin.

4. ROLE OF GOVERNMENT

It is learned from the above performed trend analysis that the tourism industry in India has the potential to over throw the national economy at a higher growth trajectory.

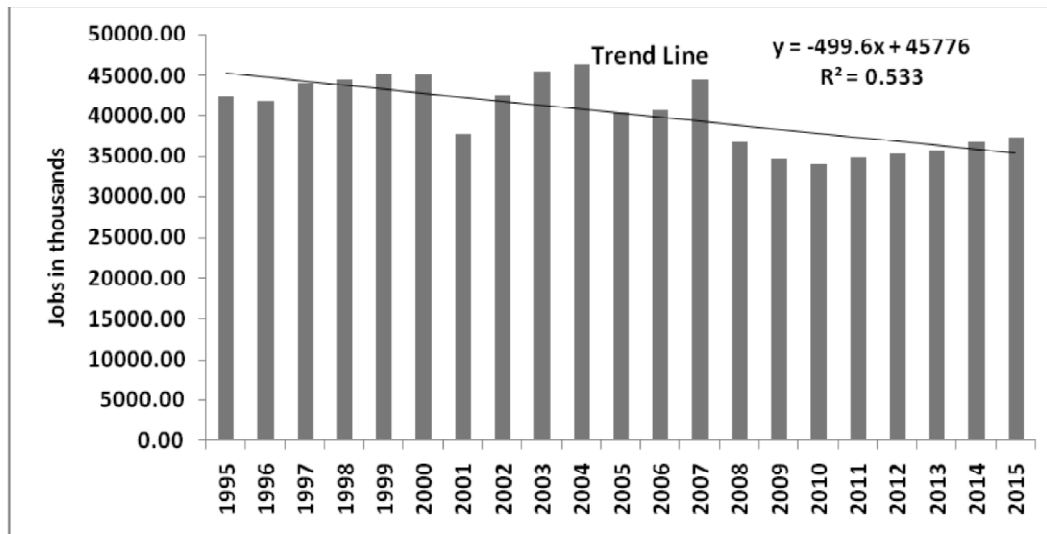


Figure 6: Total Contribution of Travel & Tourism to Employment, 1995 to 2015 (in '000)

Source: Authors' Own Plot of WTTC data

Thus, the Centre and State Governments have to play a vital role in contributing to 'strength to strength' growth of the Indian tourism industry. Soon after the launch of the New Tourism Policy of India in the year 2002, the sector has been recognised as an engine of growth and development. The tourism marketing campaigns of Government of India such as 'Incredible India (2002)', 'Atithi Devo Bhava (2009)', 'Clean India (2013)', and 'Swadesh Darshan (2015)' have been observed to work very nicely in attracting both domestic as well as foreign visitors to Indian States/UTs. Besides, the government has launched the Hunar Se Rozgar Yojana during 2009-10 to generate employable workforce for the tourism and hospitality industry. The Ministry of Tourism in Jan-2013 initiated the use of social media like Facebook to promote tourism sites throughout the country. About 70 percent of all 4- and 5-star hotels in first-tier cities in India had established their presence in social media by Aug-2013. Leading Indian airline Jet Airways put social media at the centre of its marketing, involving ten different departments in its social media activities targeting consumers. In 2014, the Government of India launched the Tourists Visa on Arrival enabled Electronic Travel Authorization scheme for the nationals of 43 countries. In 2015, the National Mission on Pilgrimage Rejuvenation and Spiritual Augmentation Drive (PRASAD) was implemented by the Ministry of Tourism, Government of India for enhancing the facilities provided and infrastructure at pilgrimage centres of all cities in the country. The importance to tourism in India is also reflected in the Union budget 2016-17 which witnessed 70 percent hike in the fund allocation to tourism sector development through the development infrastructure, promotion and publicity initiatives. The budget earmarked INR 1500 crore under plan and INR 90 crore under non-plan heads. For 2016-17, the

government allocated INR 900 crore for infrastructure development with over INR 700 crore for Swadesh Darshan scheme and INR 100 crore for PRASAD scheme. The government has also allocated about INR 413 crore for promotion and publicity activities in India and abroad, including market development. However, the challenges before the governments at different levels include the development of tourist sites and the transport & communication facilities to these sites, ensuring safety and security of tourists, providing better accommodation & hospitality facilities, and like.

5. CONCLUSION

The Indian tourism and hospitality industry has recently emerged as one of the key driver of growth among the services sector in the country. Tourism in India is also a potentially large employment generator besides being a significant source of foreign exchange for the country. The Government of India has realised the country's potential in the tourism industry and has taken several steps to make India a global tourism hub. Thus, we have made an empirical analysis of the trend and progress of tourism industry in India over a period spanning from 1995 to 2015 and found an increasing pattern of trend for all important tourism variables except for the contribution travel and tourism to employment. On the basis of this finding we can say that the role of the government in tourism development has become one of catalyst. Therefore, 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 centers and increasing availability of accommodation by adding heritage hotels to the hotel industry and encouraging paying guest accommodation. However, there remain many miles to go. Thus, it is suggested that the Central and State governments, private sector and voluntary organizations should actively and jointly participate in the effort to attain sustainable growth in tourism in India. This would certainly make our tourism sector a vibrant one in the world level.

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