

## TOURISM AND ECONOMIC DEVELOPMENT IN INDIA

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**Abstract:** Tourism Business has been a vital component of Indian Culture and Heritage. It is the most vibrant tertiary activity and a multibillion-dollar sector in India. The travel and tourism industry contributes considerably to socioeconomic growth through job creation, foreign exchange gains, and infrastructural development. In recent years, India has experienced rapid expansion in the tourism industry. Currently, India is a popular destination for both international and local visitors. India allows overseas travelers to appreciate and experience the country's cultural variety. According to official estimates, tourism in India has surpassed the world tourism sector in terms of growth, the volume of international travelers, and even income. The tourist business in India is seeing rapid expansion.

### Importance of Tourism in Economic Development

Tourism spending generated by visitors to a tourist destination represents an injection of money into that tourist destination. This new injection of money leads to an increase in the direct effect as well as the indirect effect, which in turn impacts an increase in the economic activity of the tourist destination. Almost any industry is liable to be affected by a new injection of money to some extent by these direct and indirect effects. These effects are known as multiplier effects in the economy. A multiplier effect represents the number by which a given change in tourism activity generated by tourism spending is multiplied. The size of this multiplier effect will determine the impact of tourism (positive or negative) on macroeconomic aggregates such as the GDP, added value, level of income or sales, employment level, and/or tax level.<sup>1</sup>

As such, the velocity of appropriation of tourist demand affects the growth in various ways which is explained under the following lines.

1. Construction of hotels and other supported accommodations.
2. Installation and infrastructure works, the network of roads, sanitation, supply of water and electricity, airport, and urbanization schemes.
3. Production of food items, mass, beverages, and other agricultural commodities.
4. Means of transport and production of spare parts etc.
5. Increase in production of goods purchased through tourists.
6. Re-creation of the financial sector, banking, insurance, and other business services.
7. Creation of new business institutions.

### The potential of tourism in creating employment

Tourism is an income multiplier. If both domestic and international tourists visit Gujarat, its youths would be employed in hotels, restaurants, bars, discotheques (leisure), sea resorts, beaches, transport organizations, airlines, and hotels. This list is not comprehensive. Further, people can also be employed in those industries that support the tourism industry of the state. To sum up, Gujarat tourism has vast potential for generating employment and earning large sums of foreign exchange besides giving impulse to the state's overall economic and social development. Much has been achieved by way of increasing transportation air seat capacity, increasing trains and railway connectivity to important tourist destinations, four-lane roads connecting important tourist centers, and the increasing availability of accommodation by adding heritage hotels to the hotel industry and encouraging paying guest accommodations. Since tourism is a multidimensional activity, it would be worth saying that it has an enormous capacity to rectify the unemployment problems in the state. Only the necessary thing is that all wings of the Central and State governments, private sector, and voluntary organizations should become active partners in making Gujarat become a world player in the tourist industry. The growing economy, impetus on infrastructure development, enabling business environment, strong market

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<sup>1</sup>Kido-Cruz, A., Kido-Cruz, T., & Killough, J. (2015). Economic Impact Assessment: A Review of Literature on the Tourism Industry. *Global Journal of Management and Business Research*, 1-8.

fundamentals & large and growing talent pool are some of the new areas where the probability of employment can be boosted.<sup>2</sup>

### Foreign direct investment in the Hotel and Tourism sector<sup>3</sup>

No.	Years	FDI	No.	Years	FDI
1	2001-02	13.2	10	2010-11	753.02
2	2002-03	32.12	11	2011-12	308.05
3	2003-04	33.75	12	2012-13	992.86
4	2004-05	49.36	13	2013-14	3259.05
5	2005-06	37.01	14	2014-15	486.38
6	2006-07	71.78	15	2015-16	777.01
7	2007-08	195.66	16	2016-17	1332.69
8	2008-09	421.47	17	2017-18	916.13
9	2009-10	463.92			

Table: 1.4 Resource Title: Financial Year-wise FDI Equity Inflows from 2000-01 to 2016-17

We have seen lots of volatility in the annual FDI inflows in the Hotel & Tourism Sector during the period 2000-01 to 2016-17. We have seen a decline of -31.26% in FDI inflows in the Hotel & Tourism Sector to \$ 916.13 million during 2016-17 over 2015-16. We have seen a growth of 71.52% in FDI inflows in the Hotel & Tourism Sector to \$ 1332.69 million during 2015-16 over 2014-15. We have seen a growth of 59.75% in FDI inflows in the Hotel & Tourism Sector from \$ 486.38 million during 2013-14 to \$ 777.01 million during 2014-15.

The amount of FDI in the Hotel & Tourism Sector was \$ 13.2 million in 2000-01. The share of FDI in the Hotel & Tourism Sector in total FDI in India was 0.55% in 2000-01. The amount of FDI in the Hotel & Tourism Sector was \$ 32.12 million in 2001-02. It increased by \$ 18.92 million as compared to 2000-01. In percentage terms, the increase was 143.33%. The share of FDI in the Hotel & Tourism Sector in total FDI in India was 0.8% in 2001-02.

The amount of FDI in the Hotel & Tourism Sector was \$ 71.78 million in 2005-06. It increased by \$ 34.77 million as compared to 2004-05. In percentage terms, the increase was 93.95%. The share of FDI in the Hotel & Tourism Sector in total FDI in India was 1.3% in 2005-06. The amount of FDI in the Hotel & Tourism Sector was \$ 308.05 million in 2010-11. It decreased by \$ 444.97 million as compared to 2009-10. In percentage terms, the decrease was -59.09%. The share of FDI in the Hotel & Tourism Sector in total FDI in India was 1.44% in 2010-11.

The maximum annual growth in FDI in the Hotel & Tourism Sector of \$ 2266.19 million was recorded in the year 2012-13 during the period under consideration. The maximum annual growth in percentage terms in FDI in the Hotel & Tourism Sector of 228.25% was recorded in the year 2012-13 during the period under consideration. The maximum share of FDI in the Hotel & Tourism Sector in total FDI in India of 14.53% was recorded in the year 2012-13 during the period under consideration.

### Development of medical tourism<sup>4</sup>

As per information provided by the Ministry of Health and Family Welfare, Government of India, health is a State subject. However, the Government of India has enacted the Clinical Establishments (Registration and Regulation) Act 2010 for the registration and regulation of clinical establishments (both Government and Private) intending to prescribe a minimum standard of facilities and services provided by them. The implementation and enforcement of the said Act fall within the purview of the States/Union Territory Governments.

<sup>2</sup>SHUKLA, P. K., & ANSARI, A. A. (Vol. 1, Issue 2, July 2013). ROLE OF TOURISM INDUSTRY IN EMPLOYMENT GENERATION IN GUJARAT: A GEOGRAPHIC ASSESSMENT. *International Journal of Research in Humanities, Arts and Literature (IJRHAL)*, 1-8.

<sup>3</sup>foreign-direct-investment-fdi-equity-inflo. (n.d.). Retrieved from <https://data.gov.in:https://data.gov.in/catalog/foreign-direct-investment-fdi-equity-inflo>

<sup>4</sup>question, R. U. (2019, 06 25). *Search\_QnoWise*. Retrieved 04 20, 2020, from [https://rajyasabha.nic.in:https://rajyasabha.nic.in/rsnew/Questions/Search\\_QnoWise.aspx](https://rajyasabha.nic.in:https://rajyasabha.nic.in/rsnew/Questions/Search_QnoWise.aspx)

Year	Number of Foreign Tourist arrivals for medical purposes
2015	2,33,918
2016	4,27,014
2017	4,95,056

Table: 1.5.

Realizing the potential to develop and promote Wellness and Medical Tourism as a niche product in the country, the Ministry of Tourism has formulated guidelines for the promotion of Medical Tourism. As per the guidelines, the following assistance is provided to eligible stakeholders:

- Financial Assistance for participating in fairs/events/roadshows approved by the Ministry in the overseas markets under the Marketing Development Assistance (MDA) Scheme.
- Financial Assistance in the ratio 50:50 for making publicity and promotional material subject to a maximum ceiling of Rs.10.00 lakh.
- Financial Assistance up to a maximum of Rs.25.00 Lakh on a 50:50 sharing basis for organizing Wellness & Medical Tourism promotion shows.
- Permission for the use of the Incredible India logo for Wellness & Medical Tourism promotion events, films, literature, etc.
- Financial support for training courses focused on skill providing, skill up-gradation, and skill certification for the persons engaged in the Wellness & Medical Tourism sector as per the Capacity Building for Service Providers (CBSP) Scheme guidelines of the Ministry of Tourism.
- Provision of space to Wellness and/or Medical Tourism Associations at major international fairs for promoting Wellness & Medical Tourism at cost.

In addition to the above, the Ministry of Tourism has taken various steps to boost medical tourism which inter-alia includes:

- Launch of campaigns in the international markets including for medical tourism under the Incredible India brand line; conducting Road Shows, Know India Seminars, etc.
- Ministry produces brochures, CDs, films, and other publicity materials for the promotion of Medical & Health Tourism. Medical tourism is being promoted on social media across various platforms.
- Department of Commerce and Services Export Promotion Council has launched a Healthcare Portal [www.indiahealthcaretourism.com](http://www.indiahealthcaretourism.com), as a single-source platform providing comprehensive information of medical travelers on the top healthcare institutions in the country in various languages.
- The government of India launched the e-Tourist Visa in September 2014 for the easing of the visa regime has been expanded to include medical visits as well. Medical and Medical Attendant Visa has been introduced to ease the travel process of medical tourists.

To provide a dedicated institutional framework to take forward medical tourism, a 'National Medical and Wellness Tourism Board' has been constituted which works as an umbrella organization that promotes this segment of tourism in an organized manner.

### Foreign and domestic tourist visit the country<sup>5</sup>

Assessment of the number of tourists at destinations in States/UTs is made in terms of visits in the States/UTs during a calendar year. Ministry of Tourism, Government of India compiles the State/UT wise figures of Domestic Tourist Visits (DTV) and Foreign Tourist Visits (FTV) based on information provided by State Governments/UT Administrations.

The top ten States/UTs ranked in terms of estimated DTVs and FTVs during 2018 are as follows:

No.	DTV	FTV
1	Tamilnadu	Tamilnadu
2	Uttar Pradesh	Maharashtra
3	Karnataka	Maharashtra
4	Andhra Pradesh	Delhi
5	Maharashtra	Rajasthan
6	Telangana	Punjab
7	West Bengal	Kerala
8	Madhya Pradesh	Bihar

<sup>5</sup>2693, R. q. (2019, 07 16). *Search\_QnoWise*. Retrieved 4 25, 2020, from [https://rajyasabha.nic.in: https://rajyasabha.nic.in/rsnew/Questions/Search\\_QnoWise.aspx](https://rajyasabha.nic.in: https://rajyasabha.nic.in/rsnew/Questions/Search_QnoWise.aspx)

9	Gujarat	Goa
10	Rajasthan	Karnataka

Table: 1.6. Source: [https://rajyasabha.nic.in/rsnew/Questions/Search\\_QnoWise.aspx](https://rajyasabha.nic.in/rsnew/Questions/Search_QnoWise.aspx)

There has been a steady growth of tourists in the country which is evident from the following data on International Tourist Arrivals (ITAs)

Years	ITAS(in millions)	Growth%
2016	14.57	9.7
2017	15.54	6.7
2018	17.42	12.1

Table: 1.7. Source: [https://rajyasabha.nic.in/rsnew/Questions/Search\\_QnoWise.aspx](https://rajyasabha.nic.in/rsnew/Questions/Search_QnoWise.aspx)

### Conclusion:

Tourism is a major economic growth engine, contributing considerably to GDP, foreign exchange profits, and jobs. Together with public-private initiatives in the tourism sector, the government has implemented some policy initiatives and steps to encourage health and medical tourism in India. India has developed as a key destination for medical tourism. The Ministry of Tourism has designated Medical & Wellness Tourism, including Ayurveda, as a Niche product to combat seasonality and market India as a 365-day destination for travelers with specialized interests. India is well-known for its customs and rituals. Tourism officials and officials must take a methodical strategy to attract more international tourists while also developing tough laws to address environmental concerns. They must have the ambition to deliver a clean and hassle-free atmosphere in all tourist areas.

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