A Study On Tourism Prospects For Indian Economy

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ARTICLE INFO	ABSTRACT
	Tourism has become the world's largest and fastest-growing industry, significantly transforming many nations from underdeveloped and developing statuses to developed ones. It is now a crucial economic sector due to its contributions to income, job creation, and foreign exchange earnings. According to the World Travel and Tourism Council (WTTC), India's Travel and Tourism Sector contributed Rs. 15.7 trillion to the economy in 2022, employing 37.2 million people. The sector accounts for 6.23% of the national GDP and 8.78% of total employment in India. The tourism industry also offers substantial opportunities for entrepreneurship, encompassing a wide range of services such as transportation, accommodation, food and beverages, travel agencies, tour operators, entertainment, arts and crafts production and marketing, and events and exhibitions. This study aims to shed light on the influx of foreign tourists to India, the revenue generated by the industry, and the potential of various tourism avenues to drive economic growth by generating revenue, creating jobs, and fostering infrastructure development. The results indicate a significant relationship between foreign tourist arrivals and foreign exchange earnings during the study period.

***Key words:** Tourism, Foreign Exchange Earnings, Economic Growth.* |

Introduction:

Throughout history, humanity has always sought to explore unknown territories beyond the existing boundaries of knowledge. Once these frontiers are explored and understood, they become part of our known knowledge. This relentless quest for discovery is driven by an innate desire to enjoy and understand the natural world. The process of uncovering new domains and converting them into knowledge perpetually reignites our curiosity, fueling further exploration.

This intrinsic drive distinguishes humans from other species, underscoring our capacity for rational thought. Humans have consistently sought to traverse various geographical boundaries, whether defined by land or sea. This instinct has led to the development of multiple modes of travel, including land transport, marine routes, and air travel, alongside the traditional method of walking. ourism has become the world's largest and fastest-growing industry due to its vast potential and promising prospects. This industry has transformed many nations from underdeveloped and developing statuses to developed ones. It has become a vital economic sector by generating income, creating employment, and boosting foreign exchange reserves. According to the World Travel and Tourism Council (WTTC), the travel and tourism sector contributed 7.6% to the global GDP in 2022, marking a 22% increase from 2021. The sector's contribution to the global GDP reached 7.7 trillion U.S. dollars in 2022, with projections estimating it will grow to 9.5 trillion U.S. dollars in 2023. Global employment in the travel and tourism sector also saw an increase in 2022 compared to the previous year.

As India has become one of the fastest growing economies in the world as well as preferred tourist destinations, an in-depth study, on tourism is highly necessary. The present study can provide information that will help in shaping the strategic direction in the area of tourism industry. It further identifies the program areas which will guide the industry partners to tactically plan, implement and evaluate processes and programs. Calculating the economic impact of travel and tourism helps policy makers to make strategic decisions about the long- term vigour of tourism sector in India, assess capital investment and gauge the amount of government support.

Literature Review:

In this section, an attempt has been made to understand the importance of tourism to any developing economy. The same has been highlighted in the below segment.

Dixit (2014) has found that tourism is a highly changing phenomenon in his study. It depends on many factors like economic changes, political situation, social changes, environmental changes etc. People were reluctant to travel to places affected by natural calamities and political instability. His study was based on secondary data and Time Series, ANOVA were used to analyze data relating to tourism trends in India. As per his study, the main tourist trend in India is that tourist's arrival is good from October to March and there is a lean season from April to September. He suggested some measures to stretch this duration and attract tourists for longer period of time. Sharma (2018) has presented that many countries have been able to attain high growth rate by specializing in the tourism industry. The paper attempted to study the causal relationship between tourism receipts and economic growth in India. The study has helped to understand the impact of tourism on the Indian economy. The empirical analysis suggested that the variables that used in this paper presented a stationarity series. The Granger causality test was then used to investigate the direction of causality between tourism receipts and economic growth. The study appeared to support tourism led-growth (TLG) hypothesis for India. Godara et al. (2020) have discussed the relationship between economic growth and tourism industry by using the OLS (Ordinary Least Square) method approach and time series data over the period 2000 to 2018. After examining the variables and determining the existence of a positive relationship between the variables, the OLS model and its regression equation were estimated. The study used to analyze the association between the tourism and travel industry and GDP in India from Fiscal Year 2000-2001 to Fiscal Year 2018-19. Dutta (2021) has analyzed the contribution of travel and tourism sector to the India's Gross Domestic Product (GDP) and employment generation. The study was based on secondary data and used the time series data from 1997 to 2019. ADF (Augmented Diciky Fuller) unit root test, PP (Phillip Perron) unit root test and OLS (Ordinary Least Square) method have been applied to attain one objective i.e. relationship between tourism and economic growth of India.

Kapoor and Charak (2021) have pointed that tourism is one of the fastest growing industries in today's world and it supports an extensive job market directly and indirectly. Some of the regions of India that heavily rely on tourism for their livelihood have been adversely affected due to the Covid-19 pandemic. It has severely hampered the working of tourism industry from top to bottom. Their paper highlighted the issues faced by the Indian tourism industry due to the pandemic and focuses on the practices promoting tourism in the new normal. The study specifically explores the prospects of adventure tourism, cultural tourism, ecotourism and religion as a motivator for travelling along with sustainable practices in the new normal. Khare and Sathe (2021) have discussed the impact of COVID-19 on selected aspects of tourism industry and effect of COVID-19 on tourism choices of a traveler. The study was based on both primary and secondary data. They also tried to find out the immerging tourism trends post COVID-19. No financial data has been studied in this research paper. The psychological effect of COVID-19 on travellers was not considered in the paper and the study was only confined to Pune only. Sarwar and Naqvi (2021) have discussed about the impact of tourism sector on India's economic growth and its future survival and sustainability. They tried to establish the relationship between economic growth, Foreign Tourist Arrival (FTA) and Foreign Exchange Earnings (FEE). Their study has also identified the impact of FTA and FEE on the economic growth of the country. The study was based on secondary data and the time period for the study has been considered 2000 to 2019. Correlation analysis has been conducted to examine the relationship between the country's GDP, FTA and FEE and the regression analysis has been conducted to analyse the impact of FEE and FTA on GDP. Karnik (2022) highlighted on the potential of travel and tourism industry of India in his study. His study was based on secondary data and descriptive in nature. The present scenario of tourism in India and its importance got main importance in his study. As per his study lack of infrastructure, safety and security, inaccessibility, human resource planning, insufficient digital promotion and marketing of tourism and taxation issues with Indian tourism are the major challenges faced by Indian tourism.

The present study has considered Foreign Tourist Arrivals (FTAs) and Foreign Exchange Earnings (FEEs) from tourism in India which has not taken in all the previous studies. This study is an attempt to study the nature of relationship between FTAs as well as FEEs. This study actually under way is an attempt to bridge that gap in existing research.

Research Methodology and Objectives:

The study employs both descriptive and empirical approaches, relying solely on secondary data. The information was gathered from various sources, including journals, magazines, newspapers, books, reports, and websites. The study utilized annual percentage growth rates, Pearson correlation, and regression analysis to illustrate growth patterns and examine the relationship between foreign tourist arrivals and foreign exchange earnings in India.

Objectives:
- To study the present situation of tourism in India.
- To study the relationship between tourist arrivals and foreign exchange earnings from tourism in India.

Hypothesis:
- Ho: There is no significant relationship between the number of foreign tourist arrivals in India and foreign exchange earnings from tourism in India.
- H_1: There is significant relationship between the number of foreign tourist arrivals in India and foreign exchange earnings from tourism in India.

Present Scenario of Tourism in India: The present scenario of tourism in India is elaborated with the following tables, figures and charts.

Table 1: Foreign Tourist Arrivals (FTAs) to India, (1991-2022) and percentage growth rate

| Year	FTAs to India (in Million)	Annual Growth Rate (%)
1991	1.68	-1.7
1992	1.87	11.3
1993	1.76	-5.5
1994	1.89	6.9
1995	2.12	12.6
1996	2.29	7.7
1997	2.37	3.8
1998	2.36	-0.7
1999	2.48	5.2
2000	2.65	6.7
2001	2.54	-4.2
2002	2.38	-6.0
2003	2.73	14.3
2004	3.46	26.8
2005	3.92	13.3
2006	4.45	13.5
2007	5.08	14.3
2008	5.28	4.0
2009	5.17	-2.2
2010	5.77	11.8
2011	6.31	9.2
2012	6.58	4.3
2013	6.97	5.9
2014	7.68	10.2
2015	8.03	4.5
2016	8.80	9.7
2017	10.04	14.0
2018	10.56	5.2
2019	10.93	3.5
2020	2.74	-74.9
2021	1.52	-44.5
2022(P)	6.19	305.4

(P): Provisional
Source: *Bureau of Immigration, Government of India India Tourism Statistics 2003, pg. 8*

India Tourism Statistics 2014, pg. 9, 10
India Tourism Statistics 2022, pg. 11
India Tourism Statistics at a Glance 2023, pg. 1, 2

Chart Showing Foreign Tourist Arrivals to India and Annual Growth Rate (1991- 2022)
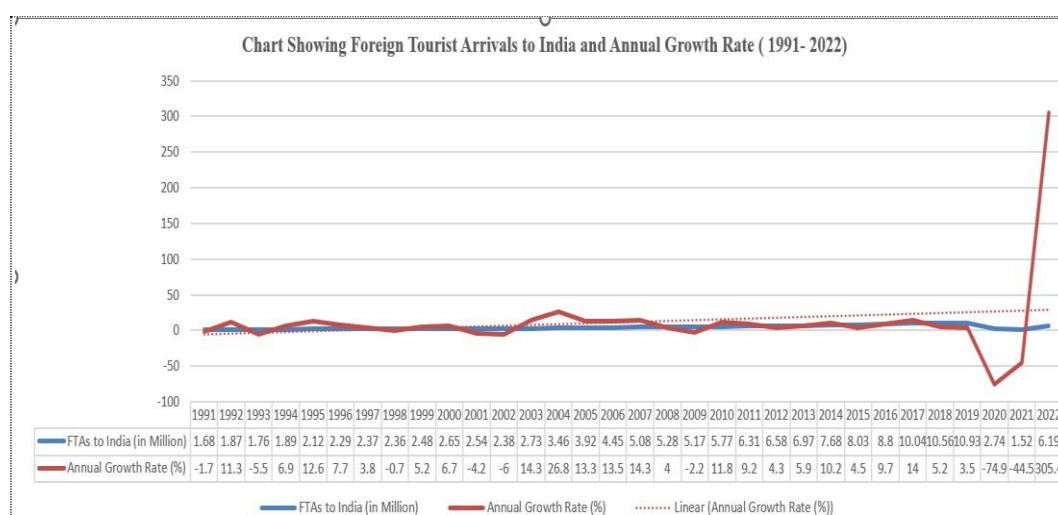
This figure presents data on the number of Foreign Tourist Arrivals (FTAs) in India from 1991 to 2022, along with the corresponding annual growth rates.

Observations:

a. Overall Growth Pattern: From 1991 to 2022, there is a noticeable trend of growth in the number of foreign tourists visiting India, although the growth rates have been varied across the years.

b. Early 1990s: The FTAs started around 1.68 million in 1991 and showed a fluctuating but generally positive growth rate, with occasional dips like in 1993 and 1998.

c. Mid-1990s to Early 2000: The numbers surpassed 2 million in the mid-1990s and continued to grow steadily, reaching 2.73 million in 2003.

d. Substantial Growth Phase (2004-2017): A significant surge in arrivals occurred between 2004 and 2017, with a remarkable increase from 3.46 million in 2004 to 10.04 million in 2017. This period witnessed a consistent positive growth rate, sometimes reaching double digits.

e. Recent Years (2018-2022): While the growth rate slowed down after 2017, the number of FTAs remained relatively stable around the 10 million mark until 2019.

f. Impact of 2020-2021 (COVID-19 Pandemic): The year 2020 witnessed a drastic decline in FTAs to 2.74 million due to the COVID-19 pandemic, marking a 74.9 per cent decrease from the previous year. In 2021, the numbers further dropped to 1.52 million, reflecting a 44.5 per cent decline.

g. Resurgence in 2022: In 2022, there was a staggering increase in FTAs to 6.19 million, indicating a sharp recovery from the pandemic, with an astounding growth rate of 305.4 per cent.

The COVID-19 pandemic severely impacted international travel, causing a substantial decline in tourist arrivals in 2020 and 2021. The significant rebound in 2022 indicates a potential resurgence in tourism, possibly due to eased travel restrictions, vaccinations, and increased confidence in travel safety. Despite fluctuations, the long-term trend showcases a positive trajectory in India's attractiveness as a tourist destination.

Table 2: Foreign Exchange Earnings from Tourism in India, (1991-2022)

Year	FEE in Rupees		FEE in US$	
	RupeesCrore	% Change over previous year	US $ Million	% Change overprevious year
1991	4318	-	1861	-
1992	5951	37.8	2126	14.2
1993	6611	11.1	2124	-0.1
1994	7129	7.8	2272	7.0
1995	8430	18.2	2583	13.7
1996	10046	19.2	2832	9.6
1997	10511	4.6	2889	2.0
1998	12150	15.6	2948	2.0
1999	12951	6.6	3009	2.1
2000	15626	20.6	3460	15.0
2001	15083	-3.5	3198	-7.6
2002	15064	-0.1	3103	-3.0
2003	20729	37.6	4463	43.8

2004	27944	34.8	6170	38.2
2005	33123	18.5	7493	21.4
2006	39025	17.8	8634	15.2
2007	44360	13.7	10729	24.3
2008	51294	15.6	11832	10.3
2009	53754	4.8	11136	-5.9
2010	66172	23.1	14490	30.1
2011	83036	25.5	17707	22.2
2012	95607	15.1	17971	1.5
2013	107563	12.5	18397	2.4
2014	120367	11.9	19700	7.1
2015	134844	12.0	21013	6.7
2016	154146	14.3	22923	9.1
2017	177874	15.4	27310	19.1
18	194881	9.6	28586	4.7
2019	211661	8.6	30058	5.1
2020	50136	-76.3	6958	-76.9
2021	65070	29.8	8797	26.4
2022(P)	134543	106.8	16928	92.4

P): Provisional

Source:
India Tourism Statistics 2014, pg. 61
India Tourism Statistics 2018, pg. 63
India Tourism Statistics 2022, pg. 70
India Tourism Statistics at a Glance 2023, pg. 1
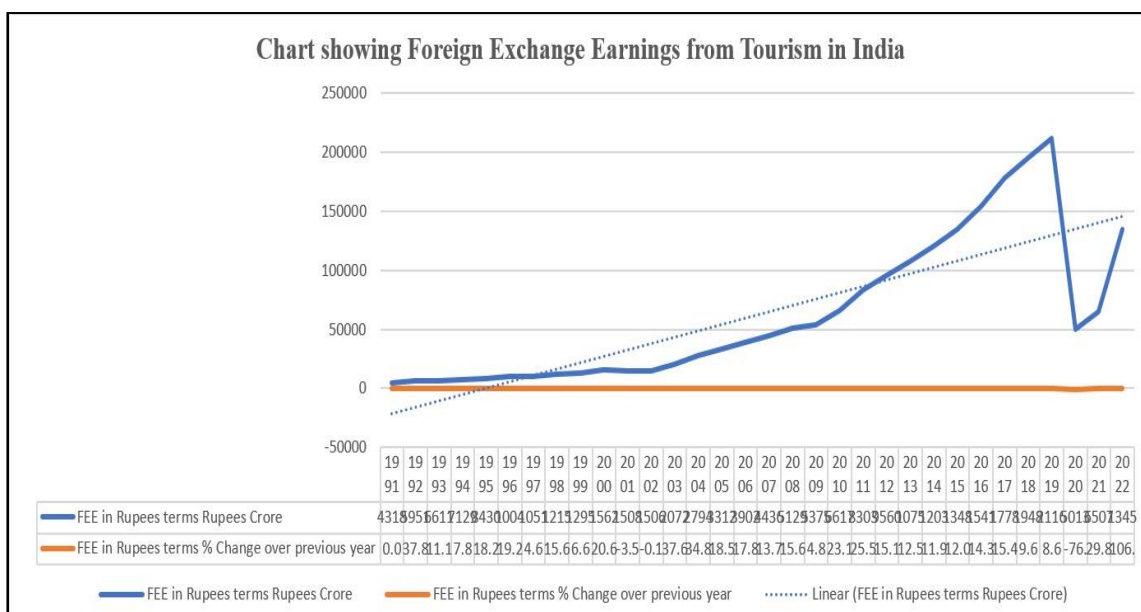
This figure outlines the Foreign Exchange Earnings (FEE) from tourism in India in both Rupee and US Dollar terms from 1991 to 2022. It presents the figures in Rupees Crore for FEE in Rupees terms and in US $ Million for FEE in US$ terms, along with the percentage change over the previous year.

Observations:

a.   Trend in Rupee and US Dollar Terms: There is a consistent growth trend in Foreign Exchange Earnings (FEE) in Rupee terms from 1991 to 2022. The earnings have shown occasional dips but generally exhibited a positive trajectory, with steady growth rates in most years. FEE in US Dollar terms also displays a progressive increase over the years, except for a few years of marginal decline or stagnation.

b.   Early Years (1991-2000): Notable growth was observed during the early '90s, especially between 1991 and 2000, showcasing significant jumps in both Rupee and Dollar terms, with occasional fluctuations.

c.   Post-2000 Era: A consistent and substantial growth trend is evident after 2000, with significant increases in earnings in both Rupee and Dollar terms until 2020.

d.   Impact of COVID-19 (2020-2021): The year 2020 saw a significant decline of around 76 per cent in

FEE in both Rupee and Dollar terms, reflecting the severe impact of the COVID- 19 pandemic on the tourism industry. However, a recovery began in 2021, with a substantial increase in earnings by 29.8 per cent in Rupee terms and 26.4 per cent in Dollar terms comparedto the previous year.

e.   Resurgence in 2022: The provisional data for 2022 (marked as 'P') demonstrates a remarkable resurgence, with a drastic increase of 106.8 per cent in Rupee terms and 92.4 per cent in Dollar terms, indicating a rapid recovery post-pandemic.

Understanding the Relationship:

To know the nature of relationship between Pearson Correlation between Foreign Tourist Arrivals and Foreign Exchange Earnings was conducted and the result is shown in Table 3. The result shows a strong positive correlation (.953*) and Correlation is significant at the 0.01 level. It clearly indicates that variables, 'Foreign Tourist Arrivals' and 'Foreign Exchange Earnings' are going in the same direction. So, from the findings it can be derived that the more Foreign Tourist Arrivals can bring more Foreign Exchange Earnings in India.

Table 3: Relationship between Foreign Tourist Arrivals and Foreign Exchange Earnings

Correlations

		FTA	FEE
ForeignTourist Arrivals	Pearson Correlation	1	.973**
	Sig. (2-tailed)		.000
	N	30	30
Foreign ExchangeEarnings	Pearson Correlation	.973**	1
	Sig. (2-tailed)	.000	
	N	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

The Pearson correlation analysis between Foreign Tourist Arrivals (FTA) and Foreign Exchange Earnings (FEE) was conducted to understand the nature of their relationship. The results, presented in Table 3, indicate a very strong positive correlation between the two variables, with a correlation coefficient of .973**. This correlation is statistically significant atthe 0.01 level (2-tailed), as indicated by the p-value of .000. The Pearson correlation coefficientbetween FTA and FEE is .973**, which is close to 1, indicating a very strong positive relationship. The significance level (Sig. 2-tailed) is .000, which is less than the threshold of .01, confirming that the correlation is statistically significant.

The findings from the correlation analysis reveal a significant and strong positive relationshipbetween the number of Foreign Tourist Arrivals (FTA) and Foreign Exchange Earnings (FEE)in India. This implies that as the number of foreign tourists visiting India increases, the foreignexchange earnings from tourism also rise. The strong correlation coefficient (.973**) suggests that foreign tourist arrivals are a key driver of foreign exchange earnings in India. Therefore, enhancing the tourism sector by attracting more foreign tourists could be an effective strategyfor increasing foreign exchange earnings and boosting the overall economy.

Hypothesis Testing Result:

Hypothesis testing result which is shown in Table 4 clearly shows the Multiple R value as 0.95358551 which clearly indicates a is strong correlation between the number of foreign tourist arrivals in India and foreign exchange earnings from tourism in India (as shown in Table 3 too). The R Square value: 0.909325325 also clearly indicates that 90 percent of the value fitthe model. As the P value is more than 0.05 *(that is **.0000),*** the present null hypothesis 'Thereis no significant relationship between the number of foreign tourist arrivals in India and foreignexchange earnings from tourism in India' is rejected. Hence, an alternative hypothesis is developed that 'There is significant relationship between the number of foreign tourist arrivalsin India and foreign exchange earnings from tourism in India'.

Hypothesis Testing Result:

Regression Statistics								
Multiple R	*0.95355 451*							
R Square	0.90932 525							
Adjusted R Square	0.90630 2636							

	Coefficients	StandardError	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Standard Error	18700.55996							
Observations	30							
Intercept	-3593.56281	6238.31	-5.2023	**1.32E-05***	-46642.34573	-20344.8	-46642.3	-20344.8
Foreign Tourists Arrivals	20614.25982	1187.9	17.34512	**3.48E-17****	18178.24511	23030.27	18178.25	23030.27

*0.000, **0.000

The regression analysis results demonstrate a strong and statistically significant relationship between the number of foreign tourist arrivals and foreign exchange earnings from tourism in India. The Multiple R value of 0.95358551 and the R Square value of 0.90932525 confirm that the number of foreign tourists is a strong predictor of foreign exchange earnings. The hypothesis test rejects the null hypothesis ("There is no significant relationship between the number of foreign tourist arrivals in India and foreign exchange earnings from tourism in India") due to the extremely low P-value (0.000). Consequently, we accept the alternative hypothesis, which states that there is a significant relationship between the number of foreign tourist arrivals and foreign exchange earnings in India.

The results imply that increasing the number of foreign tourist arrivals can substantially enhance foreign exchange earnings, emphasizing the importance of strategic initiatives to attract more foreign tourists to boost India's economy.

Conclusion:

India's tourism sector has showcased remarkable growth over the years, experiencing both steady progression and significant surges. The recent recovery post-pandemic has positioned India favourably in the global tourism landscape, promising continued growth and opportunities in the years ahead. The substantial growth in 2022 suggests a renewed interest and confidence in international travel to India, potentially marking the beginning of a positive trend in foreign tourist arrivals after a challenging period. However, it's crucial to note that the tourism industry's performance is subject to various factors like economic conditions, government policies, global events, and travel trends, all of which can significantly influence future outcomes. Despite fluctuations influenced by global events like the pandemic, India has generally shown an upward trajectory in its share of international tourism receipts and rank. The recent recovery in 2022 indicates a promising resurgence in India's attractiveness as a destination for international travellers, potentially setting the stage for continued growth in the coming years. It can also be concluded that the present study finds a strong correlation between the number of foreign tourist arrivals in India and foreign exchange earnings from tourism in India. This finding is in line with the findings of the study conducted by (Sarwar and Naqvi, 2021).

The influx of tourists in India leads to increase demand for goods and various services like transportation, accommodation, food and beverages providers, travel agencies, tour operators, entertainment, production and marketing of works of arts and crafts, events and exhibitions etc. All these tourism related activities will work as a growth engine in Indian economy for attaining economic growth, fostering infrastructure and regional development and enhancing India's image on global platform.

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