



ECONOMICAL IMPACT OF TOURISM AND ROLE OF TOURISM FINANCING IN INDIA

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Abstract

Capital (money) is one of the basic factors of production. Every enterprise needs it to run and achieve the organizational objectives. The primary purpose of this paper illustrate the status of tourism financing, role of various sources of financing as well as to examine aspect of tourism financing economic growth of the country. An attempt has also been made to analysis the role of tourism earning on various development indices. Tourism in India has emerged as an instrument of income and employment generation, poverty alleviation and sustainable human development. Tourism industry has potential to strengthen the inclusive economic development. This is the basis of the total economic impact analysis, including direct, indirect and induced impacts. The research design is descriptive in nature .The method of data collection is mainly based on secondary data. However, efforts have been made to collect primary data from various govt and other tourism departments and other tourism related authorities.

Key words : Tourism financing, growth in tourism, economic impact, economic growth.

Introduction

Tourism sector is one of the largest employment generators in India and plays a very significant role in promoting inclusive growth of the less-advantaged sections of the society and poverty eradication. The main objective of the tourism policy in India is to position tourism as a major engine of economic growth and harness its direct and multiplier effect on employment and eradication in a sustainable manner by active participation of all segments of the society. Apart from Marketing and promotion, the focus of tourism development plans is also on integrated development of tourism infrastructure and facilities through effective partnership with various stakeholders. With the growing recognition of tourism as a source of employment generating growth in the country, improved understanding of what tourism is its role in the economy and its relationship to other parts of the economy is important.

A brief on hotel and tourism industry in India

The hotel and tourism industries have been growing rapidly in recent years, bringing in huge revenues through

overseas as well as domestic tourists in many parts of India. There was a key rush to inbound tourism in India in 2006 and a double-digit increase in the coming of overseas tourists to India in the same year. Tourism is one of the third largest revenue generators of foreign exchange for India and also employs one of the highest numbers of manpower. Conde Nast Traveler, one of the most decorated travel magazines, rated India as one of the hottest destination in the world. According to the World Tourism Organization, India will be the leader in the tourism industry in South Asia with 8.9 million arrivals by 2020. India is gradually emerging as the second most rapidly increasing (8.8 percent) tourism economy in the world over 2005-15 according to the World Travel & Tourism.

Impact of tourism on Indian economy

Our research approach combines visitors survey and industry data to provide maximum credibility and to ensure no component of tourism activity is overlooked. We prepared tourist economic model. Tourism economic' impact models capture the critical secondary benefits to the tourism supply chain and the economic gains through

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the local spending of tourism wages. This provides a comprehensive view of tourism generated sales, production, employment wages and taxes. But the best research is only as good as its communication. Tourism in India has grown in leaps and bounds over years, with each region of India contributing something to its splendor and exuberance. It is a treasure house of cultural and traditional embellishes as reflected in its artifacts, scenic beauties of the rivers, sea and mountains, thus enabling it to gain a prestige in the international arena. As per the Travel and Tourism competitiveness Report 2009 by the World Economic Forum, India is ranked 11th in the Asia Pacific region and 62nd overall, moving up three places on the list of the world's attractive destinations. It is ranked the 14th best tourist destination for its natural resources and 24th ITS cultural resources, with many World heritage sites, both natural and cultural, rich fauna, and strong creative industries in the country. India also bagged 37th rank for air transport network. The India travel and tourism industry ranked 5th in the long-term [10-year] growth and is expected to be the second largest employer in the world by 2019.

The tourism ministry has also played an important role in the development of the industry, initiating advertising campaigns such as the 'Incredible India' campaign, which promoted India's culture and tourist attractions in a fresh and memorable way. The campaign helped to create a colorful image of India in the minds of consumers all over the world, will continue helping in India and it will prosper to great heights and standards in the near future. The remarkable growth in Indian Tourism market, which has identically benefited many support industries like aviation, transport, medical, tourism, hotel and sports. The year 2008 had witnessed an enormous increase in the eco-tourism in India. In addition the government has come up with a new idea of India tourism named as "Rural Tourism", which is very successful in promoting tourism by offering exclusive India travel packages for rural tourism. Though times have changed and the winds have shifted the PALACE ON WHEELS cruises along in royal style, the kind only the Maharaja's of yesteryears could have perpetuated and enjoyed. The exotic train "PALACE ON WHEELS", which TRAVELS through Rajasthan ATTRACTS a large no. of tourists also affect the tourism in our country. This train is rated in the top ten most luxurious train of the world. India had hosted Asian Games long back that had brought many developments in India and, upgraded the quality of tourism in India and attracted many tourists to India from all over the world. Common Wealth Games 2010, which was organized in Delhi, capital of India, gave a pioneer opportunity to

tourism in India. The industry can gain a lot of business by coming up with various travel packages for attraction and benefit of tourists. In 2010, about 3.5 million tourist visited India to witness the common wealth Games that were held in Oct 2010 at Delhi. It was a very important event and Indian tourism industry catered to the needs of such a big rush of foreign tourists that depended on the transport, hotel bookings and for their travel itineraries, visas and other facilities. Now there are indications that the growth of tourism in India will be very steep in the next couple of years. The number of Foreign Tourist Arrivals (FTAs) as recorded during 2015 was 80.27 lakhs with a growth of 4.5%, as compared to the FTAs of 76.79 lakhs during 2014 with a growth of 10.2%, as compared to the FTAs of 69.67 lakhs in 2013.

Objective of the study

Scholarly attention to the broader topic of economical impact of tourism has, in fact, begun to emerge in the form of themes in established journals. In, this research examines the impact of India's growth on tourism contributors to economic growth. The objective of this research is to bring together the information by essentially reorganizing the national accounts and supplementing them with additional concepts and data, and thus develop relatively credible quantification of different aspects of tourism.

- The primary objective about the scope and inter-linkage of tourism of tourism as well as the economic impact of tourism and tourism financing through the review of relevant literature.
- To present the profile of tourism industry in India. The study reviews the evolution of tourism, policies and program to this industry.
- To undertake the descriptive analysis for the data related to the industry and tourist arrival.
- To inquire about the supply of tourism financing from various sources. Such as financial institutions as well as foreign direct investment from the secondary sources of data.
- To inquire into the role of tourism and tourism financing on the economic growth of the country.

Types of tourism

Medical tourism

The medical tourism industry in India has been estimated to increase to around US\$20 billion over the next couple of years. Expenditure of key health care treatment is up to 30 percent low in comparison to the United States and United Kingdom. Medical tourism in India emerges as a huge money generator. India has been

promoting its healthcare tourism by giving the tourists with personal healthcare services. It is projected that the total marketplace for medical tourism will reach US\$2 billion by 2012, representing a CAGR of 60.69 percent.

Spiritual tourism

India is spotted with a number of spiritual destinations. A visit to them is important as one of the corridors of spiritual self-discovery. In fact, divine tours of India allow one to care for the spirituality within oneself by delving deep into the rich religious history of the country. Spiritual tours of India take one to quite a few spiritual destinations in the country, which are famous for their religious and spiritual significance. Spread all over India, these spaces give tourists the delight and peace that may have eluded them for long and which may have stimulated them to visit the piously and religiously rich India.

Rural tourism

Rural India has much to present to humanity. As a historic civilization rich in arts, crafts and culture, rural India can come forward with significant tourist spots. Those in the urbanized world who have an enthusiasm for facts about customary ways of life, arts and crafts will be fascinated to visit rural India if the notion of rural tourism is marketed well. Without any promotional movement for rural tourism, thousands of overseas tourists visit rural areas in Rajasthan, Gujarat and south India every year. This is evidence of feasibility on the idea of rural tourism. The government has realized what rural India can offer to the world. The 11th plan has acknowledged tourism as one of the main sources for generating jobs and promoting sustainable livelihoods. Rural tourism can also reduce absolute dependence on agriculture. It has now revived traditional crafts, buildings, art etc. It also provides prepared marketing opportunities for rural artisans. Handicraft exports from Rajasthan totaled about INR4 million in 2009. The union tourism ministry and UNDP have launched an endogenous tourism projects for the development of rural tourism in India. The UNDP has devoted US\$2.5 million for the project. UNDP will assist in areas of capacity building, participation of NGOs, local communities and artisans.

Adventure tourism

The continuous scale of adventure tourism in India is mainly because of its different geography and climate. On land and water, underwater and in the air, you can enjoy whatever form of adventure in India you want. The hilly regions present many opportunities for mountaineering, rock climbing, trekking, skiing, skating, mountain biking and safaris, while the flowing rivers from these mountains are ideal for river rafting, canoeing and

kayaking. The oceans are not far behind as well. The huge and profound area of water provides many chances for adventure sports in the form of diving and snorkeling.

MICE tourism

The latest type of business tourism is the fastest growing part of the international tourism market. It caters to a variety of forms of trade meetings, international conferences and conventions, events and exhibitions and is gradually but progressively capturing the interests of every major hotel. Being a hot favorite traveler target, India is also very much into the business. It is expected that the total world market for MICE tourism was in surplus of US\$280 billion. Of this, the allocation of Asia-Pacific region alone was US\$60 billion and India's share would be US\$4.8 billion. The ministry of tourism has initiated the expansion of mega destinations and circuits with investments of INR2 billion for each mega destination and INR5 billion for circuits.

Ecotourism

Ecotourism has measured the highest growing market in the tourism industry, according to the World Tourism Organization, with a yearly growth rate of 5 percent worldwide and representing 6 percent of the world GDP and 11.4 percent of all consumers spending. Primarily, ecotourism means creating as small an environmental impact as possible and serving to maintain the original nature, so encouraging the conservation of wildlife and habitats when visiting a place. This is a responsible form of tourism and tourism expansion, which encourages going back to normal products in each part of life. It is also the key to sustainable ecological development. The numbers of Indian outbound tourists are likely to reach 20.5 million by 2015. Domestic tourist visits are likely to rise with a CAGR of 12.29 percent for the time spanning 2008-2015. International tourist arrivals in India are anticipated to grow with a CAGR of 7.9 percent for the period spanning 2010-2015.

Role of Indian Financial System in Tourism Financing

In short, Indian financial system is composed of commercial banks, financial Institutions and contractual saving organizations. The financial institutions include development banks, micro-credit development banks, finance companies, financial cooperatives, non-government organizations (financial) performing limited banking activities (NRB, 2005).

Likewise other contractual saving organizations (popularly known as other financial institutions) comprise insurance companies, employee's provident fund, citizen

investment trust, postal saving offices and India stock exchange. However, this study concentrates for those banks and financial institutions which are licensed and report to RBI Bank and are engaged in the financing of tourism business.

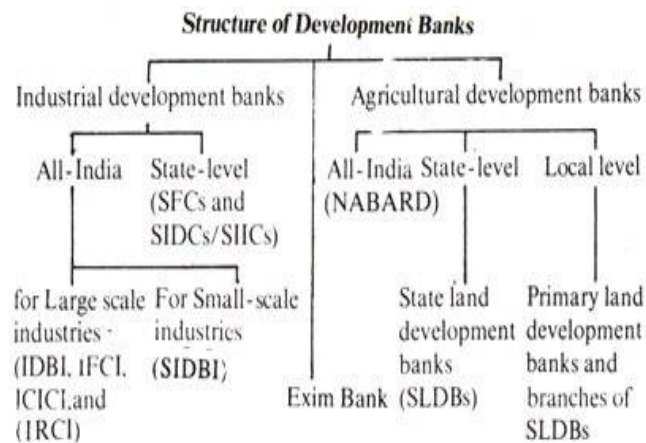


Fig. 1 : Structure fo Development Banks.

FDI in India’s Tourism Industry

The Indian tourism industry is interwoven with the country’s monetary development. As GDP continues to mature, it increases deals in fundamental infrastructure like transportation systems, which is necessary to support the tourism industry. The hotel industry is directly connected to the tourism industry in India. Over the last decade, India has transformed into one of the most popular tourism destinations in the world, largely as a result of the government’s “Incredible India” campaign which showed India in a new light to overseas tourists. In 2005, the appearance of global tourists improved by 16 percent, leading the resurgence of Indian tourism. As new destinations extend the tourist entry is likely to rise. Numerous procedures have been taken in infrastructure, which will shine Indian hospitality for overseas guests. Under the automatic path, 100 percent FDI is allowed in hotels and tourism. Travel and tourism is a US\$32 billion business in India with an input to 5.3 percent of Indian GDP. Many worldwide hotel groups are setting up their businesses in India and many global tour operators are establishing operations in the country.

FDI in tourism

With a view to stimulate domestic and international investments in this sector, the government has permitted 100 percent FDI in the automatic route –allowing full FDI into all construction development projects including construction of hotels and resorts, recreational facilities, and city and regional level infrastructure. 100 percent FDI is now allowed in all airport expansion projects subject to the condition that FDI for up gradation of existing

airports requires Foreign Investment Promotion Board (FIPB) approval beyond 74 percent. A five year tax holiday has been given to organizations that set up hotels, resorts and convention centers at specific destinations, subject to fulfillment with the agreed conditions. Some international hospitality majors such as Hilton, Accor, Marriott International, Berggruen Hotels, Cabana Hotels, Premier Travel Inn (PTI) and Inter Continental Hotels group have already announced major venture plans in India in recent years. It is expected that the hospitality division is expected to see an additional US\$11.41 billion in inbound investments over the next two years.

Foreign Tourist Arrivals (FTAs)

FTAs during the Month of August, 2016 were 6.70 lakh as compared to FTAs of 5.99 lakh during the month of August, 2015 and 5.76 lakh in August, 2014. There has been a growth of 11.8% in August, 2016 over August, 2015. FTAs during the period January- August,, 2016 were 55.92 lakh with a growth of 10.2% as compared to the FTAs of 50.73 lakh with a growth of 4.6% in January-August, 2015 over January- August2014. The Percentage share of Foreign Tourist Arrivals (FTAs) in India during August, 2016 among the top 15 source countries was highest from Bangladesh (16.61%) followed by USA (12.59%), UK (10.57%), Sri Lanka (5.92%), Malaysia (3.41%), China (2.77%), Japan (2.75%), Canada (2.63%), Germany (2.57%), France (2.54%), Australia (2.40%), Oman (2.19%), Nepal (1.95%), Singapore (1.91%) and UAE (1.68%).

| | |
|------------|--------|
| Bangladesh | 16.61% |
| USA | 12.59% |
| UK | 10.57% |
| Sri lanka | 5.92% |
| Malaysia | 3.41% |
| China | 2.77% |
| Japan | 2.75% |
| Canada | 2.63% |
| Australia | 2.40% |

Direct, Indirect and Induced effects

A standard economic impact analysis traces flows of money from tourism spending, first to businesses and Government agencies where tourists spend their money and then to:

| House hold | Government | Other businesses |
|---|---|---|
| Supplying goods and services to tourist businesses. | Through various taxes and charges on tourists, businesses and households. | Supplying goods and services to tourist businesses. |

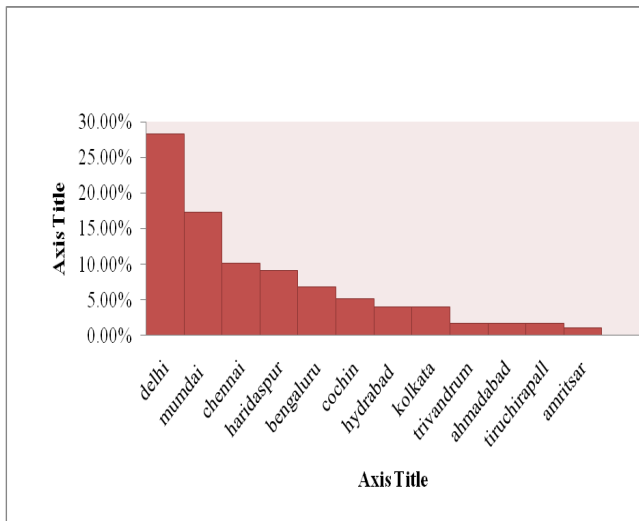


Fig 2 : The percentage share of Foreign Tourist Arrivals (FTAs) in India during August 2016 among the top 12 ports was highest at Delhi Airport (28.38%).

Formally, regional economists distinguish direct, indirect, and induced economic effects. Indirect and induced effects are sometimes collectively called secondary effects. The total economic impact of tourism is the sum of direct, indirect, and induced effects within a region. Any of these impacts may be measured as gross output or sales, income, employment, or value added. See the glossary for definitions of these terms. Direct effects are production changes associated with the immediate effects of changes in tourism expenditures. For example, an increase in the number of tourists staying overnight in hotels would directly yield increased sales in the hotel sector. The additional hotel sales and associated changes in hotel payments for wages and salaries, taxes, and supplies and services are direct effects of the tourist spending. Indirect effects are the production changes resulting from various rounds of re-spending of the hotel industry's receipts in other backward-linked industries (i.e., industries supplying products and services to hotels). Changes in sales, jobs, and income in the linen supply industry, for example, represent indirect effects of changes in hotel sales. Businesses supplying products and services to the linen supply industry represent another round of indirect effects, eventually linking hotels to varying degrees to many other economic sectors in the region. Induced effects are the changes in economic activity resulting from household spending of income earned directly or indirectly as a result of tourism spending. For example, hotel and linen supply employees supported directly or indirectly by tourism, spend their income in the local region for housing, food, transportation, and the usual array of household product and service needs. The sales, income, and jobs that result from

household spending of added wage, salary, or proprietor's income are induced effects. By means of indirect and induced effects, changes in tourist spending can impact virtually every sector of the economy in one way or another. The magnitude of secondary effects depends on the propensity of businesses and households in the region to purchase goods and services from local suppliers. Induced effects are particularly noticed when a large employer in a region closes a plant. Not only are supporting industries (indirect effects) hurt, but the entire local economy suffers due to the reduction in household income within the region. Retail Stores close and leakages of money from the region increase as consumers go outside the region for more and more goods and services.

Conclusion Remarks

Tourism industry in India is growing and it has vast potential for generating employment and earning large amount of foreign exchange besides giving a fillip to the country's overall economic and social development. But much more remains to be done. Eco-tourism needs to be promoted so that tourism in India helps in preserving and sustaining the diversity of the India's natural and cultural environments. Tourism in India should be developed in such a way that it accommodates and entertains visitors in a way that is minimally intrusive or destructive to the environment and sustains & supports the native cultures in the locations it is operating in. Moreover, since tourism is a multi-dimensional activity, and basically a service industry, it would be necessary that all wings of the Central and State governments, private sector and voluntary organizations become active partners in the Endeavour to attain sustainable growth in tourism if India is to become a world player in the tourism industry. According to the Indian Tourism ministry, the Indian tourism industry would be the third largest foreign exchange earner in the country in the next three year. Till the end of 2016, foreign tourists will grow at the fastest pace in comparison with the last decade and it is estimated that tourism in India could contribute US\$1.8 billion to India's GDP. These statistics show the seriousness of the Indian government towards tourism. Andhra Pradesh, Uttar Pradesh, Tamil Nadu, Karnataka and Rajasthan are the leading tourism destinations in India in terms of total tourist arrivals. In the next few years, some new states should come into the picture such as Uttaranchal, Madhya Pradesh and a few others. According to the ministry, it is predicted that around US\$10 billion is required for the development of Indian tourism in the next five years. When, we think of long term capital requirements for all the states, it would be nearly US\$56 billion in the next 20 years.

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