

Impact of Tourism On Indian Economy - A Snapshot

Auroubindo Ganesh¹, Dr. C. Madhavi²

Globalization of development programmes has raised the foreign exchange requirements of developed as well as the developing countries. A number of manufacturing and non-manufacturing, traditional and non-traditional industries, no doubt, have helped them in their stupendous task of industrial transformation but at the same time, the harmful side effects have resulted in atmospheric pollution. In addition, the inadequacy of financial resources has also been an important barrier in speeding up the process of economic transformation. The magnitude of competition is found at peak, which necessitates world-Class excellence for excelling competition. Amidst all these constraints, the development of tourism industry appears to be an important solution. Tourism, both international and domestic, brings about an intermingling of people from diverse social and cultural backgrounds, and also a considerable spatial redistribution of spending power, which has significant impact on the economy of the destination area. We do not find any exaggeration in the opinion that tourism or travelling business has been declared an industry since with the least possible investment~ this industry bears the efficacy of earning more. The developing countries have points in favour of tourism industry which shows multiplier effects

and simplifies the task of manpower planners, environmentalists, social scientists and economists.

An analysis of positive effects makes it clear that to be more specific the developing countries like ours should change our priority order and should give due weightage to the development of tourism industry. The tourism is now rightly added to the long list of established industries with tremendous economic and social potentiality. The income generation and employment capability of the industry are quite considerable. In fact tourism industry especially for developing countries acts as a greatest leveler in time of economic recessions. This chapter presents the impact of tourism industry in India with regard to various fronts such as economic front, social front, cultural and historical front, environmental front and political effects.

Economic Front

The tourism must be utilized as a vehicle for economic development. International tourism is an invisible export that creates a flow of foreign currency into the economy of a destination country, there by contributing directly to the current account of the balance of payments. Like

Research Scholar, Department of management studies, Annamalai University.¹

Professor, Department of management studies, Annamalai University.²

other export industries, this flow of revenue creates business turnover, household income and employment and government revenue. The generation process does not stop at this point however some portion of the money received by the business establishments, individuals and government agencies is re-spent within the destination economy there by creating further rounds of economic activity. The secondary effects can in total considerably exceed in magnitude the initial direct effects. Moreover, tourism seems to be more effective than other industries in generating employment and income in the less developed often-outlying regions of a country where alternative opportunities for development are more limited. Indeed, it is these areas that tourism can make its most significant impact. The introduction of a tourism industry into such areas can have a proportionally very much greater effect on the welfare of the resident population than the same amount of tourism has on the more developed parts of the same country.

The development of tourism, especially in an underdeveloped part of a country, requires the existence of an infrastructure, as well as hotel accommodation and other facilities specific to tourism. In many cases these utilities are economically indivisible in the sense that, in providing them for the tourism industry, they at the same time become available for the use of local people. Thus in many countries, highways and airfields, constructed primarily to cater for tourism, now provide an access to wider markets for many locally produced goods. Unfortunately, in a lot of cases, however, the local people still

receive little direct benefit from these developments. This in essence is a problem of both physical and economic distribution.

As tourism continues to grow in a region it makes increasing demands upon the scarce resources of that area. So there is a need for realistic planning and the effective enforcement of planning regulations to reduce possible conflicts of interest to conserve unique and unusual features for the enjoyment of future generations of visitors and residents alike.

Tourism is considered to be an economic bonanza. It is a multi segment industry. While gauging the positive economic effects of tourism, we study its contribution to the generation of national income, expansion of employment opportunities, raising of tax revenue, generation of foreign exchange and transformation of regional economy. All these positive effects are explained below:

Generation of National Income

Tourism has proved to be successful in generating national income. Being a multi-segment industry, the hotel and restaurants, transportation services, tourist resorts, amusement parks, entertainment centers, sales outlets of curios, handicrafts, jewellery etc. provide services to both tourists and non-tourists. The modest contribution of tourism industry to the NNP is a staunch testimony to its proposition that it contributes a lot to the process of national income generation. To be more specific the

domestic tourism contributes a major share to the NNP. The travel and tourism contributes an account for a 5.6 percent of GDP and accounts for 10.8 percent of total exports.

Expansion of employment opportunities is an outstanding contribution of tourism industry. Particularly the hotel and restaurant sector employs a good number of skilled and semi-skilled personnel. In addition, the transport sector also requires a number of personnel, besides, the tourist organization employs suitable persons. Thus, the total employment generated by this sector is the total employment generated by its different segments. Further, the generation of indirect employment opportunities is its outstanding feature. It is a highly labour intensive industry in which we find different types of employment to skilled, semi-skilled and unskilled persons. The direct employment generated by the tourism industry in India is to the tune of 10 million, which makes about 2.5% of the total labour force in the country.

The labour-capital ratio is one of the highest in this sector. The generation of jobs for an investment of rupees 1 million (at 1985-86 prices) in the tourism sector is estimated to be around 50 against a figure of around 12 recorded by the manufacturing sector. The significant feature of tourism industry is that it employs number of skilled and educated women. Women in fact outnumber men in hotels, airline services, travel agencies, handicraft and cultural activities. The indirect employment in the case of tourism is fairly high and is estimated at 2.358. If the direct

employment is 1 in the tourism sector, the generated employment is 1.358 persons in other sectors of economy due to linkages with tourism.

Raising of Tax Revenue

The tourism sector contributes a lot to the exchequer in the shape of taxes. This is collected from its different segments. Particularly in the Indian context, this industry has not been making a handsome contribution to the tax revenue since the tax concession is allowed at different stages. It is natural, especially at the initial stage of development. Gradually, the magnitude of tax concessions allowed shows a down ward trend and the contribution of this sector to the tax revenue reaches its peak. Globally the tourism sector accounts for 10.5 percent of GDP while in India tourism accounts for only 1.15 percent of DGDP. The finance ministry has admitted the service sector (of which tourism is major part) contributes as much as 50 percent to the GDP.

Generation of Foreign Exchange

This sector of the economy is found efficacious in generating the foreign exchange reserve. To be more specific the contribution of world tourism to the foreign exchange is supposed to be the succulent benefit of tourism industry. The developed countries of today testify it. They have been found successful in minimizing their foreign exchange crisis with the revenue generated by this sector. The host region retains 93 percent of the earnings in the foreign currency by the tourism sector.

The generation of foreign exchange earnings on account of tourism grew from Rs. 2,613 crores in 1990-91 to Rs. 13, 166 crores in 1999-2000. The average annual growth rate of foreign exchange earnings on account of tourism is 4.32 percent. Therefore tourism industry is making its contribution towards Indian economy in order to make it as a balanced one.

Transformation of Regional Economy

The process of capitalization of the available economic resources is found significant to transform the economy of rural and backward regions. An expert of ESCAP says, "Exploitation of rural areas and the less developed interiors becomes significant in this very context. The development of outdoor, treks, beaches, hills and, mountains, resorts etc. particularly in the rural and backward areas has constructive effect on re-distributing the earnings." "further the development of Khajuraho in MP. Kovalam in Kerala and Gulmarg in Jammu and Kashmir give positive evidences for contribution of tourism to the development of backward areas in India".

If we turn our eyes on their past, it is apparent that till a few years ago, all of them were relatively unknown villages, with dismal economic activities, inhabited by traditional rural folk. Of late, these places are internationally known. A good number of skilled and semiskilled or even unskilled local people are found employed in tourism or other ancillary industries furthering socio-economic justice with the help of equitable distribution of economic benefits.

Development of Art, Handicrafts and Monuments

A society endowed with art and culture along with lively custom and cheerful public life is found helpful in promoting world tourism. This industry provides sufficient motivation for the promotion and preservation of an art, crafts and culture, which is appreciated by the external community. Tourism can stimulate high quality revivals of craft in particular. The growth of tourism in such areas may provide also a monetary incentive for the continuance for many local crafts, while the tourist hotels may create a market for local produce.

Social Front

The merit of social intercourse between tourists and indigenous population as a means towards fostering better understanding and goodwill between nations has been extolled as a major social benefit obtained by tourism. Widening of social opportunities, setting up of the nation's social life, promotion of inter-regional and intra-regional understanding, creation of nation identity and nation integration are some of the important positive effects of tourism industry on social transformation.

Against this background we consider tourism a sensitive device to speed up the process of social transformation. An expansion in the social opportunities is found to be impactful since the general masses have an intercourse with the people of different places and regions which in a very natural way help them in speeding up their learning cycles. This helps in setting up the nation's social life in which we find

the very little scope for narrowing the thoughts and ideas. The strengthening of inter-regional and intra-regional understanding thus becomes possible which activates the process of social cohesion. The creation of national identity is possible since the tourism industry helps in projecting a positive national image. The combination of multi-faced social effects makes possible national integration as people of many culture and religion meet together and evince interests in sub serving national interests. In a true sense, tourism is basically a social activity, which in addition to the national understanding paves ways for international understanding, projection of a fair national image of abroad, contraction in the ideological gaps and speeding awareness of world affairs. It can't be refuted that stirring up of the nation's social life is possible with the development of tourism industry. The aforesaid facts are a strong testimony to this proposition that the development of tourism instrumentalists the process of social transformation.

Cultural and mStorical Front

Revival and strengthening of cultural heritage is found to be an outstanding benefit of tourism industry. Cultural purity is a virtue of the society. The catalytic role of tourism in boosting growth of art, protecting and maintaining monuments and heritage contribute a lot to the process of cultural transformation. A soeity endowed with art and culture, lively customs and cheerful public life naturally attract tourists. Some of monuments are supposed to be permanent structure of cultural heritages. The development of tourism industry helps in protecting these monuments and cultural

heritages. The protection of architectural wonders and landmarks of the glorious ancient past help in promoting cultural tourism.

Environmental Front

Generally, the manufacturing industries pollute water, air and sound and make the environment unhealthy for the living beings. This is an important negative effect of industrialization, which necessitates development of non-traditional industries in general, and the tourism-industry in particular. With the development of tourism industry, we find ample scope for making the environment pollution free. The tourist centers like national parks, hill stations, wild life and bird sanctuaries, and gardens etc. helps in maintaining the ecological balance. Thus, we find here two-tier positive impact; first the environment is kept free from the smoke or other industrial hazards and second, the tourist centers directly contribute to the ecological balance. It is against this background that environmentalists recommended for the planned development of tourism industry.

Political Effects

The political costs and benefits of tourism, which are the virtues of international tourism have been extolled as major force for peace and understanding between nations. Empirical description and insightful analysis of various combinations of these situational pressures and cultural norms are greatly needed to increase our knowledge of social relationships and determine what steps could be take to increase the likelihood that touring will, indeed, contribute to understanding and amity among nations. The

reality is often a far remodel from this utopian image. Long-haul travel between developed and developing countries is increasing annually and is bringing into direct contact with each other people from widely different backgrounds and with very contrasting life styles and levels of income. Where these disparities are very great the political as well as the socio-cultural consequences may be severe. In extreme cases international tourism has imposed a form of 'neo-colonial' type development upon emerging nations. Quite simply, this neo-colonialism takes power from the local and regional levels and concentrates it into the hands of multi-national companies. These companies will negotiate only at national levels and expects any problem to be solved by the national government. At the operational level the high paid respectable positions are occupied by the expatriates who possess experience, while the lower paid, more menial jobs are reserved for the indigenous population. It is apparent such discrimination can foster resentment and sour international relationship.

Domestic tourism on the other hand can act as an integrating force strengthening national sentiment. Traditionally pre-occupied people in outlying areas can travel to other parts of our country and can begin to experience pride in their national heritage. A sense of nationality may help to prevent regional fragmentation. Mixing of peoples from different regions of a country can produce a better understanding of each others way of life and a better appreciation of problems specific to particular region.

The economic contribution of tourism is generally measured in terms of its contribution of

tourism to gross domestic product and employment generation. Tourism is considered to be an economic bonanza. It is a multi-segment industry. While gauging the positive economic effects of tourism, we study its contribution to the generation of national income, expansion of employment opportunities, rising of tax revenue, generation of foreign exchange and transformation of regional economy.

Conclusion

In this article an analysis of tourism impact provides the snapshot of the positive impact of tourism. Of course the development of tourism industry should take place without environment degradation. Concepts such as 'sustainable tourism development' and 'the responsible consumption of tourism' are seen as the answer, along with the enhanced planning and management of tourism. Therefore the government and the tourism industry can act as a catalyst in bringing the tourism development without environmental degradation.

It is, however, heartening that the current pressure for sustainable / responsible tourism will give a different emphasis to the continuing debate amongst the various groups in society and may change the perceived balance between the positive and negative effects of tourism in the future. With good management and planning, however, tourism can provide an impetus for the preservation of ancient cultures. Environmental degradation on account of tourism can be an offshoot but there must be high quality planning, design and management to educate tourists to appreciate the environment. Otherwise tourism will kill tourism.