

Travel and Tourism in India: Growth and Challenges

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ABSTRACT

One of the major sectors affected by Covid-19 pandemic worldwide was Travel and Tourism. In this paper, we examine the role played by Travel and Tourism sector in India's economic growth over the past decade. We find that although the sector has contributed significantly to India's GDP and generated large magnitude of employment, its global ranking can be further improved and potential enhanced by focussing on certain areas like tourist service infrastructure, environmental sustainability, penetration of digital services, human capital development etc.

KEYWORDS: *Travel and Tourism Development Index, Tourism multiplier, Economic growth*

How to cite this paper: Indu Choudhary | Punam Tyagi "Travel and Tourism in India: Growth and Challenges"

Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-8 | Issue-5, October 2024, pp.1186-1192, URL: www.ijtsrd.com/papers/ijtsrd70533.pdf



IJTSRD70533

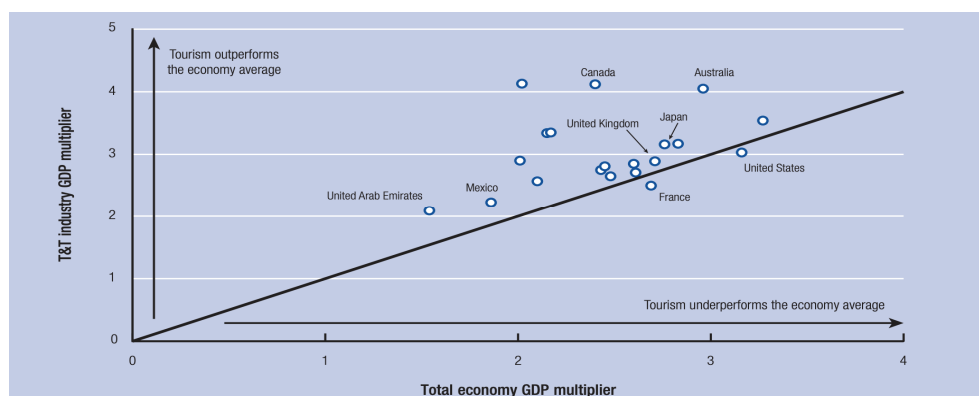
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1. INTRODUCTION

Travel and Tourism (T&T) has been an important source of income and employment for many island nations like Maldives, Antigua, Barbados and others. During Covid-19, the world witnessed a huge plunge in mobility. Travel and Tourism and the associated hospitality sector received a major hit as people stopped travelling for leisure. In 2019, as per different reports, leisure travel accounted for approximately 80 percent of total worldwide travel.

The WWTC/Oxford Economics 2012 study has shown that the T&T multiplier is higher than the GDP multiplier for most countries in the set of countries considered. It found the ratio of T&T multiplier to Economy's GDP multiplier to be around 1.19 highlighting the importance of the sector. See Fig.1. which showcases the case across 20 countries, where on average, 0.5 dollars more were generated by Travel & Tourism (\$3.20) vis-à-vis the general economy (\$2.70) for every dollar of spending.



Source: WWTC/ Oxford Economics 2012 reproduced in TTCI 2013 Report

Fig. 1

2. Performance of Travel and Tourism in India

Even for India, Travel and Tourism industry holds great potential for economic growth and employment. In this paper, we analyze the absolute and relative contributions of Travel and Tourism in India's GDP and employment. We further look at global ranking of India's Travel and Tourism sector. We examine the performance of India on various pillars of the Travel and Tourism Development Index over the last decade spanning from 2013 till 2024. By doing so, we identify the challenges that Indian Travel and Tourism sector faces and discuss the steps taken by the government in this regard.

Table 1 below shows the data on foreign tourist arrivals, foreign exchange earnings and average spending per international tourist for the period 2011 till 2023. In 2011, India witnessed 6.31 million international tourist arrivals, which rose to 10.93 million in 2019, dipping to just about 1.52 million in 2021 due to the ongoing pandemic and thereafter, showing promises of increase by reaching 9.24 million in 2023.

Earnings from the international tourists has also seen a significant growth over the years with 17.7 billion USD being earned as foreign exchange in 2011, rising to 30.7 billion USD in 2019, experiencing decline during Covid-19 and again rising to 28.07 billion USD by 2023.

Table 1: Data on Foreign Tourist Arrivals, Foreign Exchange Earnings and Per capita spending by foreign tourists visiting India

Year	2011	2013	2015	2017	2019	2021	2022	2023
International tourist arrival (million)	6.31	6.97	8.03	10.04	10.93	1.52	6.44	9.24
International tourist receipts (US\$ billion)	17.7	18.4	21	27.3	30.7	8.7	21.4	28.07
Average spending per intl tourist (US\$)	2805	2640	2615	2719	2809	5724	3323	3038

Source: Compiled from different years WEF TTCI and TTDI reports and India Tourism Statistics 2023

A quick look at Fig. 2 reveals the trend in international tourist arrival and receipts. Between 2011 and 2015, the trend is rising and almost similar. However, after 2015, the growth in receipts is steeper till 2019 as is the fall during the pandemic compared to the tourist arrivals. Post 2021, when travel restrictions were lessened and eventually altogether lifted, we see a sharp increase in receipts and arrivals, which continues to increase between 2022 and 2023, albeit at a slower pace than before. Recovery almost seems to be reached by 2023. It is yet to see how growth in total international arrivals and receipts will unfold in 2024.

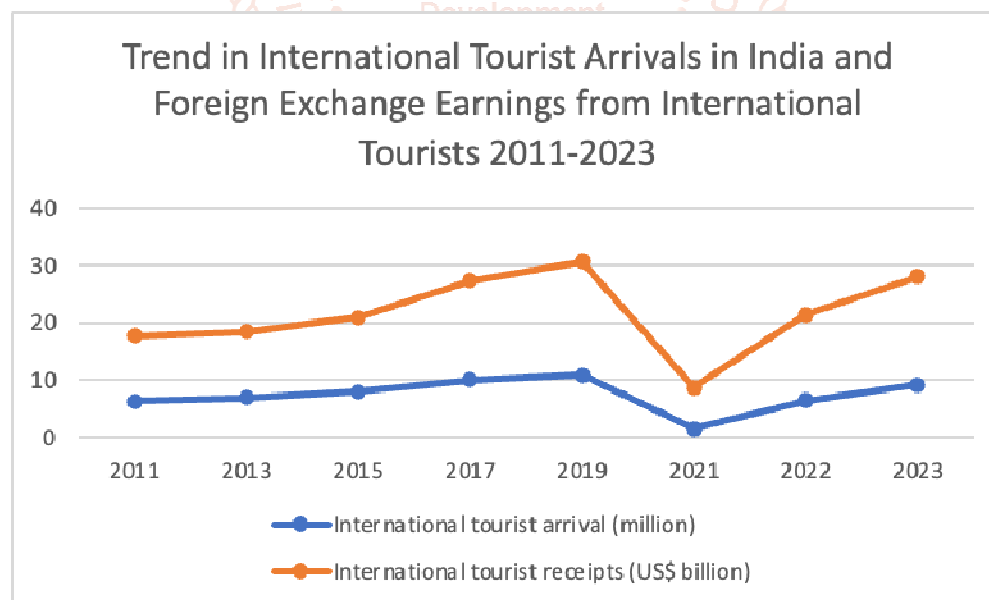


Fig.2

3. T&T's Contribution to GDP

Table 2 provides the contribution of the Travel and Tourism sector towards India's GDP in both absolute and relative terms. In 2021-22, the sector contributed around 27 billion USD to the GDP which is indicating a movement towards recovery from the major dip that was experienced in 2020-21 due to the onset of Covid-19 pandemic. The highest contribution as per Table 2 (for the years on which data was available) has been in 2019-20 which was over 76 billion USD. This can be seen from Figure 3 as well.

Table 2: Contribution of T&T to GDP

Year	2011	2013	2015-16	2018-19	2019-20	2020-21	2021-22
T&T industry GDP (US\$ million)	38947.6	37184	54428	66537	76436	20350	26690
T&T industry GDP (% of total): Direct	1.90	2	2.7	2.61	2.69	0.78	0.92
T&T industry GDP (% of total): Direct and Indirect	NA	NA	5.19	5.01	5.18	1.5	1.77

Source: NCAER computation using respective rounds of PLFS data available in India Tourism Statistics 2023

If we look at the direct contribution of Travel and Tourism sector to India's GDP given in the second row of Table 2, then we find that it has been around 2.6% on an average between 2011 and 2019, falling thereafter to under 1% during the pandemic years which is understandable given how badly the sector was hit both in terms of revenue and employment. Although the direct contribution is just 2.6%, if we include the indirect contribution of Travel and Tourism towards GDP, the total contribution gets doubled to over 5% of the GDP.

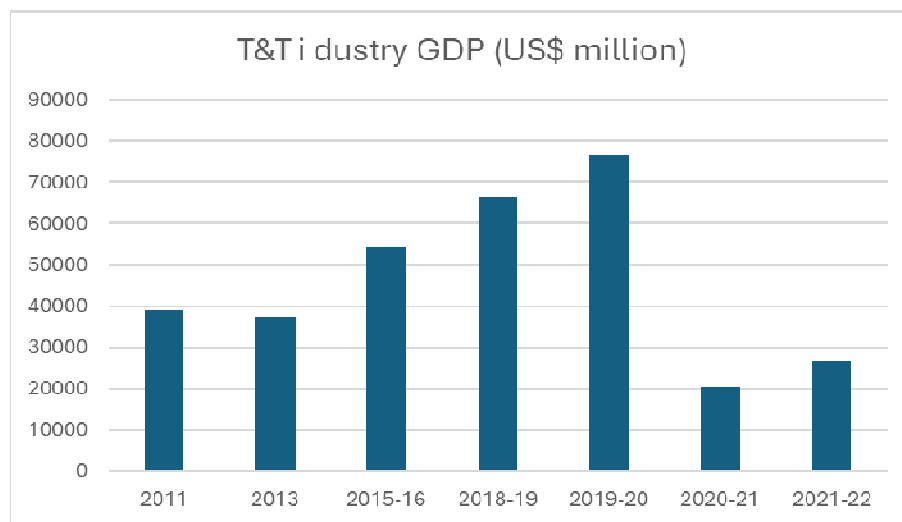
**Fig.3**

Figure 4 below provides an idea about the average spending done by an international tourist. Since this is per capita spending, it depends both on the total receipts earned from international tourist and the number of foreign tourist arrivals.

**Fig.4**

The average spending seems unusually high in 2021, compared to other years where it is under or around 3000 USD. The reason can be deciphered by looking at Figure 2 and Table 1. While the number of foreign tourist arrivals were considerably lower in 2021, the foreign tourist earnings dipped enormously which indeed drives this otherwise absurd looking result in a pandemic situation.

4. T&T's Contribution to Employment

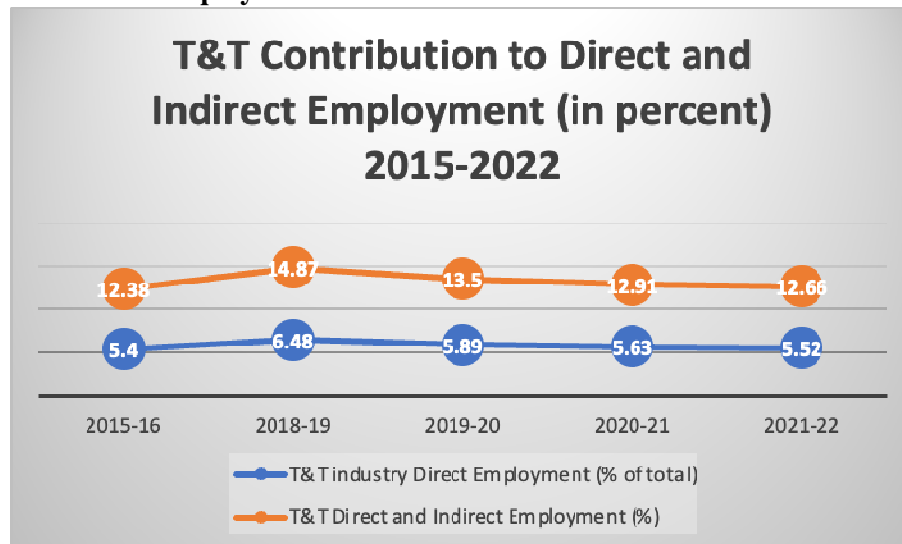


Fig.5

Let us now analyze the contribution of Travel and Tourism sector towards employment generation in India. As per Economic Survey 2023, Travel and Tourism has a huge potential for generating employment in India since it can employ people with varied level of skills: low to high.

Table 3 shows that annually around 550 million people are engaged in direct employment in the sector. While it is directly responsible for 5.5 to 6 percent of the total employment in the country, its indirect contribution is more. It is clear from Figure 5 above that directly and indirectly, Travel and Tourism contributed close to 15% of the total employment in India before the onset of Covid-19.

Table 3: Contribution of T&T towards Employment generation

Year	2015-16	2018-19	2019-20	2020-21	2021-22
T&T industry Employment (million jobs)	583.8	510.25	514.25	527.25	553.27
T&T industry Direct Employment (% of total)	5.4	6.48	5.89	5.63	5.52
T&T Direct and Indirect Employment (%)	12.38	14.87	13.5	12.91	12.66

Source: NCAER computation using respective rounds of PLFS data available in India Tourism Statistics 2023

5. Global performance of Indian T&T

Having outlined the importance of Travel and Tourism sector in India's economic growth and employment, we now look at its position at the global level. For this, we examine the Travel and Tourism Index collated by the World Economic Forum (WEF). From 2013 till 2019, WEF came out biennially with the Travel and Tourism Competitiveness Index (TTCI) which was later renamed as the Travel and Tourism Development Index (TTDI). Both of these indices are based on certain broad dimensions covering aspects like business regulation, human resources, infrastructure, resources, safety and security, health and hygiene, environmental sustainability, ICT preparedness etc. These aspects are called pillars which are listed in Table 5 below. There are 102 indicators that underlie these 17 pillars. The TTCI and TTDI vary in terms of coverage slightly with three pillars namely non-leisure resources, T& T socioeconomic impact and T&T demand sustainability added in 2021. However, as per WEF reports, there is no significant difference between the two as the coefficient of correlation is over 0.95.

A glance at Table 4 tells us that India's rank has improved significantly over the past one decade. India was ranked 65 in 2013. It has overtime moved to 39th position in 2024 with improvement in its overall score from 4.1 in 2013 to 4.25 in 2024.

Table 4: Rank and Score of India on T&T Index

Year	2013	2015	2017	2019	2021	2024
Rank	65	52	40	34	54	39
Score	4.1	4.02	4.18	4.4	4.1	4.25

Source: Compiled from TTCI and TTDI reports for several years

6. Issues and Challenges

An examination of Table 5 will give us a better understanding of the story behind the scores achieved by India thus far. To simplify the analysis, we have represented this information in Fig. 6. The index requires countries to be scored on a scale of 1 to 7 on these various pillars, sub-pillars and indicators. The score is later put together as an arithmetic mean giving equal weight to each dimension.

Table 5: Pillar Scores of India on T&T Index

Year	2013	2015	2017	2019	2021	2024
Enabling Environment						
Business Environment	3.70	4.02	4.26	4.90	3.50	3.79
Safety and Security	4.70	3.82	4.12	4.50	4.80	5.06
Health and Hygiene	3.00	4.32	4.36	4.40	3.50	3.47
Human Resources and Labour market	4.60	4.03	4.37	4.50	3.50	2.85
ICT readiness	2.10	2.83	3.21	3.60	4.00	3.84
T&T Policy and Enabling Conditions						
Prioritization of T&T	4.30	4.14	3.92	4.30	3.90	4.11
Openness of T&T		3.08	3.70	3.80	3.70	4.13
Price Competitiveness	5.10	5.59	5.85	6.10	5.80	5.66
Infrastructure & Services						
Air transport Infrastructure	4.20	3.88	3.92	4.20	4.70	4.59
Ground and Port Infrastructure	4.40	4.02	4.46	4.50	4.30	4.43
Tourist service and Infrastructure	2.60	2.90	2.70	2.80	2.10	1.60
T&T Resources						
Natural Resources	5.40	4.42	4.39	4.50	5.70	5.80
Cultural Resources	4.70	5.09	5.28	5.50	5.00	5.62
Non-Leisure Resources					5.20	5.05
T&T sustainability						
Environmental Sustainability	4.20	2.89	3.08	3.60	3.30	3.64
T&T Socioeconomic Impact					2.80	4.01
T&T Demand Sustainability					4.40	4.55

Source: Compiled from TTCI and TTDI reports for several years

Figure 6 points out that the strengths and weakness that India possess in Travel and Tourism and how it has performed on a particular aspect over the last ten years. We find that India is placed above the global average in terms of its resources. It has many world heritage natural sites with a wide variety of species. In addition, it has a good number of cultural sites that are classified as world heritage sites. It organizes large number of fairs and exhibitions to promote cultural tourism.

Another aspect where India is ahead of most countries is price competitiveness. This is captured by indicators like purchasing power parity, hotel price index, fuel prices, ticket prices, rentals and extent and effect of taxation. Comparatively lower prices for different amenities related to T&T have helped India gain a high score on this metric.

While on many aspects India has been progressing, the performance of its T&T sector on tourist service and infrastructure is very disappointing. This metric covers attributes like number of hotel rooms per 100 population, number of active Air B&Bs and similar platforms, presence of major car rental companies, number of ATMs per 100,000 adults, provision and price competitiveness of hotels, restaurants and leisure activities etc. While score is close to 4 on price competitiveness of hotels etc., it is around 1.5 on all other attributes. Not just that we find that the overall score on this dimension has been falling overtime which is worrisome and needs to be addressed.

Human resources and Health and hygiene are two other aspects that require attention as can be seen from their performance in Figure 6. The education and skill levels of people employed in the travel and tourism sector in India is low. Moreover, productivity of labour employed in hotels, restaurants, transport, storage and communication is quite low compared to international standards. The dismal count of physicians per 1000 population and low hospital bed density are factors driving down the score on health and hygiene. This will require major investments in the medical sector. Although the overall score for safety and security is

fine, the poor scoring on Global Terrorism index which is one of the underlying indicators has been pulling down the score for India.

Some aspects that have shown significant improvements over the last decade are ICT readiness and growth of air, ground and port infrastructure. The efforts being made by the Indian government are finding visibility in the higher scores on these attributes. Recent budgets have prioritized the expansion of transport and logistics infrastructure through the Gati Shakti Scheme while Digital India Mission has pushed up the rates of broadband and mobile subscribers significantly.

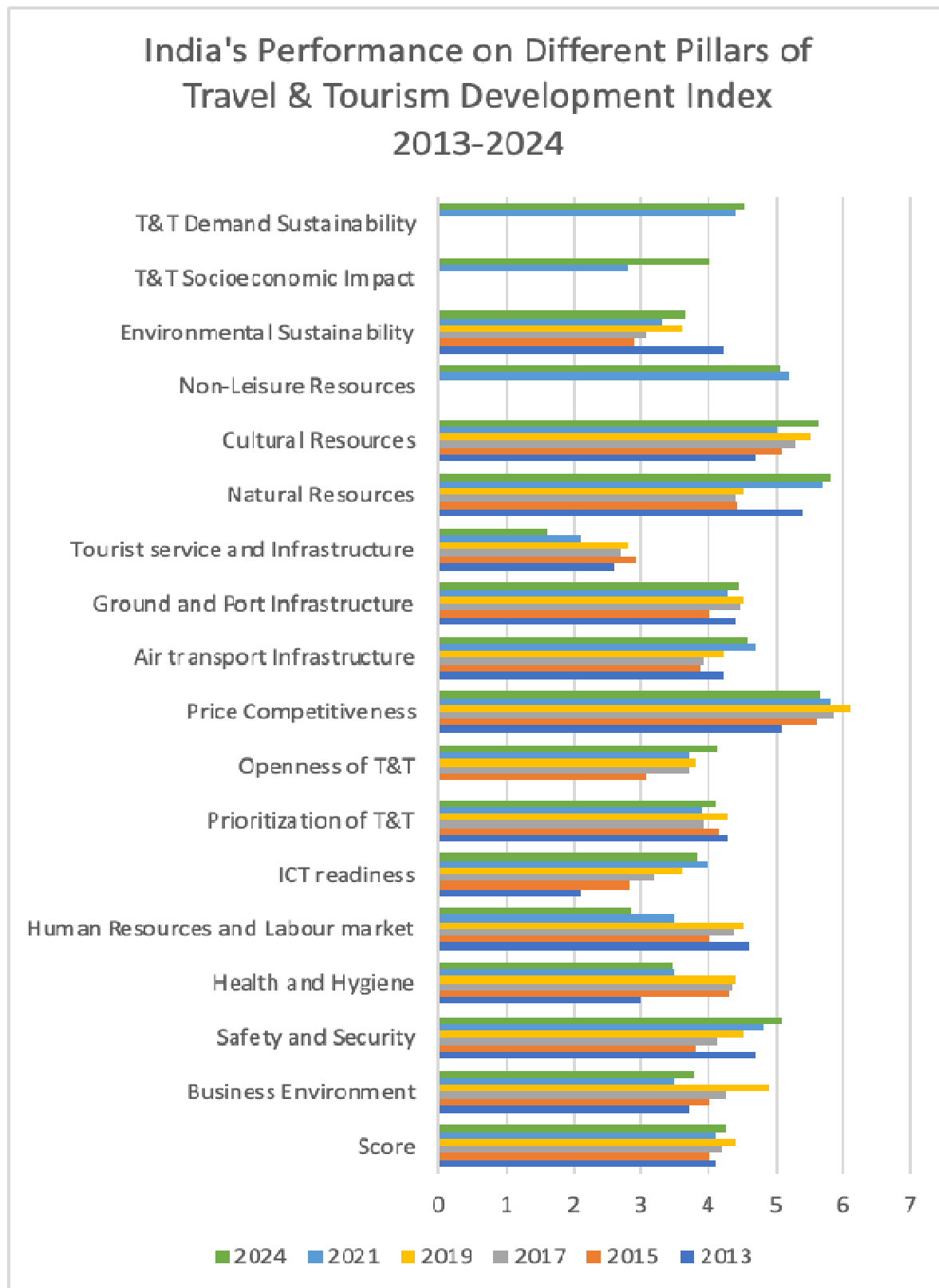


Fig. 6

Although India has shown improvement on environmental sustainability in last ten years, globally it stands almost at the bottom. It has a very poor score on the global climate risk index. Other aspects that require urgent attention are increasing pollution and environmental conditions. Waste water treatment, particulate matter concentration, protection of bio diversity parks are some areas where more proactive policies are required.

Conclusion

In this paper, we examine the role of Travel and Tourism in India's economic growth. We find that over the past one decade, Travel and Tourism is playing an increasingly important role by contributing significantly to India's GDP, foreign exchange earnings and employment. The changing policy paradigm and continuous efforts by the government through implementation of various schemes and policies is showcasing itself in improved global ranking of India on the Travel and Tourism Indices. While India seems to be doing well on certain parameters like T&T resources and price competitiveness, it is far behind globally in terms of environmental sustainability, tourist service and tourism related infrastructure. It is imperative that in order to fulfil the mission towards 'Viksit Bharat', we realize the full potential of the travel and tourism sector which has found to be generating large amounts of employment apart from adding to India's foreign exchange reserves.

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