Contribution of Tourism Industry in Indian Economy: an Analysis

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Abstract: The tourism and travel industry is the biggest and most diverse industry in the universe. The impact of tourism on increasing employment and foreign exchange earnings, the boom in domestic industries, the expansion of international cooperation have changed the attitudes of countries around the world and played an important role in the policymaking of Governments. So the purpose of this research paper is to investigate the Impact of Foreign Tourism Receipts growth on the growth rate economic in Indian economy during the period of 2000-2019. In this study we are using the Ordinary Least Squares method (OLS method). The results show that there is a positive relationship between economic growth rate and growth of foreign tourism revenue growth but this relationship is very weak its mean that the impact of the growth of foreign tourism receipt on economic growth is less; We can also say that there is no strong relationship between these two variables.

Key words: Economic Growth, Foreign Tourism Receipts growth, Tourism Industry, OLS Method, Indian Economy

I. INTRODUCTION

The industry of tourism economically is a relatively new terminology in international trade. At the present time, tourism in every country is considered one of the most important sources of outside currency earnings. This industry as an economic, social and cultural activity has become very important for the development of countries. Tourism is a phenomenon that, if properly planned, can lead to improved production, improvement in living standards, and welfare of public and employment of many factors such as labor, capital, and land. At present, tourism sector is the world's largest service sector in terms of revenue-making, so that its growth will bring about great social and also economic changes (Anupama, Anjana & Sumita, 2012).

Attention to tourism in many countries has grown with the drive to achieve its economic interests. According to data released from the UNWTO (United Nations World Tourism Organization), total international tourism received (the world generated) in 1950 was $ 2.1 billion while in 2018 the world generated 1,643.2 billion dollars in visitor exports (Mandeep & Nitasha, 2012). In 2019, this is envisaged to attract 1,485 bn ITA (international tourist arrivals), an increase of 4.0%. By 2029, global tourist arrivals are predicted to total 2.196 billion producing expenditure of 2,483.9 billion dollars, an increase of 3.8% (World Travel & Tourism Council report, 2019).

Travel & Tourism industry contributed 8.8 trillion dollars in global economy at 2018. This equivalent to 10.4% of universal GDP, and this segment rises up by 3.9% in 2018; quicker than the universal economy’s growth rate of 3.2 percent.

It outpaced all over economic growth for the 8th sequential year also tourism and travel industry was the second-speediest growing industry in 2018, only marginally after Manufacturing, that grew by 4.0% (WTTC, 2018).

Development of sector of tourism can be of great importance for less developed countries facing with problems like high unemployment rates, foreign exchange resource constraints, and a single product economy (Dayananda & Leelavathi, 2016). In terms of the job creation power of this industry, it can be pointed that out of every 6 tourists entering the country creates a job opportunity for one person, so that both the unskilled workers and the skilled workers can they are working in this industry, so that the tourism industry generated 122.891 million jobs directly in 2018 its means that 3.8% of overall employment and this is predicted to increase by 2.2% in 2019 to 125.595 million means that 3.9% of total employment (WTTC, 2019). This comprises employment through travel agents, hotels also airlines other passenger transport services excepting commuter services. It as well as includes, i.e., the restaurant activities as well as industries of leisure directly supported by tourists (Sajad, 2017). It is worth mentioning that around the world, around 319 million people’s jobs are supported by travel and tourism. Its shows that 10.0% of all employees or in every 10 jobs one job is belong to this industry worldwide. In the last 5 years, one out of every 5 new jobs created in the world has been by the tourism industry. World Travel & Tourism Council (WTTC) According to forecasts over the next decade, another 100 million new jobs will be created by the tourism industry. That is, in the next ten years, one out of every four new jobs has been created by the industry (WTTC report, 2019).

We can say that the tourism industry has a positive impact on the employment of countries (Ntabanyurwa, 2006), increasing foreign exchange earnings, promoting domestic industries, expanding international cooperation and, most importantly, improving people's livelihoods and many other economic growth factors (Sajad, 2017). For this reason, it has changed the attitude of countries around the world and, as one of the most important motive forces of economic development, has an important place in government policy-making (Biljana, 2013).

India has a lot of interest among the tourists in the world and of course the officials in the field of tourism have a high income from this industry which is sure to attract more investment in the Indian tourism industry in the coming year (Goutam, 2018). India was ranked 65th in the world in 2013 in tourism destinations, but in 2017 it was ranked 40th. Improving infrastructure and introducing India's thematic tourism (nature, religion, history, etc.) are among the reasons for the increase in foreign tourists' travel (India Brand Equity Foundation report, 2018).
Contribution of Tourism Industry in Indian Economy: an Analysis

India has many historical and natural tourist attractions and is one of the tourist hubs of the world. This country is fascinating to many tourists with its rich history and its special culture. On the other hand, historical attractions such as multi-thousand-year-old buildings, museums, and old-fashioned villages have made India one of the most popular places in the world (Anson & Anvin, 2016). Currently, India ranks eighth out of 184 countries in terms of tourism share in GDP with 247bn. There are 20 countries in the world whose GDP growth in tourism has exceeded the global growth rate of 3.9, and India ranks fifth among these twenty countries. These five countries are at the top of the table are: Turkey, the Philippines, Hong Kong1, China, and India and the growth of their tourism sector is as follows: 15, 8.9, 7.5, 7.3 and 6.7. This high growth in the tourism industry will continue for the next ten years, especially in Asia where India's Tourism & Travel share to GDP will greater than double. That is enabling India to rise up from the 8th position of 2018 to 3rd place in 2029. According to forecast of World Travel & Tourism Council (WTTC) India will have the 3rd fastest growing from 20194. 2029 in the field of the contribution of Travel & Tourism to GDP (6.8 %), also India will be the 3rd greatest country in the field of total share (absolutely) of this sector to GDP in 2029 with 511.9bn dollars. According to the share of countries in global tourism growth last year, the three countries had the highest share, these three countries are; China with 25%, USA provided around 12% and India with 6% in the 3rd world tourism growth in 2018. The tourism industry in India accounted for 8% of the whole employment opportunities made in 2017, created job opportunities for about 41.6 million population in the same year. The number is envisaged to ascent by 2% annum to 52.3 million jobs by 2028 (WTTC report, 2019).

The research aims to answer the question: “Can the tourism industry affect the growth rate of GDP of India?” examines the relationship between the foreign tourism receipts and GDP growth rate in India using the OLS method. Therefore, this paper will be structured as follows: After the introduction part, the next section discusses the theoretical basis of the subject and the third section briefly presents some experimental studies. The 4th section is devoted to research methodology and the fifth part deals with model estimation and empirical findings analysis. In the final section of the paper, a general conclusion is presented.

II. THEORETICAL FOUNDATIONS OF RESEARCH

Based on the Export-Led Growth Hypothesis (ELGH), the industry of tourism and travel can also be considered as a kind of export whose only difference with the export of goods and services is that the consumer consumes it in the hostess country (Marin, 1992). Next hypothesis, known in the economics literature as the Tourism-Led Growth Hypothesis (TLGH), and a particular case of export-led growth, has been the basis of many economic studies worldwide and has been proven in most cases. This theory argues that a country's economic growth is not only a function of labor, capital, exports, and another factors contributing to its economy but may also be affected by the number of tourists which entering in the country (Cortes & Pulina, 2006). In reality, tourism impacts the economics' growth of countries in several ways. Accordingly, the United Nations World Tourism Organization (UNWTO) proposes five major axes for measuring the economic impact of the tourism:

**Increment in GDP:** The revenue of tourism helps to boost Gross domestic product.

**Currency inflow:** This involves calculating gross foreign exchange earnings. The total foreign currency spent by tourists is calculated after deducting the coefficient of exit from the country that spent on imports of goods & services used in tourism.

**Employment:** Local employment generated by tourism calculated by its type and there are four forms: Direct employment: people working in tourism which related to institutions i.e. hotels, restaurants, tourist shops and travel agencies.

**Implicit employment:** jobs generated in the supply sector, for example fisheries and related industries.

**Induction Employment:** These jobs are obtained by spending income that the employees have earned directly or indirectly.

**Construction and building employment:** jobs created in the construction of conveniences, and tourist infrastructure. This employment is usually temporary but may be very prolonged in places where there is continued tourist development.

**Multiplier:** This point to the impact that an external source of income has on the domestic economy. This measures the effect of the amount of tourist revenue penetration into the economy and the creation of other economic activities.

**Helping to increase government revenues:** This includes hotel’s taxes and other taxes on tourism, airport exit duties, customs duties related to tourism industry imports, corporate income tax on businesses and employees, and property tax. Therefore, tourism has both direct and indirect effects on economic growth, which will be briefly discussed below.

A. Direct effect

Because tourism is a type of service industry. And the income from this sector is part of the host country's GDP and directly influences its economic growth (Harry, Alexandru & Valentina, 2015). Tourism industry can be a viable solution for countries with high foreign exchange earnings and thus higher economic growth (Goutam, 2018). For example, in 1998 international tourism accounted for about 8% of total world revenues and 37% of services sector exports. Also, according to official forecasts of the UNWTO, global tourism revenue will reach approximately $ 2 trillion per year by 2020 (UNWTO report).
B. Indirect effect
Tourism also has an indirect effect on growth because it reveals the complex effect on the economy as a whole, in the form of spillovers or other impacts on externalities (Marin 1992). It means that if, due to its high contact with other economic activities, tourism thrives, other economic activities that provide that business, commodity or service or consume the product and travel with it. That is, tourism can be a driving force for economic growth and drive other activities as well. On the other hand, economic growth affects the production of tourism, too. Economic growth, with the expansion of tourism facilities and substructures, including the improvement of transport and highways, the betterment of information and communication technology (ICT), the advancement of electronic money, housing development, restaurants and hotels, the increasing of public health and recreational conveniences, develops the tourism industry (chart 1 & 2) (Taibi et al., 2009).

III. LITERATURE REVIEW
The researcher used correlation and regression to constitute the relevance also the impression of the tourism sector towards gross domestic product and has set up a positive effect (Thaliath & KJ, 2016). As a result of this study, researchers have found that tourism's share of employment in India has increased over the years, from 10.17% in 2009-2010 to 36.12% in 2012-13 and its share in GDP the country has grown, it also increased from 6.77% in 2009-2010 to 6.88% in 2012-2013. After analyzing data collected from various sources, the tourism industry is expected to show healthy growth in the coming years. As a labor-intensive industry, it also provides job opportunities for skilled and unskilled workers. This infrastructure development boosts the economy that generates foreign exchange earnings, boosts revenue and encourages pay scales (Rani & Gupta, 2016). In this study, the author concludes by using the Visitor Spending Method that the Indian government is also interested in tourism development and links almost all well-known tourism spots by road, rail, and national airline, which contributes to the country's foreign exchange earnings. Through tourism from 2000 to 2014 more than seven times increase. It proves that economic, political and social impacts on the arrival and revenues of the tourism industry in countries have a positive impact (Centre, 2016).
The results of this study demonstrated that tourism is the greatest service industry in India, by $34.008 bn in GDP and 7.4% of total employment. India annually has seen rather than 5 million foreign tourist arrivals and some more 740 million domestic tourist visits in 2011 (Kaur & Sharma, 2014).

After analyzing all the facts, the researchers have found that the tourism industry is expanding day by day, providing great job opportunities and a huge increase in foreign exchange earnings that will greatly advance the economic development of society. Although it has its disadvantages, it can be eliminated by the joint efforts of the government, tourism agencies and of course local communities (Sharma et al, 2012).

A study of the effect of the tourism on India's GDP and the balance of payments account in country concluded that increased tourist have led to the rapid growth of the tourism sector in this country. Growth in the tourism sector has led to job creation, foreign exchange earnings, infrastructure expansion, investment, economic and economic growth, an increase in GDP (Mir, 2017).

This study emphasizes on an ongoing investigation of the economic effects of tourism, which is an importance factor in strengthening the national economy in the 1997-1997 period, and has become even more important as the results will provide valuable insights for all key tourism players responsible for Macedonia's economic development strategies. This research emphasizes the necessity for continuous analysis of tourism and its positive effects on high economic growth and GDP (Petrevska, 2013).

Growth in the tourism sector has led to job creation, foreign exchange earnings, infrastructure expansion, investment, economic and economic growth, an increase in GDP, and so on. India has witnessed sustained and inclusive economic growth due to the widespread extension of the tourism sector in India (Dayananda. K.C & D.S. Leelavathi, 2016).

The study finds that the India’s tourism industry is remarkable and energetic and that it is rapidly converting an important global goal. Also besides, the tourism industry is remarkably supported for the growth of horticulture, handicrafts, agriculture, construction and poultry (T, 2014).

The researcher has collected secondary data and the variables are examined by correlation and regression analysis to examine the impact of tourism on GDP in the country.
The findings of this article show that domestic tourism has only significant importance in GDP (Vedaprada et al., 2017). In this study, the researchers found that the Indian government decided to increase its revenue from tourism by designing India as the "ultimate tourist spot". So the progressment of the tourism in India is there and will become very powerful in the next ten years (Hazra, 2018). This study pursues the connection between tourism and economic growth in India, keeping in mind the relative significance of financial development in the 2014–2014 periods. The outcomes of the new Bayer & Hanck hybrid test show that tourism, the growth rate of economic, and also economic expansion are intertwined.Incoming tourism has been shown to contribute to India's long-term and short-term economic growth. As well as, the analysis represents the long-term unilateral presence of Granger causation from tourism to economic growth (Olahan, 2017). In this study, they found that, apart from agriculture, tourism sector is the most popular origination of income and employment for the J&K government economy. In addition, data analysis shows that there is a positive effect of tourist entry on employment. With the increase in tourist arrivals, overall employment also increases (Nengroo et al., 2016). This research is an effort to explore the role and contribution of tourism-related agencies in the state of J&K. In this study, different models/techniques have been used to achieve the desired result, which is the conclusion from the evidence of one-way causality of tourism operations to the economic growth of the India (Singh & Magray, 2017). This study checks the correlation between tourism enlargement and economic growth by using the tests of Granger causality in a multivariate model and using yearly data for the period 1995-2009. The FMOLS results display that although the elasticity of tourism earnings with respect to real GDP is not statistically considerable for all regions, its positive mark indicates that tourism gaining play a positive role in the economic growth of less developed countries (Ekanayake & Long, 2012).

This study explores the integration and causal impacts of tourism with economic growth in Jordan. We use 1998 to 2015 quarterly data on GDP and real foreign tourism receipts. Two empirical approaches have been used. Engle and Granger's (1987) linear integration frame, and nonlinear framework of the Enders and Siklos (2001) convergence test, in addition to the Diks and Panchenko causality test (2006). The empirical findings indicate the long-term relationship between tourism and economic growth (Muhtaseb & Daoud, 2017). This study's focal point is the economic growth of tourism and its developmental effects on the microstate and explains the indications of tourism analysis and planning. Results also indicate that the export growth strategy led by the entire economy has a positive impact. The main consequence is that institutional interposition can only become an affirmative force in the context of a quick coalition with the world market (Vanegas & Croes, 2003).

From a trade perspective, this paper argues from the literature reviewed that tourism in many developing countries generates more revenue than many other economic sectors considered to be export-oriented, without coming to the same trade constraints External leads. This paper concludes that the tourism sector must be sustainable to sustain its role in agent development (Ntibanyurwa, 2006).

The results of this study show that most developed economies consider tourism to be an essential industry for their growth, as it pertains on other sectors of production in the region and its cycling economic cycle. Eliminating the complexity of jobs at the macro and micro levels can help developing developers achieve a superior level of efficiency and ultimately quality (Zuruba et al., 2015). Tourism sector is often the main source of job creation and foreign exchange earnings for island countries and the dominant economic sector (Ghosh, 2011).

IV. SCOPE AND METHODOLOGY

This 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. All data are secondary data gathered from the Ministry of Tourism official website. We used figures and tables to explain the trends between variables. Besides, we used the Least Square Method (OLS) to see the impact of the autonomous variable “tourism receipt” on the subordinate variable “GDP growth”.

V. DATA ANALYZE AND FINDINGS

Stationarity test:

Based on the econometric literature to estimate the model, the stationarity test of the variables must first be performed. If non-stationarity variables are used in the model estimation, despite the absence of any relationship between the variables, the obtained coefficient of determination is high. As a result, misconceptions can be made (facing spurious regressions) (Dickey& Fuller, 1981). For stationarity tests such as Dickey-Fuller tests are used. In the case of non-Stationarity variables with the difference method, most variables can be converted to Stationarity.

The results of Augmented Dickey-Fuller Unit Root Tests on GDP:

Table 1- Results of Stationarity analysis of GDP

<table>
<thead>
<tr>
<th>t-Statistic</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADF test statistic</td>
<td>-3.753016</td>
</tr>
</tbody>
</table>

Test critical values:
- 1%: -3.857386
- 5%: -3.040391
- 10%: -2.660551

H0 Hypothesis: GDP has a unit root

Source: Researchers Findings

According to Table 1, the ADF test results show that all variables are Non-Stationary at 99% confidence level but at 90% confidence and 90% confidence level all variables are Stationary. And on the other hand, we chose our confidence level to analyze the relationships between variables at 95 %, so we aren't faced with the Non-Stationary of variables. It means that our null hypothesis (GDP has a unit root) its mean H0 is rejected and our alternative (H1) hypothesis is confirmed, meaning that Foreign Tourism Receipts (GDP) is a Stationary variable.
The results of Augmented DF Unit Root Tests (ADF) on FTRs:

Table 2- Results of Stationarity analysis of FTRs

<table>
<thead>
<tr>
<th>Null Hypothesis: FTRs has a unit root</th>
<th>1-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Augmented Dickey Fuller test statistic</td>
<td>-4.015377</td>
<td>0.0679</td>
</tr>
<tr>
<td>Test critical values:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1% level</td>
<td>-3.57586</td>
<td></td>
</tr>
<tr>
<td>5% level</td>
<td>-3.064591</td>
<td></td>
</tr>
<tr>
<td>10% level</td>
<td>-2.660551</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher Findings

According to Table 2, the ADF test outcomes show that all variables are Stationary at 99%, 90%, and 95% confidence level. It means that our null hypothesis (FTRs has a Unit Root) is rejected and our H1 hypothesis is confirmed, its mean that Foreign Tourism Receipts (FTRs) is a Stationary variable.

Analysis of the OLS model results:

The results of the OLS (ordinary least square method) model estimation presenting that the relationship among GDP growth and tourism is positive. In other words, with the growth rate of foreign tourism revenue growth, the country's economic growth will increase. Conversely, economic growth slows as foreign tourism revenue growth declines. The regression equation of GDP and foreign tourism revenue growth is (GDP = 0.06144 + 0.19316*FTRs). This indicates a positive relationship between GDP and foreign tourism revenue growth. The foreign tourism revenue (FTR) growth coefficient is 0.19316, which indicates that when you change one percent FTRs growth it causes a 0.19316 percent change in GDP, in other words whenever the 100 percent change in foreign tourism revenue growth causes a 19 percent change in GDP in a positive direction. The R-squared is 0.127113, which represents the total impact of the tourism growth variable on the GDP growth variable. That's mean 12.7 Changes in GDP growth are due to tourism growth. The intercept is 0.061441 which represents our GDP growth without foreign tourism revenue (FTR) which means if we exclude our independent (FTR) variable our GDP growth will be 6.14.

VI. CONCLUSION

The tourism industry with its unique characteristics is considered a dynamic industry with a bright future. Investment in the tourism industry is on the rise in all countries of the world. Today, attracting foreign tourists has become increasingly competitive among the entities involved in the tourism industry, because the industry not only plays a role in advancing the national economy and foreign exchange revenue, it is also an industry clean and pollution-free while creating new jobs. Today, it is seen that industrialized nations are using all their energy to attract tourists, reflecting the industry's position in the economy, the income from tourism is sustainable and at the same time it can be exploited in the short term, and the job creation opportunity is also high in this industry and its human resources do not need long-term training.

In this study, the relationship between economic growth and tourism industry was investigated using the OLS (ordinary least square method) approach and using time series data over the period 2000–2018. In this regard, after examining the variables and determining the existence of a positive relationship between the variables, the OLS model and its regression equation are estimated. The results represent a positive relation between economic growth and tourism but this relationship is very weak it is mean that the effects of the growth of foreign tourism receipts on growth rate are less; we can also say there is no strong relationship among these two variables.

REFERENCE

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Azatullah Nazari, is from Afghanistan and he received the school Diploma (2012) and B.Sc (2015) in economics from Jowzjan University, Jowzjan, Afghanistan and currently, he is a student of M.Sc. economics at Mittal School of Business, Lovely Professional University, and Punjab, India. He has been worked with different universities as a lecturer in Afghanistan, and he looking forward to working as an analyst or a researcher in the field of economics.