

## TOURISM SECTOR – PROSPECTS AND CONSTRAINTS

Dr. SIDDHARTHA ROY

- Tourism industry has immense potential to be a strong driver of employment intensive growth for India.
- - Amongst emerging economies, India has 2nd largest tourism industry after China.
  - NITI Aayog aims to achieve 3% share in international tourism by 2022-23.
  - Tourism sector ranks No.3 amongst foreign exchange earning sectors.
- To qualify for the 3% target, India needs tough strategies such as: awarding infra-status for projects, lowering the GST rate, speedy approvals, creating awareness and an effective communications strategy.

### AN OVERVIEW:

Tourism has the potential to become a strong driver of employment intensive growth in a country such as India. The sector's contribution to GDP, foreign exchange earnings and employment are recognised by India's successive Five Year Plans, and more recently, by NITI Aayog. Development of tourism has its forward and backward linkages with industry segments such as hotels, transportation, food and beverages, construction, infrastructure and general services including IT and digital services. Tourism can also be a major catalyst of development for remote and backward areas like hilly regions and forest areas. From that point of view it can be a harbinger of inclusive growth and provide livelihood and income benefits to marginalised communities, Albeit there is a need to ensure that tourism in the ecologically sensitive areas like Himalayan tracts, the forest areas of central India and unexplored sea beaches, do not lead to environmental degradation by way of over construction, overcrowding etc. Sustainable tourism is a key issue.

### ANALYSIS & DISCUSSIONS:

#### Contribution of the Tourism Sector

According to WTTC (World Travel and Tourism Council), the direct contribution of tourism (domestic + foreign) to GDP in India was 3.7% in 2017. The total impact on GDP that is direct plus indirect and induced put together was around 9.6% of GDP or \$234 billion in 2017. Should one take a conservative stance and stick to UN statistics division's approved Tourist Satellite Accounting methodology and consider direct impact alone, even then, at 3.7%, the impact is quite significant. To put things in perspective, contribution of the 'steel sector' to India's GDP is 2%. Amongst the Emerging economies of Asia (i.e. excluding Japan) India has the second largest tourism sector after China.

**Exhibit 9: Tourism Sector in Asia**

Country	Tourism Sector (\$ billion)
China	402.3
India	91.3
Thailand	42.2
Indonesia	19.4
Malaysia	15.2
Vietnam	13
Pakistan	8.8
Bangladesh	5.3
Sri Lanka	4.5
Cambodia	3.1

Source: Indian Tourism Statistics; Gol

In terms of job creation, tourism has a significant impact on overall employment generation.

**Exhibit 10: Impact of Tourism on Employment (million)**

	2013	2014	2015	2016	2017
Direct Employment	23.94	24.48	24.91	25.51	26.15
Total Impact (Direct + Indirect)	37.57	38.07	39.01	39.63	40.53

Source: WTTC, India Report 2018

Should we consider direct employment alone, 5% of India's employment in 2017 was generated by tourism. If we consider direct and indirect together, then it would be up to 8% of the overall employment.

## PRESENT SCENARIO

### The Domestic Sector

Once we separate outbound tourism i.e. Indians going abroad, tourism in India can be grouped under two essential components – domestic sector and international arrivals.

In a growing middle income economy such as India, more people enter the burgeoning middle class every year, consequently travel and tourism as an activity is getting deeply entrenched into the consumption pattern.

**Exhibit 11: Domestic Tourism Growth**

Year	Visits (million)	Growth Rate (%)
2000	220	
2005	392	12.2
2010	748	13.6
2015	1432	13.8
2016	1615	12.8

Source: India Tourism Statistics 2018

Domestic tourism which is growing at around 13% per annum (2000 to 2016) is expected to play a key role in overall development of the tourism sector. In 2017 the contribution of domestic tourism to overall tourism GDP of the country was 87%.

### International Tourism Segment

During the last two years, India's share in international tourist arrivals was around 1.18%, Niti Aayog has an objective to achieve a 3% market share by 2022-23.

**Exhibit 12: Share of India in International Tourist Arrivals**

Year	World (millions)	India (millions)	India's Share	India's Rank
2015	1195	13.28	1.11	24
2016	1239	14.57	1.18	26
2017	1323	15.65	1.18	26

Source: UNWTO and India Tourism Statistics; Gol

Assuming that international tourist arrivals in the world as well as in India grow at (2000 to 2017) trend rates, India's share will be 1.63% by 2022-23. This further assumes foreign tourist arrivals to India will remain unaffected by the economic downturn due to recession in the source countries. Several of the countries are advanced economies. In other words, it is unlikely that the scenario of 2008/09 will be replicated. Given this scenario, Niti Aayog's objective of obtaining a 3% share, although laudable,

appears a bit overstretched. At this stage one also needs to keep in mind that a part of the international visitors to India are NRIs.

**Exhibit 13: International Tourist Arrivals (in million)**

Year	NRI	Foreign tourists	International Arrival
2015	5.26	8.02	13.28
2016	5.77	8.8	14.57
2017	5.51	10.04	15.55

Source: UNWTO

The NRI component has been range bound, this needs to be taken into consideration for future projections. Attempts have to be made to increase their number particularly amongst second and third generation NRIs.

In other words to reach the stated 3% target, the country will need breakthrough developments such as marketing the attractiveness of our destinations, implementing a more friendly visa regime and having in place stronger IT infrastructure etc.

Should one examine India's position in terms of international tourism receipts then the situation is somewhat better, in fact our ranking improves too.

**Exhibit 14: Share of India in International Tourism Receipts**

Year	Share (%)	Rank
2015	1.73	14th
2016	1.85	13th
2017	2.05	13th

Source: Based on UNWTO data

When we juxtapose this information with the international tourist arrival data, we note our value share of 2.05% is better than the volume share of 1.18%. In other words, visitors to India, spend relatively more compared to visitors going to other countries. On account of this, India had a steady share gain in international tourist receipts since 2000. This is no mean achievement.

**Exhibit 15: Yearwise share of India in international tourist receipts**

Year	Percentage
2000	0.73
2005	1.1
2010	1.56
2015	1.73
2017	2.05

Source: UNWBased on UNWTO data

It may be useful to add that some countries such as Spain (5.11%), France (4.56%) and Thailand (4.32%), which are frontrunners in the tourist business, have a higher share in international tourist receipts. To double our receipts share to at least 4% in another 5 to 7 years could be a worthwhile target. In the 2017-18 budget the revised spending estimate for overseas promotion and publicity was Rs 295 crore. This went up to Rs 454 crore in the 2018-19 budget which is a welcome step; the emphasis on overseas promotion ought to continue.

At this stage it needs to be mentioned that tourism sector's performance as a foreign exchange earner is better than some of the key merchandise export sectors. As a sector, tourism ranks third amongst foreign exchange (FE) earning sectors.

**Exhibit 16: Forex from Tourism in India**

Year	Earnings (\$ billion)	Growth (%)
2014	19	-
2015	21.01	6.7
2016	22.92	9.1
2017	27.31	19.1

Source: Ministry Tourism, GoI, RBI

At this stage it may be interesting to find out the key sources of foreign tourist traffic to India. Around 66% of the total international visitors are accounted for by the following countries.

**Exhibit 17: International Tourists (originating countries)**

Country	Contribution as % of Total international visitors
Bangladesh	21.49
USA	13.72
UK	9.83
Canada	3.34
Australia	3.23
Malaysia	3.21
Srilanka	3.03
Russia	2.78
Germany	2.68
France	2.49

Source: India Tourism Statistics; GoI

Our marketing segmentation focus needs to match the offerings in terms of leisure, wellness, experience etc. with the appropriate geographic requirement. India has vast cultural and natural attractions, 35 heritage sites, geographical diversity, forests beaches, mountains which should ensure major potential for growth in terms of international tourist arrivals.

### Competitiveness of the Tourism Sector

At this stage it needs to be recognised that in terms of tourism competitiveness index 2017, India is at 40th position, albeit there has been improvement in ranking by 12 places amongst 136 countries. The key areas of concern are health, hygiene; security including women's safety, human resources for tourist trade needs upgradation and training, better tourist service infrastructure with a stronger IT backbone. These areas need to be addressed for steady improvement in competitive ranking.

Two areas where India ranks well are price competitiveness and international openness. There is little doubt that visa on arrival and e-visa has made significant impact. Similarly for e-medical visas, some rules need to be streamlined; the number of visits need not be restricted to three, as there could be an urgent need for health checkups. Tourism is an area wherein the government and the private sector have to work together for unlocking the extant potential. There is a need to boost the image of the country as a "premium holiday destination which one must experience".

Awareness about the country and its holiday offerings need to be created amongst both advanced countries and in Emerging Asia. This needs to be done in the respective local language. To create this awareness Incredible India, heritage trails etc. initiatives in international media are indeed useful. At the

same time India needs to expand her infrastructure in terms of airport connectivity and improved road networks. Many of the tourist destinations are located in the interiors and hence connectivity would be extremely important. This infrastructure creation should involve banking facilities, ATMs, credit card acceptance and telecom connectivity in distant tourist spots. The extension of UPI facilities backed by a robust telecom infrastructure is an immediate priority. Tourist traffic normally is divided into two parts leisure and business. For business traffic or MICE connectivity, hotels, conference infrastructure etc. are extremely important; it is a matter of concern that business traffic has started declining in recent years.

**Exhibit 18: Percentage Distribution of Leisure and Business Tourism**

	2013	2014	2015	2016	2017
Leisure	78.9	83.5	83.2	94.6	94.6
Business	21.1	16.5	16.8	5.4	5.4

Source: Based on Indian Tourism Statistics, Gol.

### CONCLUSIONS:

If India's tourism sector should remain on a high growth trajectory in the future, we must create and be consistent in raising awareness about the sector's various offerings; additionally, infrastructure building and all-round skill upgradation are some of the imperatives. In order to facilitate communication and a better understanding of the product, one could visualise the increasing use of virtual reality and augmented reality in the travel planning stage.

Some of the above stated features can help customise individual/group requirements and offer variety at a premium. This premium segment apart, India can also score well in the "value for money" segment. The international tourism competitiveness study 2017 acknowledges the benefits of this segment in India. According to the said study, one of the key advantages of the Indian tourism sector is its relative price competitiveness. In order to retain this feature, we believe the GST rates on tourism linked products and services must be kept at the minimum.

NITI Aayog's "Strategy for New India @ 75" documents have suggested that tourism related projects above one crore should be considered infrastructure projects wherein all benefits that apply to infra projects will likewise apply here also. Such tourism projects require to be approved by the government at the earliest. This will enable tourism related activities, hotels, resorts, equipment, parks etc. to avail of the priority lending facility. Multiple clearances and approvals required from Central and state government agencies for the tourism sector need to be streamlined. Further, a single window clearance system would be ideal. Infrastructure and connectivity framework including ATMs, card acceptance, use of UPI-based facilities and telecom connectivity should be well structured and in place prior to the government's announcement of five new tourist circuits, particularly the Buddhist circuit, as many of the spots are not well connected. The use of CSR (corporate social responsibility) funds and adopting a heritage scheme are welcome.

There is a need to manage the political fallout of new tourism projects. The involvement of local workforce with provision for suitable training, availability of credit and business upgradation facilities for local entrepreneurs will not only create employment but also generate support from amongst local stakeholders. Community capacity building will be key to the success of tourist projects in the future. Culture and heritage are central to India's tourism offering, Niti Aayog's suggestion for building new museums is a welcome suggestion, budgetary provision should be made along with the recommendation. The museum should have facilities for cultural performance, handicraft stores etc. Participation of the public and private sector (preferably via the PPP route) in developing and managing some of the areas in tourism projects will certainly be a healthy move.