

# Tourism: An Under Utilized Economic Engine in India

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**Abstract**—Tourism can help generate a large amount of income for a developing country, if it is harnessed correctly. It can provide employment to locals, and can help improve the standard of living for each and every citizen of the country.

Our paper will shed light on how the development of this industry will not only reduce unemployment and increase the disposable income of the locals, but also on how it will encourage entrepreneurship to help progress the goals of the UN. In addition, it will cover a few case studies to bring out how other countries have used tourism to improve their economy and standard of living for their citizens.

The tourism industry is a set of industries that facilitate the needs of tourists by providing accommodation, transport, food, destination visits, etc. It comprises all the companies which provide the products and services that are meant and used by tourists at different stages of travel and tourism. Tourism contributes to a big part of a country's GDP, and helps transfer currency from developed countries to developing countries. It contributed 2.9 trillion USD to the world's GDP in 2019 and these numbers will continue to grow as the amount of disposable income of the world's population increases.

**Index Terms**— Decent work, Economic Growth, GDP, Sustainable development, Tourism.

## I. INTRODUCTION

The United Nations (UN) defines decent work and economic growth as promoting inclusive and sustainable economic growth, full and productive employment and decent work for all. Economic growth should be a positive force for the whole planet.

Decent work and economic growth is one of the 15 global goals set by the UN for sustainable development in 2015. The aim is to provide employment to every human being by the year 2030. A key factor in doing this is encouraging entrepreneurship which leads to the creation of numerous employment opportunities.

Our paper focuses on ways in which employment opportunities can be increased in India through the sustainable development of the tourism industry. Given the recent economic downturn due to the Covid-19 pandemic, the Indian economy has taken a massive hit. Daily wage workers have been severely impacted by the shutdown and have lost their jobs and their means of daily income. Critics say that the shutdown in India has impacted the economy worse than the recession in 2008. Unlike 2008, when business could keep

running, during this shut down period in India all businesses have been forced to close. The future of the Indian economy looks grim at the moment and creative measures have to be taken to get the economy out of this slump. The sustainable development of the tourism industry could boost our economy and help the daily wage workers get back on their feet.

## II. TOURISM

Tourism can be defined as travelling to a place which is different from your home city or country for various leisure or business purposes, and staying there for some considerable period of time at a length. It is travelling for some purpose and for stay which is not very long or permanent in nature.

Tourism is a major economic engine that has been impacted severely by the pandemic. If harnessed correctly post the pandemic, it could generate a lot of income for the blue collar population and help increase the flow of foreign currency in the country. Tourism has vast direct economic benefits such as generating employment, improving wages, and stimulating growth in many direct and indirect sectors.

If the Indian Government were to invest some money during this pandemic towards building infrastructure that can set us up for the future, it would create several jobs and help citizens come out of unemployment. This would also help the tourism industry in the future due to the improvement in infrastructure. Good infrastructure leads to easy connectivity and accessibility of major tourist destinations.

## III. HOW TOURISM WILL HELP INDIA COME OUT OF THE COVID-19 SLUMP: SHORT TERM IMPACTS

The development of infrastructure related to tourism such as accommodation for tourists, railway passenger transport, road passenger transport, water passenger transport, air passenger transport and the development of facilities for sports and recreational activities would provide employment to unemployed personnel. All these facilities should be constructed before tourists can start visiting the country, and that can be done during this pandemic. By using this time while travel has been paused, we can focus on building a strong foundation for the tourism industry that will later reap huge rewards for the country. In the near future, it will get daily wage workers out of unemployment and provide an income to them. This will help them support their families, and create a more productive work environment for the community.

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**IV. HOW TOURISM WILL HELP INDIA COME OUT OF THE COVID-19 SLUMP: LONG TERM BENEFITS**

Tourism industry is a group of industries providing services and products for various needs of tourists and travellers on leisure, business and other related tourism characterised travel trips. The money the tourists spend on consumption of these services and products becomes the revenue of the tourism industry.

Tourism first attracts tourists and thus generates a demand which is met by multiple groups of industries.

These groups of industries collectively create profits that have a trickledown effect and the money reaches every person contributing to the tourism industry.

1. An increase in foreign investment would lead to a greater flow of foreign currency into our country. This could help us pay off our country's debts and increase the value of the Indian Rupee. It would also lead to a large amount of government profits.
2. The improvement of the tourism industry would help build a good brand image for the country.
3. It would lead to many socio-economic benefits due to the cultural exchange and foreign exposure that the locals get. They will start to mature into having a more forward thinking mindset, that will eventually help lead to the faster development of the country.
4. The presence of hotels and tourists would allow small and medium enterprises to flourish. For example, small restaurants that normally don't get much business would see a hike in customers due to the presence of tourists, as tourists would want to explore local culture.
5. Growth in tourism would create and benefit supplementary industries. For example, the increase in the number of tourists would be a perfect opportunity for a transport company to grow as the tourists would require transportation to go from one place to another. Another fruitful example would be the electricity industry as the hotels would require much more power to run. If this is done sustainably, it could help the planet, reduce the cost of operation and benefit the local people.
6. Development of tourism in India would also generate varied employment opportunities in hotels such as chefs, cleaners, bellboys etc. Hotels may even establish partnerships with fishermen for boat rides and so on.
7. Fishermen and farmers will get an opportunity to sell their produce/food directly to the hotels, thereby eliminating the middleman and increasing their profits.
8. Growth in the tourism industry would lead to many people increasing their skill set. For instance, many people would start earning degrees in hospitality and hotel management instead of continuing menial labour jobs.

**V. CASE STUDIES**

*A. Sri Lanka*

The paradise island of Sri Lanka suffered a 30 year long conflict that sunk its economy. At the end of this crisis environment, the country reformed and started a new

economic development program in 2009. The government tourism industry invested heavily to develop the sector which led to an influx of FDI flow as many transnational companies established a strong presence. Developments increased in various economic sectors. The youth of the country saw a lot of potential in the tourism industry, and started taking vocational and academic courses in tourism and hospitality. Currently, tourism is Sri Lanka's most successful industry; Colombo's hotels are always fully booked during the winter season. The average daily expenditure of a tourist there is \$174, which adds up to almost \$2000 per stay. Many tourists like to spend multiple days there. They enjoy an array of activities from surfing to meditation during their stay in a pleasant and peaceful environment. Sri Lanka now attracts almost 3 million tourists every year, which means an annual revenue of \$ 5 billion every year from this industry alone. This makes it Sri Lanka's number one revenue generator. It has helped bring foreign currency into the country. Tourism is also an industry in which the money "trickles down to the grassroots", bringing income to the poor communities as well. Nowadays, most of the people in cities like Hikkaduwa, Habarana and Ella depend on the tourism industry for income. Tourism not only provides entrepreneurial opportunities to those in the low income groups, but is also a lucrative channel for the self-employed. The tourism industry is 11.1% of the economy's GDP. It has also increased the GDP of the country by a staggering 5.9% in 2012. It created 579,000 jobs in 2009. Tourism has and will continue to increase the standard of living for citizens of Sri Lanka.

*B. Sri Lanka Statistics*

	Before the development of the tourism industry (2009)	After the development of the tourism industry
Percentage Unemployment	5.85	3.88
Tourist arrival numbers	4,48,000	17,98,380
% of people living on less than \$5 a day	55.70%	40.40%
GDP	\$48,113M	\$88,901M
GNP per capita	\$2,010	\$4,060

*C. Iceland*

After suffering a large decline in output following the great recession of 2008- 2009, Iceland has posted one of the world's strongest economic recoveries, aided by the huge

boost to export receipts provided by tourism. The surge has attracted a large number of entrepreneurs and upstarts in air-travel, accommodation, car-rental, tours and entertainment, often leading to significant innovation.

Iceland has the fastest-growing “brand” in the world, with its value rising 83 per cent in a year to \$26bn, a staggering amount for a country of only 330,000 people. The sum of total tourists who visited Iceland in the last year exceeded the local population with a 7:1 ratio.

Tourism added close to 12 thousand direct jobs in 2010-2016, a massive percentage of the overall population.

By providing a permanent boost to export revenue, tourism has raised the equilibrium real exchange rate of the Icelandic krona. It accounts for over 5% of the GDP of the country and is expected to create EUR 4.35 billion in 2020.

## VI. CONCLUSION

If the Indian government were to invest a small amount of money in developing good infrastructure that can provide good connectivity to tourist hotspots, India can flourish as a tourist destination. Other infrastructure would include good eco-resorts, promoting the clean and sustainable development of the scenic areas of the nation. This way the beauty of these areas will remain untouched and provide an unforgettable experience for every person who visits the area. The construction of travel and transport pathways along with accommodation services will provide an opportunity for the daily wage workers to get back on their feet after the recent Covid-19 pandemic. In addition to this, tourism will continue to provide employment opportunities to people living in tourist hotspots as well as indirectly to the rest of the country. It will also increase the foreign flow of currency in the country, along with preserving the natural heritage and environment. Although the socio-economic benefits of tourism cannot be measured, they play a great role in the advancement of a country. The exchange of various cultures educates the locals and instills a forward-thinking mindset, making them global citizens. One of the problems the government may face is the safety and security of tourists, as many women raise questions about India’s ability to welcome tourists from developed nations. Among the 130 countries surveyed, India was placed at the 114th position in terms of safety and security aspect in the WEF Index 2017.

The case studies presented in this paper have been included to bring out how tourism helped other countries cope with the economic recession of 2009, setting examples and shedding light on how India may benefit from the growth of the tourism industry. Since the industry comprises multiple others, the benefits of this development are vast and expansive. As a result, this commercial venture has the potential to influence the majority of the economic sectors in India, directly and indirectly. One of the problems the government may face is the safety and security of tourists, as many women raise questions about India’s ability to welcome tourists from developed nations. Among the 130 countries surveyed, India was placed at the 114th position in terms of safety and security aspect in the WEF Index 2017.

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