

FUTURE POTENTIAL OF INDIAN TOURISM

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Introduction

Tourism is not only a growth engine but also an employment generator. According to the economic survey 2011-12, the sector has the capacity to create large scale employment both direct and indirect, for diverse sections in society, from the most specialized to unskilled work force. It provides 6 to 7% of the world's total jobs directly and millions more indirectly through the multiplier effect as per the UN's world tourism organization (UNWTO).

The importance of tourism as a creator of job opportunities can be understood from the fact that in India every one million invested in tourism creates 47.5 jobs directly and 85 to 90 jobs indirectly. In comparison, agriculture creates only 44.6 jobs and manufacturing a mere 12.6 jobs. Moreover tourism is the third largest foreign exchange earner after gems and jewellery and readymade garments.

Foreign Exchange Earnings from Tourism

Tourism is an important sector of Indian economy and contributes substantially in the country's Foreign Exchange Earnings. FEEs from tourism in rupee terms, during 2011 was Rs77, 591 crore, with a growth of 19.6% as compared to the FEEs of Rs. 64,889 crore during 2010.

During 2012, the Foreign Exchange Earnings from tourism registered a growth of 21.8% from Rs. 77,591 to Rs. 94,487 crore when compared to FEEs during 2011. A statement giving FTAs in India and FEEs from tourism for the years 2000 to 2012 is given below.

Foreign Tourist Arrivals and Foreign Earnings During the years 2002 - 2012				
Year	Foreign Tourist Arrivals (in nos.)	% Change over Previous Year	Foreign Exchange Earnings in Crore	% Change Over Previous Year
2002	23,84,364	-6.0	15,064	-0.1
2003	27,26,214	14.3	20,729	37.6
2004	34,57,477	26.8	27,944	34.8
2005	39,18,610	13.3	33,123	18.5
2006	44,47,167	13.5	39,025	17.8
2007	50,81,504	14.3	44,360	13.7
2008	52,82,603	4.0	51,294	15.6
2009	51,67,699	-2.2	53,700*	4.7
2010	57,75,692	11.8	64,889 [#]	20.8
2011	63,09,222	9.2	77,591 [#]	19.6
2012	66,48,318	5.4	94,487 [#]	21.8
#Advance Estimates			*Revised Estimates	

Source: Ministry of Tourism Annual Report 2012-13

Foreign Tourist Arrivals (FTAs)

During 2011 FTAs in India were 6.31 million with a growth of 9.2% over 2010. FTAs during 2012 were 6.65 million with a growth of 5.4%, as compared to the FTAs of 6.31 million during 2011.

Foreign Tourist Arrival in the country have increased substantially during the past decade motivated by both, business and leisure needs and are further expected to grow at a compound annual growth rate(CAGR) of around 8% during 2010-2014. Visitor exports are a key component of the direct contribution of the sector... By 2021, international tourist arrivals are forecast to total 11,149,000, an increase of 6.1% pa generating expenditure of INR 1,344.7 billion (US\$ 30.3 billion). The country has received 3.3 million foreign tourists during the period January to June 2013.

Drivers behind increase in International Tourist Traffic

- Value for money/ economical holiday destination
- Business cum pleasure destination
- Development of Kerala and Rajasthan as the most popular tourist destination in India with their distinctive brand image
- Opening of the sectors of the economy to private sector/ foreign investment
- Reform in the aviation sector such as Open Skies Policy has led to better connectivity with many countries with India
- Success of "Incredible India" campaign and other tourism promotion measures

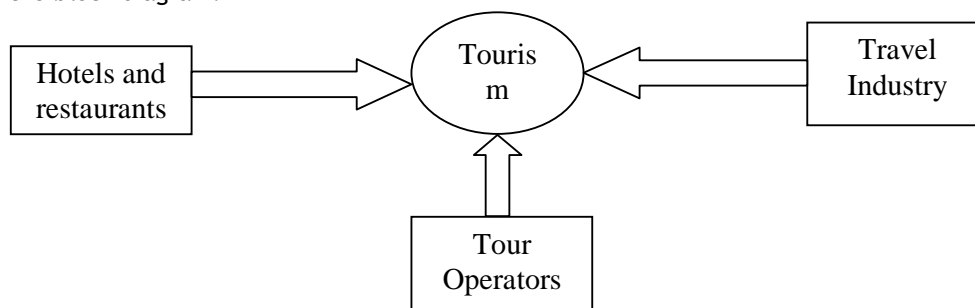
Forms of Tourism in India

India offers various tourism options due to its vastness and diversity, attracting tourist from all over the world. The country boasts of natural treasures like mountains,

ocean, seas, deserts, rainforest, valleys etc. on one hand, while world-class healthcare infrastructure on the other, which provides varied kinds of tourism options such as adventure and rural tourism, sustainable tourism/eco-tourism, cruise tourism, golf tourism and medical tourism.

Categories of Indian Tourism Industry

The tourism industry in India can be categorized under three major sub segments as shown in the block diagram.



Hotels and Restaurants

The Hotel and Restaurants Industry has contributed between 1.2% and 1.5% of the GDP over the last seven to eight years. The Ministry of Tourism estimates that there are more than 8700 hotels at 54 key locations across the country with a total room supply of about 1, 74,000 including hotels in the classified, approved but not classified and licensed by the state governments but not approved categories. Nearly eleven luxury hotels act as a major player in this segment.

Tour Operators

The tour operators, tourist operators and adventure tour operators in the country follow strict guidelines. As per the estimate of Ministry of Tourism, there are nearly 6000 travel trade companies and firms comprising of tour operators travel agents and tourist transporters

Major Players

- Thomas Cook Pvt. Ltd.
- Cox & king Pvt. Ltd.
- Kuoni India Ltd.

Present Scenario of Tourism in India

The Indian Tourism sector is one of the largest service industries in the country in terms of its contribution to the Gross Domestic Product (GDP) and Foreign Exchange Earnings, as well as for providing employment to millions. The sector in fact is expected to generate around US\$42.8 billion (INR 1,897.7 billion) by 2017, according to an industry

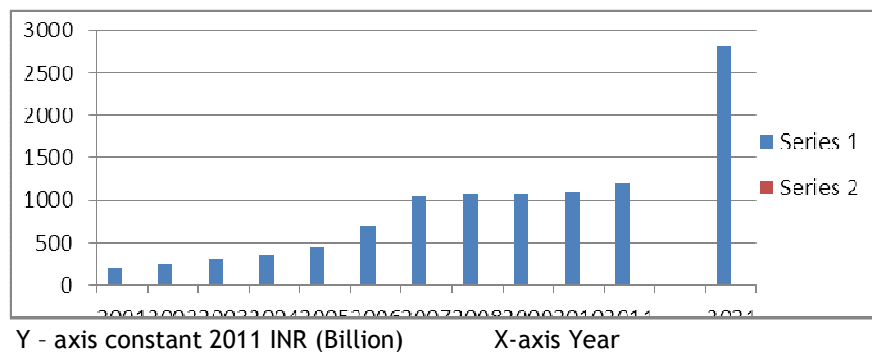
research. The amount of foreign direct investments (FDI) in flow into the hotel and tourism sector during April 2002 to 2013 was worth US\$6,664.20 million. Foreign tourist arrivals during the month June 2013 stood at 0.44million as compare to FDIs of 0.43million during June 2012, registering a growth of 2.5% and the domestic tourism is expected to increase by 15% to 20% over the next five years.

Tourism in India is witnessing widespread growth on the back of increasing inbound tourism by burgeoning Indian middle class, rising inflow of foreign tourist and successful government campaigns for promoting "Incredible India". Infrastructure development holds the key to India growth in the tourism sector. Further the government has allowed 100% foreign investment under the automatic route in the hotel and tourism related industry. Significantly, the country has the potential to become a major global tourist destination, with the tourism sector expected to contribute around INR 3,414.8 billion (US\$ 77.0 billion) by 2021. India is currently ranked in the 12th Asian Pacific region and 68th overall in the list of the world's attractive destinations.

Future Potential of Indian Tourism

The tourism sector is expected to perform very well in future and the industry offers an increasing investment opportunity for long- term investors. The India travel and tourism industry ranked 5th in the long-term (Ten year) growth and is expected to be the second largest in the employer in the world by 2019 this means that the sectors share of total national investment will increase from 4.7% in 2011 to 4.8% in 2021.

Investment in Travel and Tourism



The hospitality consultancy HVS India and World Travel and Tourism Council (WTTC) has pointed out that in next 10 years, the Indian hospitality sector will need an additional supply of 1,80,000 rooms, a capital investment of \$25.5 billion for constructing them and manpower of 2,11,000 to operate these additional hotels. From the current 810 million travelers, both domestic and international, India is slated to host 1,747 million travelers in 2021. Some of the key policy changes mentioned in the white paper include grant of

infrastructure status to the industry, hotel sector to be included within the interest subvention schemes and rationalization of taxes which includes service tax, luxury tax, VAT/sales tax, tax on transportation etc. also, the Public-Private Partnerships (PPP) for the conservation of heritage sites, setting up single nodal agency for all hotel projects approvals and higher budgetary allocation for tourism by state governments.

The tourism industry in India provides opportunities in diverse fields such as tours and travel circuits, hospitality and hotel sector and development of specialized tourisms such as medical tourism, rural tourism, cruise tourism, adventure tourism, eco tourisms, agriculture tourism and wellness tourism.

The WTTC predicts that by 2021, global travel would reach 1,362 million travelers. India, according to WTTC, is expected to account for 0.8% of those travelers or 11.1 million international travelers. The tourism sector is witnessing past growth due to the ever-growing number of participants in allied business such as hotels, tour operators, air lines, shipping lines, among others. Therefore the sector is expected to witness high growth near future and offer varied opportunities to the investor in all these areas of businesses. Infact the hotel industry is one of the major areas wherein investors can look for long term opportunities. Foreign tourist arrivals in the country have increased substantially during the past decade motivated by both, business and leisure needs and are further expected to grow at a compound annual growth rate (CAGR) of around 8% during 2010 to 2014.

Conclusion

To sum up, Indian tourism has vast potential for generating employment and earning large sums of foreign exchange besides giving a flip to the country's overall economic and social development. Much has been achieved by way of increasing air seat capacity, increasing train and railway connectivity to important tourist destinations, four-lane roads connecting important tourist centers and increasing availability of accommodation by adding heritage hotels to the hotel industry and encouraging paying guest accommodation. But much more remains to be done. Since tourism is multidimensional activity and basically a service industry, it would be necessary that all wings of the central and state governments, private sectors and voluntary organizations become active partners in the endeavour to attain sustainable growth in tourism if India is to become a world player in the tourist industry.

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