

# India's Tourism Sector: Trends, Perspectives and Prospects

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## **Abstract**

This research paper examines the long-term trends of key tourism indicators in India from 1991 to 2021. The analysis takes into account the major tourism indicators' long-term trends, as well as their compounded annual growth rates (CAGR). Tourism sector is a significant source of foreign exchange earning (FEEs), which further contribute to overall economic growth. In accordance to this analysis, the CAGR of foreign tourist visits from 1991 to 2021 appears to be quite low. Furthermore, inbound foreign tourist arrivals are relatively low when compared to domestic outbound. As such, tourism policies should be designed to attract a large number of foreign tourists, thereby increasing the FEEs and its share of GDP.

**Keywords:** Tourism, India, Trend Analysis, CAGR (Compound Annual Growth Rate)

## **Introduction**

The United Nations World Tourism Organization (UNWTO) defines tourist as “people travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purpose”. Therefore, tourism activity can be connected to travel for recreational, leisure, business and other purposes such as educational, health, religious, recreational purposes. The tourism industry is instrumental in raising people's standards of living and contributes to economic development of a nation by generating foreign exchange earnings. Economic growth is facilitated by the revenue and jobs that tourism creates and this further helps in reducing poverty and unemployment (Aynalem, et al., 2016). Tourism also directly impacts a country's balance of payments by raising foreign exchange earnings. Hence, tourism development definitely contributes to the growth of an economy (Faber and Gaubert 2019; Oh 2005). In a more conventional sense, the foreign exchange generated by overseas tourists may very well be used to acquire capital goods that will be used to create additional commodities and services in the economy, boosting economic growth (McKinnon 1964).

In developing countries such as India, tourism sector is evolving into crucial economic sector since it has the potential for substantial contribution towards national income and generation of employment opportunities. In addition, tourism sector has a lot of room for growth and diversification, and it is now one of India's fastest growing services industries (Dayananda, 2016).

According to the World Travel and Tourism Council's (WTTC) impact report 2018, India would be the third biggest travel and tourism economy by 2028. Based on the WTTC report, growth will occur in both direct and total GDP. As per the estimate, India would be able to provide up to 10 million employments in the tourist sector by 2028. Total employment in tourism sector is expected to rise from 42.9 million in 2018 to 52.3 million in 2028 (WTTC, 2018)

India has the capacity to flourish into one of the world's most popular travel destinations. beautiful architectural monuments, sculptures, and beautiful monuments are all products of India's rich cultural history. India also boasts a long and beautiful coastline, history, cultural diversity, and natural diversity, including hilly regions, beaches, deserts, mangrove forests, and several historical and coastal sites, including dense forest areas, that are popular tourist destinations worldwide. India has achieved great success in drawing tourists from around the world. Tourism development not only enhances the socioeconomic, cultural aspects but also political underpinnings. Tourism sector has experienced phenomenal expansion due to several government initiatives and assistance. In recent years, a number of government initiatives, like "Incredible India" have been tremendously successful in attracting millions of foreign tourists to India. Therefore, it is worthwhile to explore the key tourism indicators, which comprise of the domestic tourist visit (DTV), foreign tourist visit (FTV) and foreign exchange earnings (FEEs) from tourism activities. This paper seeks to analyse the trends of tourism sector in terms of the aforementioned key tourism indicators.

## Objectives

1. To assess the trend of domestic and foreign tourist visits.
2. To analyse the trend of tourism revenue in terms of foreign exchange earnings (FEEs) and its corresponding share to GDP in India.
3. To analyse the trends of inbound and outbound tourism of India.

## Data and methodology

The study is mainly based on secondary data collected from various sources. The sources include, RBI database, India Tourism Statistics, Ministry of Tourism, Government of India (MoT, GoI), Bureau of Immigration, Government of India (BoI, GoI), UNWTO etc.

To perform the trend analysis, graphical and tabular representations are used. For the purpose, the data cover several tourism indicators, viz. domestic tourist visit, foreign tourist visit, foreign exchange earnings (FEEs) and its corresponding share to GDP, inbound foreign tourist arrivals (FTAs) and outbound tourists. The trend analysis is carried out using the 1991–2021 time periods. Further, Compound Annual Growth Rate (CAGR) is estimated for the aforementioned indicators. The CAGR is estimated by using the exponential of a log-linear regression model in the time series data.

Model specification:

$$\log Y_t = a + bt \quad (1)$$

The specified model (1) can be elaborated as,

$$Y_t = Y_o(1 + r)^t \quad (2)$$

Taking log in both sides,

$$\text{Log} Y_t = \text{Log} Y_o + t \text{Log}(1 + r) \quad (3)$$

$$\text{We can re-write equation(2) as, } Y_t = a + bt \quad (4)$$

Where,

$$Y = \text{Log} Y_t ; a = \text{Log} Y_o ; b = \text{Log}(1 + r)$$

In equation (4) ,

$Y_t$  = Time series of tourism indicators viz., DTV, FTV, FEEs, inbound FTAs and outbound departures.

$a$  = constant

$t$  = time variable in year (1, 2, ... n)

$b$  = Regression Coefficient which signifies the growth rates in a time series

The CAGR (%) can be obtained by taking exponential of  $b$  as,

$$\text{Antilog}(b) = \text{Antilog}(\log(1 + r))$$

$$\text{Antilog}(b) = 1 + r$$

$$r = \text{Antilog}(b) - 1$$

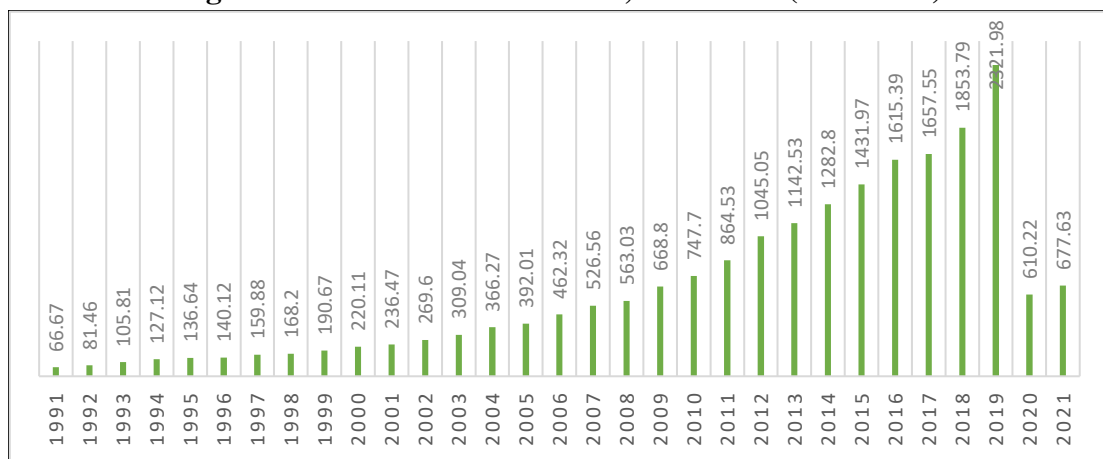
$$\text{CAGR} = r = (\text{Antilog}(b) - 1)100.$$

## Trend of tourist visits in India

The statistical information on visits of domestic tourists and its foreign counterpart during 1991 to 2021 in all the states and union territories of India, is shown in table 4.1. It is apparent that, the domestic tourist visits have been rising steadily, with an 11.01% CAGR from 1991 to 2021. The number of inbound foreign tourists have also been rising over time, recording a CAGR of 5.68% from 1991 to 2021. Nevertheless, the years 1992, 2001, 2002, 2009, 2012, 2020, and 2021 witnessed a decline. The Covid-19 is undoubtedly the contributing factor for the notable decline in the number foreign tourist visits in 2020 and 2021. The same rationale holds true for the drop in visits of domestic tourists in 2020.

The trend from 1991 to 2021 is shown in Figure 4.1. From 1991 to 2019, there has been an increase domestic tourist from 66.67 million in 1991 to 2321.98 million in 2019. Because of restrictions imposed by COVID-19, this upward trend came to a halt in 2020 as domestic tourist visits decreased from 2371.98 million to 610.22 million in 2020. However, a little increase in visit of domestic tourists is apparent, which totaled 677.63 million in 2021.

**Figure 4.1: Domestic tourist visit, 1991-2021 (in Million)**



Source: Author's own plot based on Ministry of Tourism, GoI

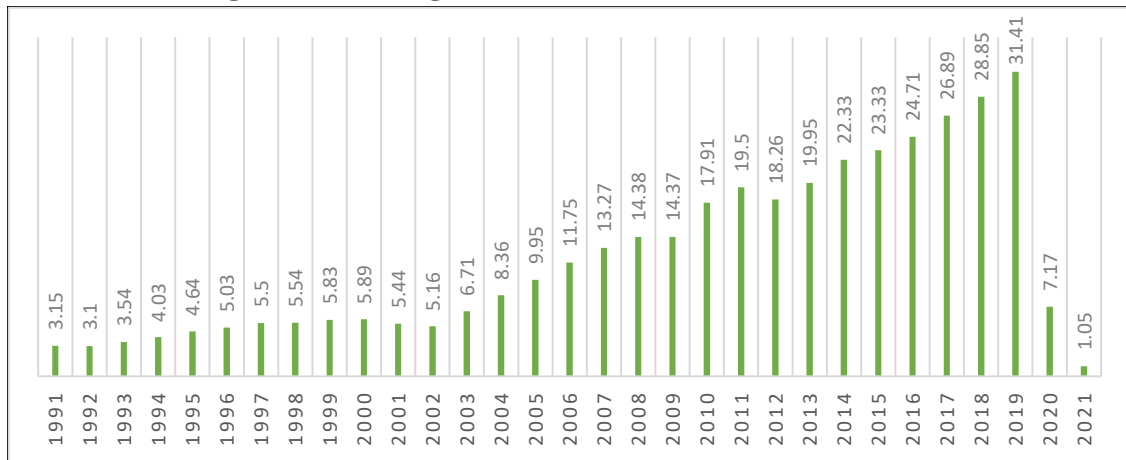
Figure 4.2 depicts the trend in foreign tourist visits during 1991-2021. Between 1991 and 2019, the foreign tourists visiting the country increased from 3.15 million in 1991 to 31.41 million in 2019, depicting an increasing trend overall. This upward trend interrupted in 2020, when foreign tourist visits plunged from 31.41 million to 7.17 million due to covid-19-imposed restrictions. In 2021, it further declined to 1.05 million.

**Table 4.1: Tourist visits (1991-2021)**

Year	Domestic tourist visit (No. in Million)	Foreign tourist visit (No. in Million)
1991	66.67	3.15
1992	81.46	3.10
1993	105.81	3.54
1994	127.12	4.03
1995	136.64	4.64
1996	140.12	5.03
1997	159.88	5.50
1998	168.20	5.54
1999	190.67	5.83
2000	220.11	5.89
2001	236.47	5.44
2002	269.60	5.16
2003	309.04	6.71
2004	366.27	8.36
2005	392.01	9.95
2006	462.32	11.75
2007	526.56	13.27
2008	563.03	14.38
2009	668.80	14.37
2010	747.70	17.91
2011	864.53	19.50
2012	1045.05	18.26
2013	1142.53	19.95
2014	1282.80	22.33
2015	1431.97	23.33
2016	1615.39	24.71
2017	1657.55	26.89
2018	1853.79	28.85
2019	2321.98	31.41
2020	610.22	7.17
2021	677.63	1.05
<b>CAGR</b>	<b>11.01</b>	<b>5.68</b>

Source: Author's compilation and computation based on India Tourism Statistics, Ministry of Tourism, GOI, 2021, 2022 data

**Figure 4.2: Foreign tourist visit, 1991-2021 (in Million)**



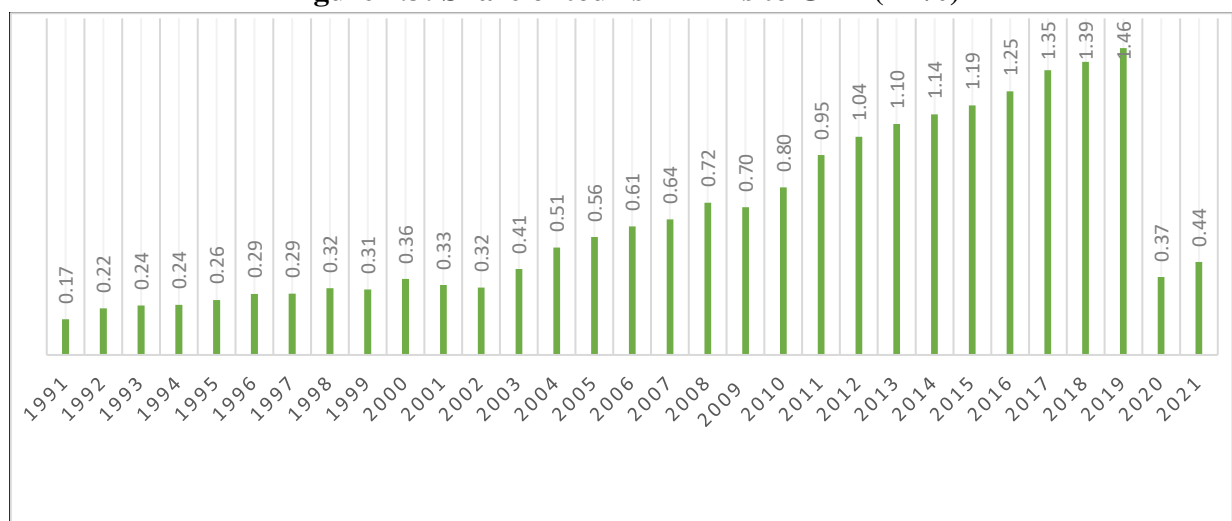
Source: Author's own plot based on Ministry of Tourism, GoI

## Foreign Exchange Earnings and its Share to GDP in India

The tourism sector contributes significantly in receiving Foreign Exchange Earnings (FEEs) across the nation (MoT, GoI). Particularly, the tourism industry generates FEEs, which further helps to fund imports. Furthermore, the FEEs from tourism can be invested in purchasing productive capital goods that promote economic growth (McKinnon, 1964).

Table 4.2 presents the GDP, tourism revenue in terms of FEEs and its corresponding share to GDP. Between 1991 to 2021, the GDP of India at constant (2011-12) prices ascended with CAGR of 6.38 percent, whereas FEEs of tourism sector grew with CAGR of 12.95 percent. India's GDP increased from 2541.12 thousand crore in 1991 to 14735.52 thousand crore in 2021. It is worth noting that between 1991 and 2019, FEEs increased consistently, rising from 4.32 thousand crore in 1991 to 211.66 thousand crore in 2019. However, the years 2001, 2002, and 2020 witnessed a decline. GDP declined from 14515.96 thousand crore in 2019 to 13558.47 thousand crore in 2020 as a consequence of COVID-19. Meanwhile, the FEEs also declined from 211.66 thousand crore to 50.14 thousand crore in 2020.

**Figure 4.3: Share of tourism FEEs to GDP (in %)**



Source: Author's computation

**Table 4.2: FEEs of tourism sector and its share to GDP**

Year	GDP Constant Prices 2011-12 (Rs '000 Crore)	Tourism Revenue in FEE (Rs '000 Crore)	FEE share to GDP (in %)
1991	2541.12	4.32	0.17
1992	2680.44	5.95	0.22
1993	2807.78	6.61	0.24
1994	2994.75	7.13	0.24
1995	3221.58	8.43	0.26
1996	3464.80	10.05	0.29
1997	3605.12	10.51	0.29
1998	3828.07	12.15	0.32
1999	4166.69	12.95	0.31
2000	4326.74	15.63	0.36
2001	4535.46	15.08	0.33
2002	4707.98	15.06	0.32
2003	5078.05	20.73	0.41
2004	5480.38	27.94	0.51
2005	5914.61	33.12	0.56
2006	6391.38	39.03	0.61
2007	6881.01	44.36	0.64
2008	7093.40	51.29	0.72
2009	7651.08	53.75	0.70
2010	8301.23	66.17	0.80
2011	8736.33	83.04	0.95
2012	9213.02	95.61	1.04
2013	9801.37	107.56	1.10
2014	10527.67	120.37	1.14
2015	11369.49	134.84	1.19
2016	12308.19	154.15	1.25
2017	13144.58	177.87	1.35
2018	13992.91	194.88	1.39
2019	14515.96	211.66	1.46
2020	13558.47	50.14	0.37
2021	14735.52	65.07	0.44
<b>CAGR</b>	<b>6.38</b>	<b>12.95</b>	-

Source: Author's compilation and computation based on RBI database and Ministry of Tourism, Govt. of India, 2021, 2022 data

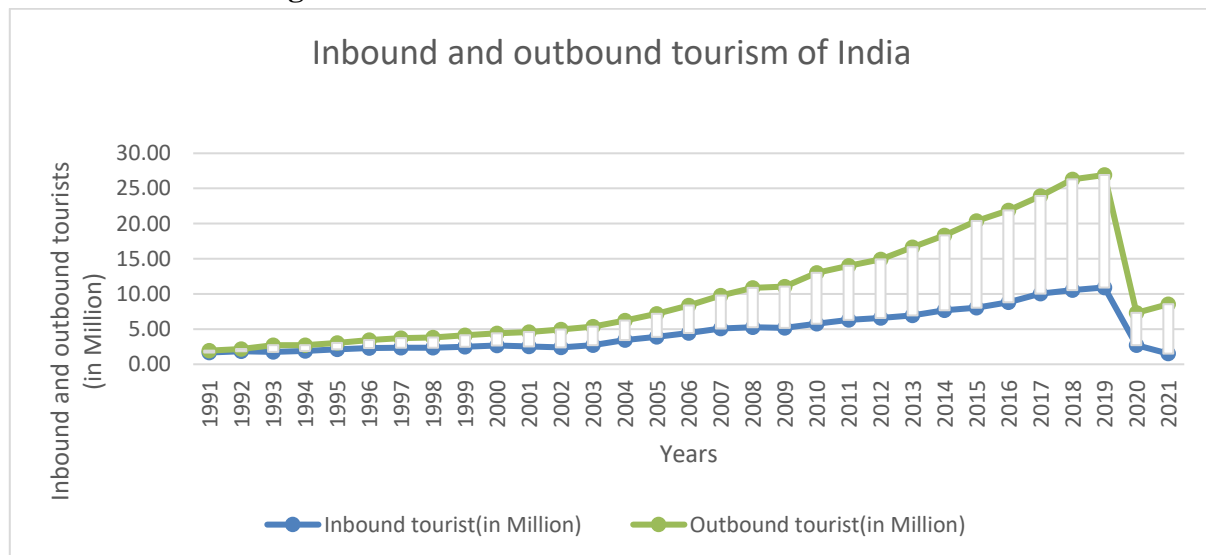
The share of FEEs to GDP has overall grown consistently (Figure 4.3), from 0.17 percent in 1991 to 1.46 percent in 2019. Even so, the share witnessed a decline in the years 1999, 2002, 2009, and 2020. The significant reduction in share, from 1.46 percent in 2019 to 0.37 percent in 2020 is attributable to the Covid-19-imposed restrictions on the foreign tourist visits. Notably, the year 2021 witnessed an increment in share to 0.44 percent.

## Inbound and outbound tourism of India

Inbound tourism is the term used to describe foreign visitors visiting a country, whereas outbound tourism is the term used to describe domestic visitors visiting another country. Table 4.3 displays information on both inbound and outbound tourism scenarios of India. From 1.68 million in 1991, 2.54 million in 2001, and 6.31 million in 2011, India's inbound foreign tourist arrivals (FTAs) increased steadily to 10.93 million in 2019. However, the number sharply dropped to 2.74 million in 2020 as a result of the global COVID-19 pandemic and the ensuing lockdown that was declared in India, which decreased even further in 2021 to 1.52 million. From 1991 to 2021, inbound tourism grew at a CAGR of 6.3%.

The number of outbound departures from India also increased rapidly. As of 2019, there were 26.92 million, up from 1.94 million in 1991, 4.56 million in 2001, and 13.99 million in 2011. However, due to the COVID-19 pandemic, the number declined substantially to 7.29 million in 2020. Nevertheless 2021 showed a little improvement over 2019, with 8.55 million outbound departures. The CAGR for outbound tourism was 8.98% between 1991 and 2021.

**Figure 4.4: Inbound and outbound tourism of India**



Source: Author's own plot based on Bureau of Immigration , GoI

The number of inbound international tourist visitors increased steadily between 1991 and 2019 (Figure 4.4). However, it is worth noting that the number of outward departures increased sharply during the same period. This clearly demonstrates that the number of Indian tourists traveling overseas is substantially more than the number of foreigners visiting India. Because of covid-19, the number of inbound and

**Table 4.3: Inbound and outbound tourism of India**

Year	Inbound tourist(in Million)	Outbound tourist(in Million)
1991	1.68	1.94
1992	1.87	2.16
1993	1.76	2.73
1994	1.89	2.73
1995	2.12	3.06
1996	2.29	3.46
1997	2.37	3.73
1998	2.36	3.81
1999	2.48	4.11
2000	2.65	4.42
2001	2.54	4.56
2002	2.38	4.94
2003	2.73	5.35
2004	3.46	6.21
2005	3.92	7.18
2006	4.45	8.34
2007	5.08	9.78
2008	5.28	10.87
2009	5.17	11.07
2010	5.78	12.99
2011	6.31	13.99
2012	6.58	14.92
2013	6.97	16.63
2014	7.68	18.33
2015	8.03	20.38
2016	8.8	21.87
2017	10.04	23.94
2018	10.56	26.30
2019	10.93	26.92
2020	2.74	7.29
2021	1.52	8.55
CAGR	6.30	8.98

Source: Author's compilation and computation based on BoI,GoI data

outbound travelers dropped drastically in 2020. The inflow continued to fall until 2021, while the outbound departures showed little improvement.



## Conclusion

This paper attempted to analyze the growth trends of tourism sector of India using some key tourism indicators such as domestic tourist visit, foreign tourist visit, tourism foreign exchange earnings (FEEs) and its corresponding share in GDP, inbound foreign tourist arrival (FTAs) and outbound departures. The study results revealed that Indian tourism industry is expanding consistently and significantly. Nevertheless, it suffered a notable contraction in 2020 and 2021 due to COVID-19 pandemic. When compared to the domestic counterpart (11.01%), the CAGR for foreign tourist visits for the period 1991–2021 appears to be considerably lower (5.68%). Hence, tourism policies should be designed in such a way that attracts large number of foreign tourists which will further help in raising FEEs and its corresponding share to GDP. Furthermore, it is established that, compared to inbound FTAs, the number of outbound departures from India is significantly higher, suggesting that India is still lagging behind in terms of drawing in a large number of foreign tourists. Therefore, it is recommended that the private as well as the government sector should collaborate to support the growth of the tourism industry. Establishing effective marketing and promotional campaigns to showcase India's numerous attractions and giving infrastructure development first priority will help in strengthening the country's connectivity, transportation and accommodation for drawing more foreign tourists.

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