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Role of Tourism Industry in the Indian Economy: A Multidimensional Analysis

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Abstract: *The Indian economy benefits significantly from tourism, which creates jobs, supports local companies, and boosts foreign exchange profits. By promoting infrastructure development and cross-cultural interaction, it is essential to regional development, especially in rural and impoverished areas. Despite its potential, the industry is extremely vulnerable to both domestic problems like political unrest and infrastructure difficulties as well as changes in the world economy. Long-term economic advantages and stability depend on addressing these vulnerabilities and making investments in sustainable tourist practices.*

Keywords: *Foreign exchange, Indian economy, Globalization, Tourism industry.*

I. INTRODUCTION

Both wealth and developing nations now demand more foreign exchange due to the globalisation of development initiatives. They have undoubtedly benefited from a variety of manufacturing and non-manufacturing, traditional and non-traditional sector in their enormous task of industrial transformation but the negative side effects have also led to air pollution. Furthermore, a significant obstacle to accelerating the process of economic transformation has been the lack of enough financial resources.

Since the level of competition is at its highest, world class excellence is required to compete successfully. The growth of the tourist sector seems to be a key remedy in the face of all these limitations. People from different social and cultural backgrounds come together as a result of tourism, both domestically and internationally. Additionally, there is a major spatial redistribution of spending power which has a big impact on the destination areas economy. We don't think its overstated that the travel and tourism sector has been classified as an industry

Since it can generate higher profits with the least amount of investment. The tourism sector, which exhibits multiplier effects and makes the work of economists, social scientist, environmentalist, and manpower planner easier, has advantages for developing nations.

It is evident from an examination of the benefits that developing nations like ours should reorder their priorities and give the growth of the tourism sector the weight it deserves. With great economic and social potential, tourism has rightfully been added to the long list of well-established businesses. The industry has a significant capacity to create jobs and generate revenue. In actuality, the tourism sector, particularly in emerging nations, serves as the biggest leveller during economic downturns. This chapter discusses the tourism industry's implications in India on a number of fronts, including the political, social, cultural and historical, economic, and environmental fronts.

II. ECONOMIC TRAJECTORY

The tourism must be utilized as a vehicle for economic development. International tourism is an invisible export that creates a flow of foreign currency into the economy of a destination country, there by contributing directly to the current account of the balance of payments. Like other export industries, this flow of revenue creates business turnover, household income and employment and government revenue. The generation process does not stop at this point however some portion of the money received by the business establishments, individuals and government agencies is re-spent within the destination economy there by creating further rounds of economic activity.

The secondary effects can in total considerably exceed in magnitude the initial direct effects. Moreover, tourism seems to be more effective than other industries in generating employment and income in the less developed often-outlying regions of a country where alternative opportunities for development are more limited. Indeed, it is these areas that tourism can make its most significant impact. The introduction of a tourism industry into such areas can have a proportionally very much greater effect on the welfare of the resident population that the same amount tourism have on the more developed parts of the same country.

The development of tourism, especially in an underdeveloped part of a country, requires the existence of an infrastructure, as well as hotel accommodation and other facilities specific to tourism. In many cases these utilities are economically indivisible in the sense that, in providing them for the tourism industry, they at the same time become available for the use of local people. Thus in many countries, highways and airfield, constructed primarily to cater for tourism, now provide an access to wider markets for many locally produced goods. Unfortunately, in a lot of case, however, the local people still receive little direct benefit from these developments.

This in essence is a problem of both physical and economic distribution.

As tourism continues to grow in a region it makes increasing demands upon the scarce resources of that area. So there is a need for realistic planning and the effective enforcement of planning regulations to reduce possible conflicts of interest to conserve unique and unusual features for the enjoyment of future generations of visitors and residents alike.

	Total GDP Contribution		Total Travel & Tourism Jobs	
2019	6.9% (of Total Economy) INR 17.43TN (USD 211.1 BN)	Change in 2020: -41.6%	39.79 MN =9.0% (Share of Total Jobs)	Change in 2020 -27.3%
2023	6.5% INR 19.13TN (USD 231.6 BN)	Annual Change: +18.4% (9.7% vs 2019) Economy Change: +71%	42.94 MN =8.9%	Annual Change: +9.7% (7.9% vs 2019)
2024	6.8% INR 21.15TN (USD 256.1 BN)	Annual Change: +10.6% (21.3% vs 2019)	45.39 MN =9.2%	Annual Change: +5.7% (14.1% vs 2019)
2034	7.6% INR 43.25TN (USD 523.6 BN)	CAGR (2024-2034): +7.4% Economy CAGR (2024-2034): +6.2%	62.99 MN =11.0%	New Jobs (2034 vs 2024) 17.60 MN

III. GENERATION OF NATIONAL INCOME

Tourism has proved to be successful in generating national income. Being a multi- segment industry, the hotel and restaurants, transportation services, tourist resorts, amusement parks, entertainment centres, sales outlets of curios, handicrafts, jewelleryes etc. provide services to both tourists and non-tourists. The modest contribution of tourism industry to the NNP is a staunch testimony to its proposition that it contributes a lot to the process of national income generation. To be more specific the domestic tourism contributes a major share to the NNP. The travel and tourism contributes an account for a 5.6 percent of GDP and accounts for 10.8 percent of total exports.

Expansion of employment opportunities is an outstanding contribution of tourism industry. Particularly the hotel and restaurant sector employs a good number of skilled and semi- skilled personnel. In addition, the transport sector also requires a number of personnel, besides, the tourist organization employs suitable persons. Thus, the total employment generated by this sector is the total employment generated by its different segments. Further, the generation of indirect employment opportunities is its outstanding feature. It is a highly labour intensive industry in which we find different types of employment to skilled, semi-skilled and unskilled persons. The direct employment generated by the tourism industry in India is to the tune of 10 million, which makes about 2.5% of the total labour force in the country.

The labour-capital ratio is one of the highest in this sector. The generation of jobs for an investment of rupees 1 million (at 1985-86 prices) in the tourism sector is estimated to be around 50 against a figure of around 12 recorded by the manufacturing sector. The significant feature of tourism industry is that it employs number of skilled and educated women. Women in fact outnumber men in hotels, airline services, travel agencies, handicraft and cultural activities. The indirect employment in the case of tourism is fairly high and is estimated at 2.358. If the direct employment is 1 in the tourism sector, generated employment is 1.358 persons in other sectors of economy due to linkages with tourism.

IV. RAISING OF TAX REVENUE

The tourism sector contributes a lot to the exchequer in the shape of taxes. This is collected from its different segments. Particularly in the Indian context, this industry has not been making a handsome contribution to the tax revenue since the tax concession is allowed at different stages. It is natural, especially at the initial stage of development. Gradually, the magnitude of tax concessions allowed shows a down ward trend and the contribution of this sector to the tax revenue reaches its peak. Globally the tourism sector accounts for 10.5 percent of GDP while in India tourism accounts for only 1.15 percent of DGDP. The finance ministry has admitted the service sector (of which tourism is major part) contributes as much as 50 percent to the GDP.

V. GENERATION OF FOREIGN EXCHANGE

This sector of the economy is found efficacious in generating the foreign exchange reserve. To be more specific the contribution of world tourism to the foreign exchange is supposed to be the succulent benefit of tourism industry. The developed countries of today testify it. They have been found successful in minimizing their foreign exchange crisis with the revenue generated by this sector. The host region retains 93 percent of the earnings in the foreign currency by the tourism sector.

The generation of foreign exchange earnings on account of tourism grew from Rs. 2,613 crores in 1990-91 to Rs. 13, 166 crores in 1999-2000. The average annual growth rate of foreign exchange earnings on account of tourism is q.32 percent. Therefore tourism industry is making its contribution towards Indian economy in order to make it as a balanced one.

VI. DEVELOPMENT OF ART, HANDICRAFTS AND MONUMENTS

A society endowed with art and culture along with lively custom and cheerful public life is found helpful in promoting world tourism. This industry provides sufficient motivation for the promotion and preservation of an art, crafts and culture, which is appreciated by the external community. The growth of tourism in such areas may provide also a monetary incentive for the continuance for many local crafts, while the tourist hotels may create a market for local produce.

VII. TRANSFORMATION OF REGIONAL ECONOMY

The process of capitalization of the available economic resources is found significant to transform the economy of rural and backward regions. An expert of ESCAP says, "Exploitation of rural areas and the less developed interiors becomes significant in this very context. The development of outdoor, treks, beaches, hills and, mountains, resorts etc. particularly in the rural and backward areas has constructive effect on re-distributing the earnings." "further the development of Khajuraho in MP. Kovlam in Kerala and Gulmarg in Jammu and Kashmir give positive evidences for contribution of tourism to the development of backward areas in India". If we turn our eyes on their past, it is apparent that till a few years ago, all of them were relatively unknown villages, with dismal economic activities, inhabited by traditional rural folk. Of late, these places fare internationally known. A good number of skilled and semiskilled or even un- skilled local people are found employed in tourism or other ancillary industries furthering socio-economic justice with the help of equitable distribution of economic benefits.



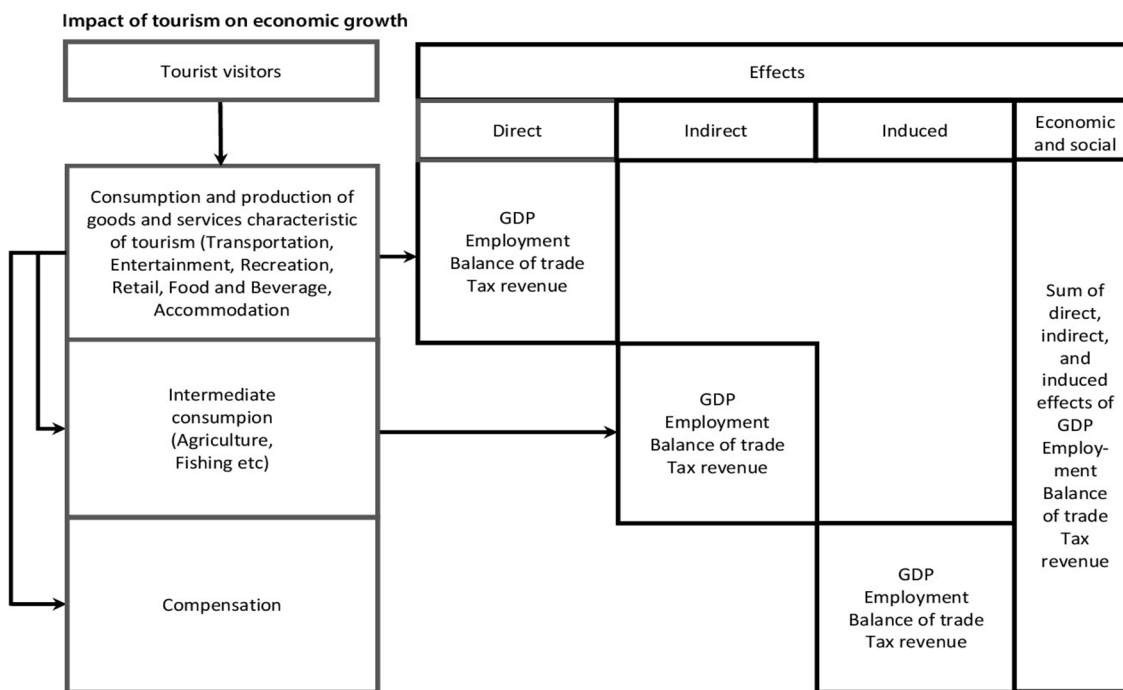
VIII. SOCIAL FRONT

The merit of social intercourse between tourists and indigenous population as a means towards fostering better understanding and goodwill between nations has been extolled as a major social benefit obtained from tourism. Widening of social opportunities, setting up of the nation's social life, promotion of inter-regional and intra-regional understanding, creation of nation identity and nation integration are some of the important positive effects of tourism industry on social transformation.

Against this background we consider tourism a sensitive device to speed up the process of social transformation. An expansion in the social opportunities is found to be impact generating since the general masses have an intercourse with the people of different places and regions which in a very natural way help them in speeding up their learning cycles. This helps in setting up the nation's social life in which we find

The strengthening of inter-regional and intra-regional understanding thus becomes possible which activates the process of social cohesion. The creation of national identity is possible since the tourism industry helps in projecting a positive national image. The combination of multi-faced social effects makes possible national integration as people of many culture and religion meet together and evince interests in sub serving national interests. In a true sense, tourism is basically a social activity, which in addition to the national understanding paves ways for international understanding, projection of a fair national image of abroad, contraction in the ideological gaps and speeding awareness of world affairs. It can't be refuted that stirring up of the nation's social life is possible with the development of tourism industry. The aforesaid facts are a strong testimony to this proposition that the development of tourism instrumentalists the process of social transformation.

IX. CONNECTION BETWEEN TOURISM AND ECONOMY



Source: Adapted from Vellas (2011), Discussion paper prepared for the third meeting of T.20 Tourism Ministers, Paris.

X. CULTURAL AND HISTORICAL FRONT

Revival and strengthening of cultural heritage is found to be an outstanding benefit of tourism industry. Cultural purity is a virtue of the society. The catalytic role of tourism in boosting growth of art, protecting and maintaining monuments and heritage contribute a lot to the process of cultural transformation. A society endowed with art and culture, lively customs and cheerful public life naturally attract tourists. Some of monuments are supposed to be permanent structure of cultural heritages.

The development of tourism industry helps in protecting these monuments and cultural heritages. The protection of architectural wonders and landmarks of the glorious ancient past help in promoting cultural tourism.

XI. CONCLUSION

In this article an analysis of tourism impact provides the snapshot of the positive impact of tourism. Of course the development of tourism industry should take place without environment degradation. Concepts such as 'sustainable tourism development' and 'the responsible consumption of tourism' are seen as the answer, along with the enhanced planning and management of tourism. Therefore the government and the tourism industry can act as a catalyst in bringing the tourism development without environmental degradation. It is, however, heartening that the current pressure for sustainable/responsible tourism will give a different emphasis to the continuing debate amongst the various groups in society and may change the perceived balance between the positive and negative effects of tourism in the future. With good management and planning, however, tourism can provide an impetus for the preservation of ancient cultures

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