

## **TOURISM AND ECONOMIC DEVELOPMENT: LITERATURE REVIEW WITH REFERENCE TO INDIA**

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### **ABSTRACT**

*As the globalisation is expanding, tourism has become one of the world's largest and fastest-growing industry. The trend of rising incomes in the developing markets is augmenting tourism for pleasure and international trade. This study uses a conceptual model to explain the interrelation between tourism, economic growth, and current policies. A thorough literature review shows that numerous research has been conducted with regard to tourism and economic growth but the relationship between tourism, economic growth, and current policies has not been highlighted adequately. In this paper, an attempt has been made to define this relationship on the basis of review of the literature. To validate and test the application of this paradigm an empirical study could be carried out.*

**KEYWORDS:** *Current Policies, Tourism, Economic Growth, Literature Review.*

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### **Introduction**

Tourism has become one of the world's largest and fastest expanding sectors as a result of increased globalisation. In 2011, the tourist industry was responsible for around 5% of worldwide GDP and between 6% and 7% of total global employment. Rising household incomes in emerging nations are predicted to drive leisure activities and increase international trade, resulting in high demand. The sector is predicted to significantly impact economic growth, diversification, and structural reform due to its scale. Tourism has recently emerged as the major business influencing the economy's overall growth (Lashkarizadeh et al., 2012). In any economy, tourism expansion not only leads to economic development but also to developments in other areas of the host country, such as the political, cultural, and social environments. India's tourist business has grown at an exponential rate, and it has become a popular destination for international visitors. The attraction of tourists from all over the world has been aided by a rich, diverse heritage as well as exciting flora and fauna. In terms of growth, revenue, and visitor arrivals, the Indian tourism industry has outperformed the global tourism industry, according to Indian estimates. According to a new report from the World Travel and Tourism Council, India's travel and tourism sector ranks seventh in the world in terms of total contribution to GDP (WTTC). Tourism's usefulness as a tool for economic growth and job creation, particularly in distant and backward areas, has long been acknowledged around the world. Tourism generates more revenue, creates jobs, and contributes significantly to the country's GDP. It is also regarded as one of the world's largest earners of foreign exchange. One of the most important variables in the success and development of sustainable tourism is the availability of trained labour. This study focuses on providing an association of role of tourism in economic development by providing a conceptual model based on past literatures.

### **Background**

According to the Export-Led Growth Hypothesis (ELGH), the tourist and travel business can also be considered a type of export, with the only distinction being that the customer consumes it in the host country (Marin, 1992). As suggested by the economics literature as the Tourism-Led Growth Hypothesis (TLGH) and a specific case of export-led growth, has been the foundation of many economic research around the world and has been proven in the majority of situations.

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- **Direct Effect**

Even though tourism is a type of service industry, and the revenue generated by this sector contributes to the GDP of the host country and has a direct impact on its economic growth. For countries with high foreign exchange earnings and thus higher economic growth, the tourism industry can be a viable solution (Goutam. T, 2018).

- **Indirect Effect**

Tourism has an indirect impact on growth since it displays the economy's complicated impact in the form of spill overs or other externalities consequences (Marin. S, 1992). It means that if tourism thrives as a result of its close proximity to other economic activities, other economic activities that provide that business, commodity, or service, or consume the product and travel with it will thrive as well.

- **Induced Effect**

The expenditures of those, who are directly or indirectly employed by the tourism sector represent the broader contribution of tourism.

### Research Methodology

- **Sources**

A systematic review entails completing a comprehensive literature evaluation in a systematic manner while adhering to established standards and guidelines. The search for relevant research publications took place in big databases such as SCOPUS, Web of Science, Science Direct, and Google Scholar. For the search, the following keywords and combinations were used:

Search String Set 1 – (“Tourism” OR “Economic Development”) AND (“India”)

Search String Set 2 - (“Tourism”) AND (“Economic Development”) AND (“India”)

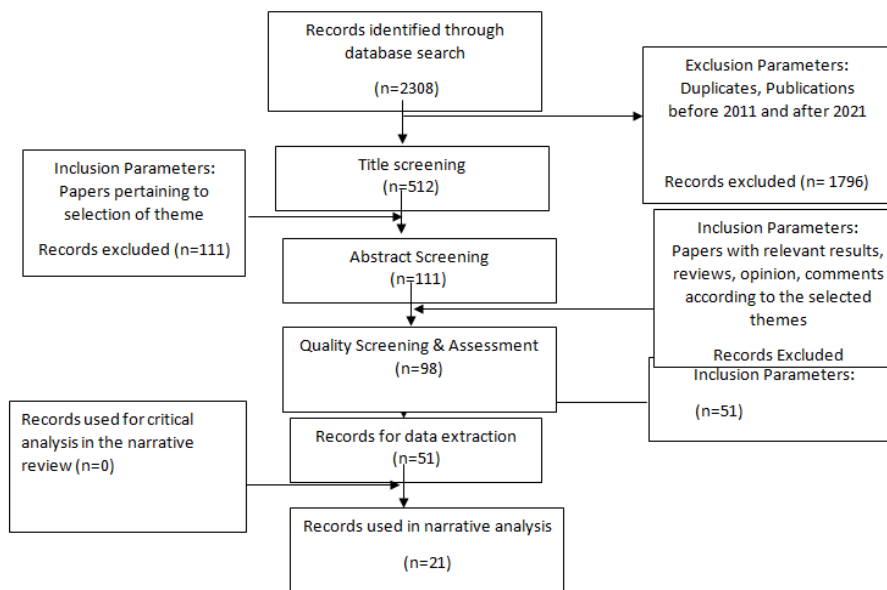
Next the generation of search results using the above keywords, the procedure for selecting them is detailed in the following section.

A total of 21 research papers were used in this review for identifying the impact of tourism in economic development of India.

- **Inclusion & Exclusion Criteria**

The complete process of selecting papers for the review is illustrated in a flow chart below, which uses the "Preferred Reporting Items for Systematic Review and Meta-Analysis (PRISMA) format" to depict the inclusion and exclusion parameters at each selection phase.

**Fig 1: PRISMA**



- **Data Extraction and Synthesis**

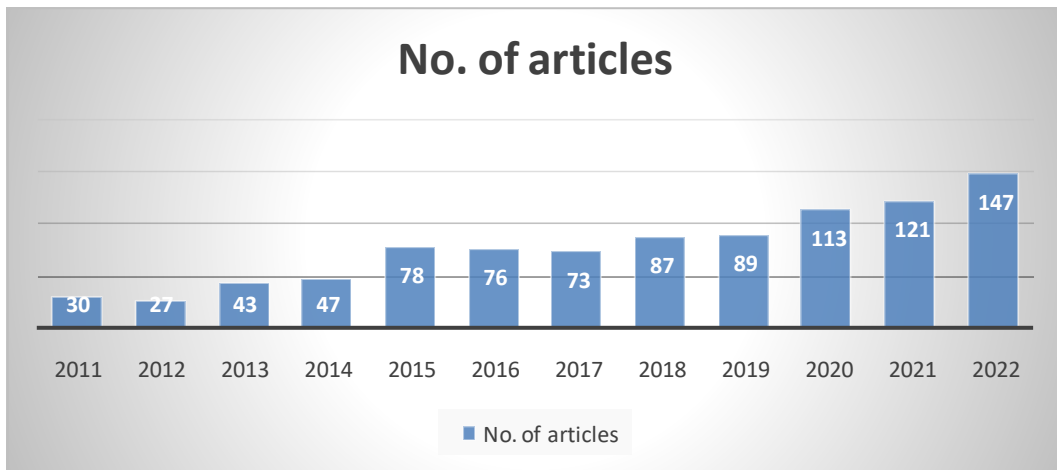
A rigorous procedure of examination was used to select research articles for analysis of the outcomes. The research articles are first shortlisted based on their titles in the first step of the procedure. After a preliminary review, the papers that have been nominated are read in detail and studied to see if there is a link between role of tourism and economic development in India.

- **Threats to Validity of Research and Mitigations**

While doing a systematic review, the emergence of construct and external validity is to be expected. The research, on the other hand, takes two important steps to address this issue. The first entails examining quality assortment for the articles in hand, which is followed by the most stringent measures, and the second involves using the PRISMA technique to choose the articles for the review. The PRISMA approach ensures that challenges to research validity are identified and properly mitigated.

## Results

- **Tourism and Economic Development in India**



**Fig. 2: Bibliometric Analysis**

The bibliometric study of the last four years shows a subsequent growth in the number of publications under the chosen topic. As a result, the review aids in the identification of patterns in existing secondary data and the development of future study directions.

The results from the data extraction process conducted is as follows:

**Table 1: Literature Review on Tourism and Economic Development in India**

Sl. No.	Authors	Objective	Research Methodology	Data Collection	Geographical Area	Factors	Major Findings
1.	Thommandru, A., et al. (2021)	To examine the relevance of economic growth for tourism and hospitality	Qualitative	Secondary	Pan India	Impact of tourism: direct impact, indirect impact, and induced impact	The findings of the study suggested that tourism is a substantial contributor to the country's foreign exchange reserves, as well as a source of direct and indirect employment for a large section of the population. It would also support country's arts and crafts to maintain nature's beauty, its cultural legacy, and its history, as well as to advance the process of national unity and worldwide brotherhood
2.	Sharma, A., et al. (2021)	To investigate the role of the tourism industry in the country's social and economic development. To gain knowledge about the government's, Ministry of Tourism's, and	Qualitative	Secondary	Pan India	Direct travel and tourism contribution, indirect travel and tourism contribution, and total indirect	It was established that the tourism industry is growing at a rapid pace and is making a significant contribution to society's economic development by offering job opportunities and providing a significant increase in foreign exchange earnings. Though it has some drawbacks, the government,

		other tourism-related organizations' contributions to infrastructure development. To assess the efficacy of various government-sponsored plans and programs aimed at increasing tourist inflow and boosting the tourism industry's economic benefits.				travel and tourism contribution	tourism organizations, the media, and, local communities can work together to solve this problem.
3.	Mishra, P. K., et al.(2021)	The focus of this research is to look into the dynamics of India's tourism sector expansion and economic growth.	Quantitative	Secondary	Pan India	Real Gross Domestic Product (RGDP), Tourism Foreign Exchange Earnings (TFEE), Foreign Tourism Arrival (FTA)	The findings of this study back up the tourism-led growth hypothesis, which states that tourism has a favourable impact on economic activity and on India's GDP growth. The study also confirms the long-term stability of the association between visitor activity and GDP growth.
4.	Jaswal, S. S. (2014)	To investigate the influence of India's economic growth on tourism, as well as the factors that contribute to growth, the role of the tourism industry in India's GDP, and foreign versus domestic tourists.	Qualitative	Secondary	Pan India	Travel and tourism impact: Direct, Indirect, and Induced	It was discovered that aggressive advertising campaigns on tourist destinations should be implemented to attract more visitors. Procedures at the airport should be simplified. In a world, if one wishes to enjoy nature, one must protect it; otherwise, all of the world's unique locations will go extinct, and the globe will no longer be a wonderful place to live. Environmentally friendly tourism should be promoted all around the world, and if natural wonders are to be conserved, tourism should follow the principle and procedure of sustainable consumption.
5.	Shukla, P. K., & Ansari, A. A., (2013)	To develop and promote tourism as an Engine of economic growth and to bring Gujarat on the national and international tourist map, tourism shall be considered as an important economic activity for overall sustainable economic growth & employment generation	Qualitative	Secondary	Gujarat	Tourism and Employment relationship	This paper emphasizes the importance of the tourism industry in boosting employment and identifying major areas where more opportunities can be found. The government is also attempting to promote service-oriented projects such as travel, tour, and transportation operations. The government of Gujarat's pragmatic approach, which includes strategic planning and consistent policy initiatives, has resulted in a significant increase in employment.
6.	Ohlan R., (2017)	This study analyses relationship between tourism and economic growth in India by analyzing the relative importance of financial development throughout 1960–to 2014.	Quantitative	Secondary	Pan India	GDP, International tourism earning per capita financial development , and time.	The researcher discovered that earnings from overseas tourism had a beneficial long-term and short-term impact on India's economic growth. Over the sample period, the parameter estimations are shown to be the most accurate.
7.	Deshpande H.P., (2020)	To examine the socio-economic impact of tourism in India	Quantitative	Secondary	Pan India	Foreign Tourist Visits, Economic contribution: Direct, Indirect, and induced	The entire contribution of travel and tourism to India's real GDP has been observed to have a linear trend through time.
8.	Lekshmi R.S.K & Mallick H., (2020)	To understand the contribution of international tourism to economic growth at sub-national level	Quantitative	Secondary	Kerela	Tourism, sub-central economy, and economic growth	It claims that the tourism sector's performance and Kerala's economic growth have a long-term favourable relationship.
9.	Khan M., (2017)	To examine an aspect of tourism financing for the economic growth of the country	Quantitative	Secondary	Pan India	Foreign Tourism Arrival, FDI in tourism, Economic	It is stated that tourism in India should be developed in such a way that it accommodates and entertains visitors in a manner that is minimally intrusive or destructive

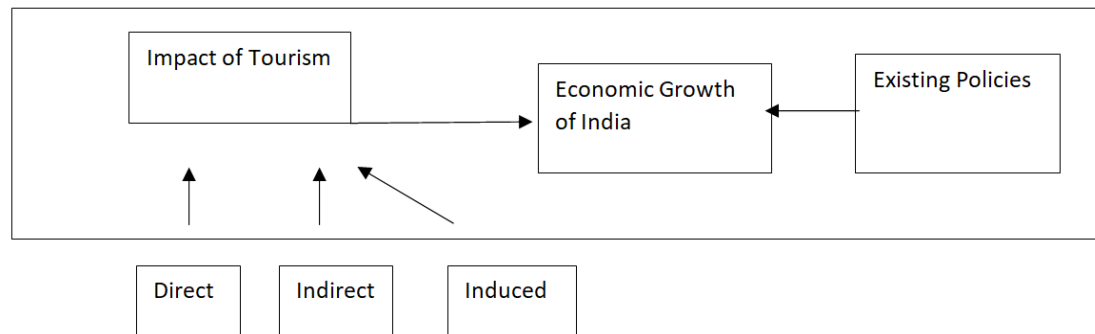
						growth	to the environment, as well as sustains and supports the native cultures in the areas where it operates.
10.	Nengroo A.H., et al., (2016)	To analyze the economic impact of Tourism in Jammu & Kashmir	Quantitative	Secondary	Jammu & Kashmir	Tourist Inflow, Employment generation, revenue generation, infrastructure development , and regional development	Tourism is the most important industry in J&K, with significant employment and revenue possibilities if the situation remains normal and the tourist inflow expands in the desired manner, revenue creation is expected to skyrocket.
11.	Godara R.S., et al.,(2020)	To investigate the impact of Foreign Tourism Receipts growth on the growth rate in the Indian economy".	Quantitative	Secondary	Pan India	Degree of impact on Tourism, Economic Growth: direct, indirect, and induced	The findings show a positive association between economic growth and tourism, but it is weak, implying that the effects of increased foreign tourism receipts on growth rate are minimal; we can also conclude that there is no strong relationship between these two variables.
12.	Tiwari R. & Anjum B., (2016)	To determine the role of tourism in India with respect to Kerala and Gujarat"	Quantitative	GDP	Kerala and Gujarat	Trends in tourism , GDP, Foreign Tourist Arrival	Gross domestic capital formation was determined to have the highest association with foreign tourist arrivals. The growth rate of international tourist arrivals has a considerable positive correlation with the growth rate of India's service sector and Kerala and Gujarat's gross state domestic product.
13.	Vijayarangavan T., (2014)	To analyze how tourism sector impacts the Indian economy	Quantitative	Secondary	Pan India	Human Resource, Infrastructure, Marketing, Security, and Taxation	To encourage tourist and foreign investment, we must focus on liberal policies, tax relief, and a comprehensive package, among other things. For India to grow in tourism and establish itself in the global market, the government's role must be expanded.
14.	Shiji O., (2018)	To analyze the economic impact of tourism in India.	Quantitative	Secondary	Pan India	Trends of tourist arrival in India, its possible impacts and impacts of visitor spending method	The study shows that, in India tourism has vast potential for generating employment and foreign exchange. For its sustainable development central and state government, private sector and voluntary organisations should work together.
15.	Manoj P.K., (2016)	To study the effect of rural tourism on the environment and local community	Quantitative	Secondary	Kerala	Tourist Arrival: domestic and International, Earnings from tourism	It was stated that there are apparent benefits to the local community as a result of rural tourism and that tourist behavior toward the local people has been fairly encouraging. However, it is also vital to recognize that rural tourism has negative impacts on society and the environment, which may have an impact on the long-term viability of tourism projects.
16.	Prakash B., et al., (2017)	To analyze the relationship between tourism and economic growth in India	Quantitative	Secondary	Pan India	Foreign Exchange Earnings, GDP, Foreign Tourist Arrival	The study's findings reveal that foreign exchange earnings (FEE) from foreign visitors have a considerable impact on India's Gross Domestic Product (GDP), whereas the impact of foreign tourist arrivals (FTA) on India's GDP is negligible.
17.	Maradi M. & Dasar P., (2013)	To study HR practices in the development of Indian Tourism and to analyze the potential areas of development	Quantitative and Qualitative	Secondary	Pan India	Foreign Tourist Arrival, Foreign Exchange Earnings, HR Practices	A destination may be visited because of its natural landscape or resource, historical monument, religious importance, shopping, or because it is a man-made tourist attraction, according to one theory. However, creating a demand among potential tourists for information about the location and people resources has the potential to boost economic and tourism development.
18.	Goyal O., (2019)	To understand the economic aspects of	Quantitative	Secondary	Pan India	Foreign Tourist	The variables Foreign Tourist Arrivals in the current year and

		tourism in India				Arrival, Foreign Exchange Earnings, GDP	GDP of the tourist industry in the previous year (which is supposed to be re-invested in the current year) are positively associated.
19.	Ahamed M., (2018)	To analyze government endeavours that results in tourism growth.	Qualitative	Secondary	Pan India	Tourism, Govt. Endeavours, socio-economic development	Tourism development and tourism policy are two areas that are inextricably linked. India's tourism development is largely dependent on the country's tourist policy. For the development of the tourist sector, India has created several policies. The Indian government has also launched several initiatives aimed at attracting both domestic and international tourists. Several thrust areas have been identified for completion during the Ninth FYTo accelerate the growth of tourism in the country.
20.	Jansirani S., & Priya R., (2018)	To analyze the duration of stay and level of expenditure of tourists.	Qualitative	Primary	Tamil Nadu	Duration of stay, expenditure by the tourist, economic impact	Since the tourism industry has shown to have no negative impact in the study area, the government should take steps to promote leisure tourism, beach tourism, religious tourism, rural tourism, and medical tourism, particularly in underdeveloped areas, which will directly help to reduce regional disparities. Furthermore, there are several tourist attractions in India and Tamil Nadu, and because the tourism industry is expected to grow rapidly, the Union and State governments must be aggressive in luring international tourists, which will improve foreign exchange revenues.
21.	Harini K.V. & Indira M., (2014)	To examine the contribution of the tourism industry to the growth of the service sector	Quantitative	Secondary	Pan India	Travel & tourism contribution, GDP, Service sector	The tourism service sector can play a critical and effective role in accomplishing the growth and equity goals that we have set for ourselves. The Indian government has identified the service industry as one of the most important contributors to GDP, job creation, and Indian economic development.

## Conclusion

Processing of these research papers suggested that tourism is a substantial contributor to the country's foreign exchange reserves, as well as a source of direct and indirect employment for a large section of the population. This service sector can play a critical and effective role in accomplishing the growth and equity goals of our country. The Indian government has identified this service industry as one of the most important contributors to GDP, job creation and economic development. Tourism development and tourism policy are two areas that are inextricably linked. India's tourism development is largely dependent on the country's tourist policy. For the development of the tourist sector, India has created several policies. The Indian government has also launched a number of initiatives aimed at attracting both domestic and international tourists. Several thrust areas have been identified for completion during the Ninth FYP to accelerate the growth of tourism in the country. To encourage tourist and foreign investment, we must focus on liberal policies, tax relief, and a comprehensive package, among other things. For India to grow in tourism and establish itself in the global market, the government's role must be expanded. For the establishment of the brand, India has a wealth of tourism resources. The entire contribution of travel and tourism to India's real GDP has been observed to have a linear trend through time. Aggressive advertising campaigns on tourist destinations should be implemented to attract more visitors. Environmentally-friendly tourism should be promoted all around the world, and if natural wonders are to be conserved, tourism should follow the principle and procedure of sustainable consumption. The government should take steps to promote leisure tourism, beach tourism, religious tourism, rural tourism, and medical tourism, particularly in underdeveloped areas, which will directly help to reduce regional disparities. The government, tourism organizations, media, and, local communities should work together to achieve this goal.

From the above discussion the following conceptual model is proposed



The proposed conceptual model establishes the association between Tourism, economic growth, and existing policies' influence. Through literature study it was found that economic development is influenced by both tourism and existing policies but no such study was found that focused on the linkages between all the three components.

### Future Prospects

The relationship between tourism, economic growth, and the influence of existing policies is described in this paper using a conceptual framework. Thorough literature analysis revealed several studies linking tourism and economic growth. However, no studies attempting to link tourism, economic growth, and the influence of existing policies were identified. A model was presented to define this relationship based on the literature review. An empirical study could be carried out to support and test this model's applicability.

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