

GLOBAL CRISIS IMPACT ON TOURISM INDUSTRY AND INDIAN ECONOMY

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ABSTRACT

In light of the global economic crisis, the hospitality and the tourism industry faces many challenges. 2009 was one of such a significant downturn year for the entire Tourism Industry around the world and in turn for the country's economy as well. The crisis has especially strong repercussions and adverse effects. Furthermore, it can be said that economic recovery is dependent on the tourism industry and it can act as a recovery engine for the economy. Numerous challenges was faced by the Tourism Industry and the Indian economy as a result of the 2009 Global crisis and it took almost 2-3 years for the economy to recover from that phase. Since there is no incidence of global crisis post-2008, this study has been conducted with a view to analyze the Impact of Global Crisis on the Tourism Industry and in-turn on the Indian Economy in case if the situation turns around back to the black year of global crisis.

Keywords: *Tourism Industry, Indian Economy, Global Economic Crisis.*

Introduction

After Fuel, Chemical and Food Industry, Tourism Industry has become the world's 4th largest export Industry. Due to the growing size of the tourist market, the influence of inbound tourism on national economies is increasingly becoming important. Tourism is an important factor in the generation of jobs and foreign exchange profits and is one of the top export sectors for many tourism-based economies. India has been ranked amongst top fourth preferred holiday destination as per the world's leading travel and tourism journal "Conde Nast Traveller". Firstly, tourism promotes practices that produce income and secondly, it promotes and supports the government, without export operations, to bring in foreign exchange earnings. Tourism has been badly affected by the global crisis since, tourism plays a vital role in the growth of the economy of the country, therefore any factor influencing or impacting the tourism industry will have a relative impact on the economy of the country as well. This study analyses, the impact of the global crisis on the tourism industry and thereupon on the economy of the country.

Global Crisis

Crisis can be defined as a situation wherein some problem affects something very seriously. Global can be described as something, which occurs anywhere in the world or impacts anyone. It can be used internationally. The term Global Crisis in together can be defined as a crisis that simultaneously impacts many countries. It is a time, where financial institutions, economies, companies, and customers face severe problems. Typically, the financial crisis is multidimensional and it's very much difficult to characterize it with just one indicator. Few of the indicators of the Global crisis are as under:

- The amount of credit varies considerably.
- The rates of commodities fall dramatically.
- Economic intermediation is badly hampered.

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- Many players in the economy experienced severe disruption in the provision of external financing.
- The major balances of budget issues are faced by all segments like households, businesses, Industries, financial intermediaries and sovereigns, etc.
- Government funding is high, i.e. rescue funds.

Tourism Industry

The tourism market, also known as the touring market, is associated with the concept of people traveling domestically or globally for recreation, social, educational, or commercial reasons. Hotel industry, accommodation, and transportation industry are closely associated with tourism and its major focus is on, keeping visitors busy, happy, and ready for their time away from home. Any practice relating to the movement of individuals to areas from which they usually live is referred to as tourism. It is one of the biggest economies in the world and the tourist sector is mainly powered by the economy of other nations, which means if this sector is affected it will impact the economies of the country and also vice-versa if the economy of any country is impacted it will affect the tourism industry of not only that particular country but also of the other countries since the tourism industry is driven not only by domestic travel but also by international travelers.

Economy

The larger number of interrelated activities in production and consumption that help to determine the allocation of scarce resources is termed as an economy of any country. The needs of those who work and operate within the sector are satisfied by the production and distribution of goods and services, and this overall chain is termed as the economic system of a country. The culture, rules, history, geography, and even necessity influence the economy of a given region or world and also everything from people to institutions like corporations and governments are influenced by an economy, and this is the reason why economies of two different countries are not identical. Various factors drive the economy of a country out of which the tourism industry is one of them as contributes to the GDP of the country.

Literature Review

Tugcu (2014), Balli, Curry & Balli, (2015): In their study stated that, after fuel, chemical, and food industry, the tourism industry has become the world's fourth-largest export Industry.

Balaguer and Cantavella-Jorda (2002), in their study, stated that due to the growing size of the tourist market, the influence of inbound tourism on national economies is increasingly important and for this, they proposed the TLGH concept i.e. tourism-led growth hypothesis, which suggests that the growth in international tourism activities generates economic growth.

Ohlan (2016), stated the fact that India is one of the most rapidly growing Asian economies is motivating our selection as an empirical effort, meaning that its tourism industry can be expected to grow faster in the years that lie ahead

Papathodorou et Al., (2010), stated that, in reality, the financial crisis seriously affects global tourism.

The Objective of the Study

- To find out the linkage between the global crisis, the tourism industry, and the Indian economy.
- To explore the impact of the global crisis on the tourism industry and in-turn on the Indian economy.

Tourism Industry and the Indian Economy

As mentioned above, the tourism industry plays a vital role in driving the economy of a country. The tourism industry comprises of various sectors like hotel accommodation, transportation, technology, guides, travel agents both offline and online, etc. each one of these sectors has their significant contribution to the economy of a country. Few key highlights representing the contribution of the Tourism Industry to Indian economy are as under:

- **GDP Contribution:** In terms of total travel and tourism contributions to GDP, India ranked third in 2018, according to WTTC (World Travel and Tourism Council). In 2019, tourism FEEs (Foreign Exchange Earnings) rose at Rs 1,94,8 881 (US\$ 29.96 billion) by 4.8% a year. During 2018-28 the direct contribution of the tourism sector to Indian GDP is expected to grow by 7.1% p.a.

- **Employment Generation:** Tourism Industry has created approx 4.2 crore jobs as per reports available as in 2019, which amounts to 8.1% of the total employment generation in the country.
- **Capital Investment:** In India, the contribution from travel & tourism to capital investment is projected to grow by 6.7% during 2018–28.
- **Visitor Export:** Contribution of visitor export to total export estimated during 2018–2028 to increase by 5.5%. By 2028 the International tourist's arrival is expected to reach 30.5 billion.
- **Foreign exchange Earning:** As per IBEF reports India has been ranked amongst the third-largest Foreign Exchange Earner.

Global Crisis and Tourism Industry

The global crisis of 2008 resulted in a substantial decline in foreign tourism arrivals, affecting the job loss, selling of goods and services, employment, and profits of households participating in these rentable commercial activities directly or indirectly. There was no exception for the travel and tourism industry as they were also hit to a large extent due to the global crisis. A noticeable negative consequence for the tourism industry in numerous economies of India was caused by the gloomy period in 2008.

“A significant downturn in economic activity across the economy over a period of more than some months, typically evident in GDP growth, actual wages, unemployment, manufacturing output and commercial retail sales,” described by the National Board for Economic Research as “Recession.”

There is no question that, analogous to the other phases of the business cycle deflation is a normal aspect of the economic cycle. The global tourism patterns evolve as living standards improve, there is more time for recreation, growth in transportation and IT development, etc. The chain of tourism industry includes hotels, travel agencies, tour activities, locations, restaurants, air, land, and sea transport. In the case of a global crisis, this entire chain will get affected which in-turn will lead to a decline in the economy of the country, loss of employment, etc.

Post-2008, no such crisis was observed and the sector was growing at its pace. Although, the recent scenario of the corona virus has hit the Industry to a large extent, however, still, the situation has not been declared as a global crisis. If things are not improved and keep going in the same flow, it may result in a worse situation for the entire tourism industry. Almost the entire worth is at risk for the remainder of the 2020 season unless the propagation of this virus ceases.

Methodology

To analyze the contribution of the tourism industry in the Indian economy and the impact of the global crisis on the tourism industry and Indian economy the secondary source of data has been used.

Hypothesis

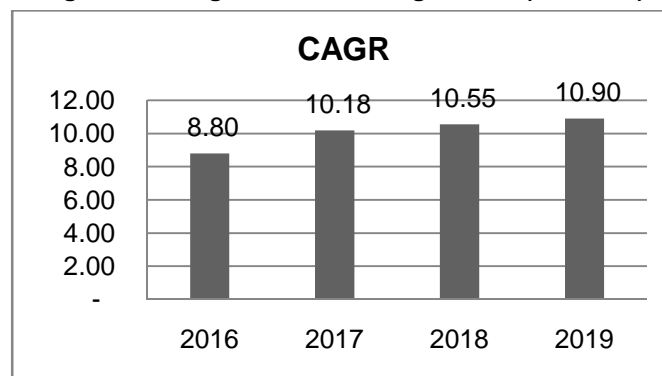
H₀₁: Tourism Industry has no contribution to Indian Economy

H₀₂: Tourism Industry is not influenced by the Global crisis

Result and Discussion

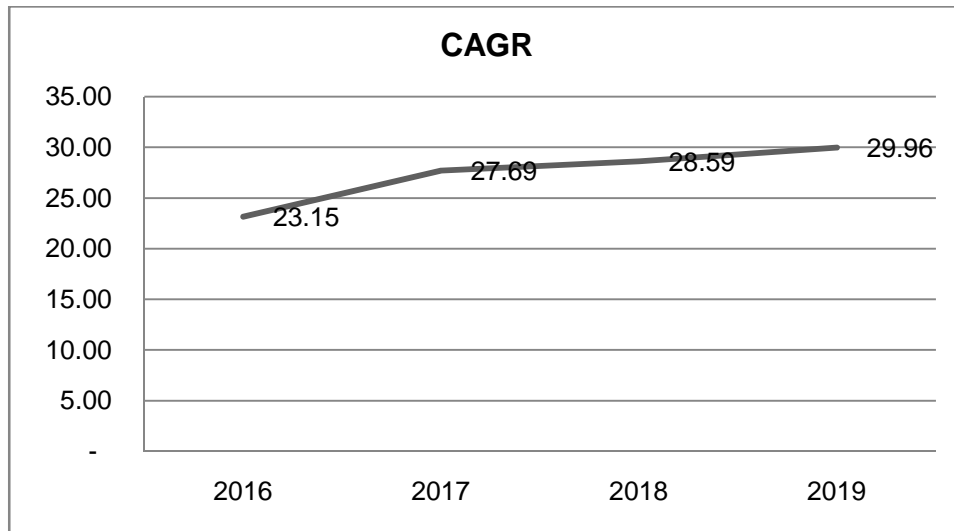
- **Tourism Industry has no contribution to Indian Economy**

Figure 1: Foreign tourists arriving in India (In million)



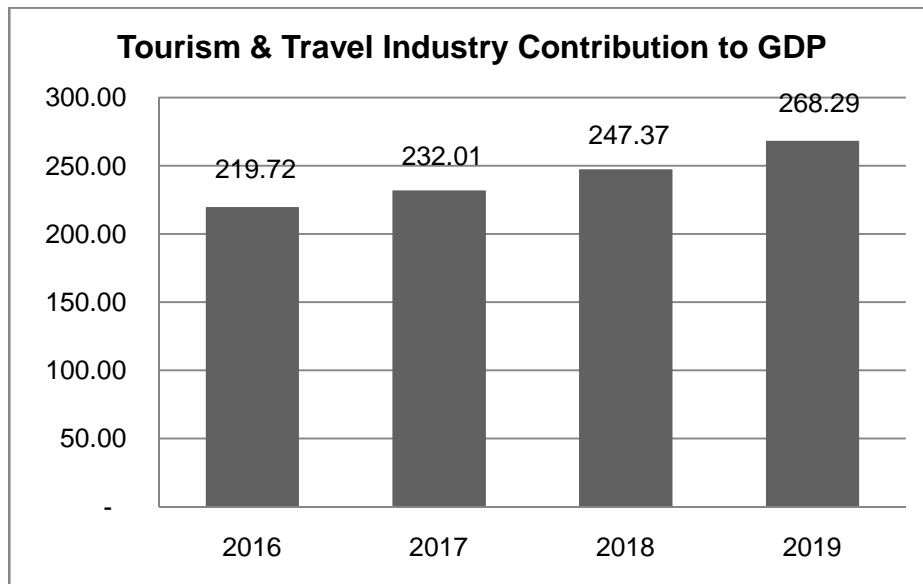
Foreign tourist arrival stood at 10.90 million during 2019, achieving almost 3.20% y-o-y growth. The said growth is a result of flexible government policies for the tourism industry, infrastructure and tech development, and introduction of e-Tourist visa facility by the Indian government.

Figure 2: Foreign Exchange Earnings from tourism in India (In US\$ billion)



Tourism, like many other countries, is an important source of foreign exchange in India. In 2019, India made a US\$ 29.96 billion foreign exchange from tourism, an increase of 4.80% in y-o-y. In the years 2007-2019, tourism foreign exchange incomes (FEE) in India reported a rise at the CAGR of 8.96%.

Figure 3: Tourism & Travel Industries contribution to GDP at a glance (In US\$ billion)



From Figure 3, it can be seen that the contribution of the tourism industry towards the GDP of the country stood at \$247.37 billion. This has made India achieve the eighth rank in the world in the year 2018. As per reports published by WTTC India has achieved 3rd rank in the tourism sector. All these facts and figures are a clear indicator of the role of the tourism industry in the economy of the country.

Government Initiatives for Tourism Industry

Memorandum of Agreement (MoU) between India and Finland was signed to improve cooperation on tourism in 2019. The Government has developed 15 circuits on different topics, such as the Krishna Circuit, the Buddhist Circuit, the Himalayan Circuit, the North-eastern Circuit, and the Wildlife and Tribal Circuits. As of FY 15, 77 projects have been approved under the Swadesh Darshan Scheme for Rs 6035.70 crore to date. Rs. 1200 crores have been sanctioned for the development of the north-east circuit under the 2020-21 budget. For the production and publicity of various programs and schemes of the Ministry of Tourism, the government has allocated Rs 590 crore in the Union Budget 2020-21. In 2018 Statue of Sardar Vallabhbhai Patel also known as “Statue of Unity” was inaugurated and since its inauguration, it has resulted in a revenue of 82.51 crores in just one and a half year.

From the above Figure 1 & 2, it can be seen that the tourism industry is significantly contributing to the Indian economy through a year-on-year increase in foreign tourists and in-turn generating foreign exchange earnings at increased CAGR rates. Also, it can be seen that the government has taken various initiatives to promote tourism which is a clear indicator of the fact that the tourism industry is contributing towards the economy of the country. Hence, the hypothesis that the tourism industry has no contribution to the Indian economy stands null and void.

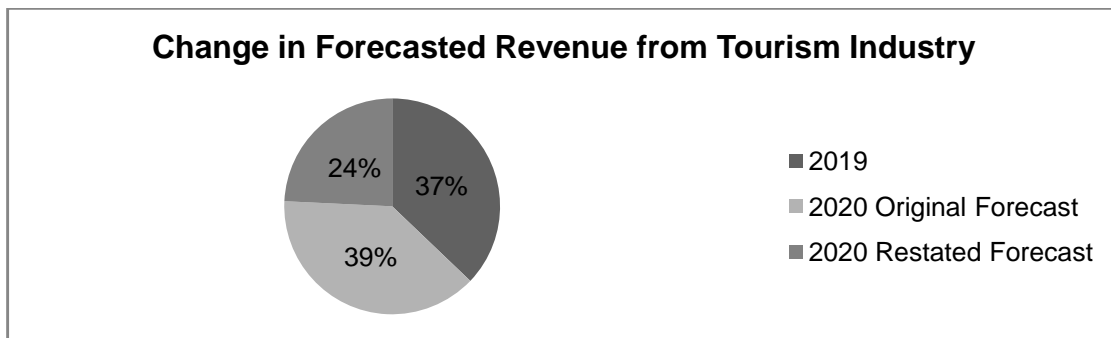
- **Tourism Industry is not Influenced by the Global Crisis**

Post-2008 no global crisis has been observed, to study the impact of the recent scenario of 2020 has been taken into consideration to analyze the impact although the situation has still not been announced as a global crisis, however, have a significant influence on the tourism industry. The condition is worse and if the propagation of this virus is not found and the situation continues for another few months entire worth will be at risk for the remainder of the 2020 season and may lead to a global crisis.

According to the CII Chamber of Industry, this is one of the worst crises that have affected the Indian tourism industry and all its geographical segments-inbound, outbound, and domestic-nearly any other vertical tourism segment like, cruise, adventure, heritage, MICE, etc. In an impact assessment, the Tourism Committee of the CII said that the total amount of inbound international tourists from October to March was over 28 million USD. However, in the past few months, the cancellation percentage of bookings has tremendously gone up in this segment with a remarkable peak hit of almost 80 percent. Since now all foreign visas are being cancelled for the time being the results may be worse. In another report, CII reported that the start-up season for inbound at its peak is now completely stagnant.

Regarding the regional travel and tourism industry, the World Travel and Tourism Council (WTTC) estimated the future employment impact on both blue and white-collar jobs with 50 million jobs at risk worldwide, reflecting a 12-14% drop in employment.

Figure 4: Change in Forecasted Revenue from Tourism Industry (In US\$ million)



From the above figure, it can be seen that the crisis has a significant impact on the tourism industry. Hence, the hypothesis stands null and void.

Conclusion

From the above study, it can be seen that the global crisis has a significant impact on the tourism industry and since the tourism industry plays a vital role and contributes towards the Indian economy it in-turn impacts the economy as well. Figure 1 & 2 represents the contribution of the tourism industry in terms of foreign exchange earnings and foreign visitors which stood at US\$ 29.96 billion and 10.90 million respectively in 2019. Figure 3 highlights the contribution of the tourism industry towards the GDP of the

country which stood at \$247.37 billion in the year 2018. Further, from Figure 4 it can be seen that the forecast of revenue from the tourism industry for 2020 has been restated from 39% to 24% which is less from 2019 by almost 13%, which is a clear indicator of the impact of the crisis on the tourism industry and simultaneously on the Indian economy. Based on the above analysis it can be concluded that the global crisis has an impact on the tourism industry as well as the Indian economy.

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