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# CONTRIBUTION OF TOURISM AND HOSPITALITY INDUSTRY IN THE ECONOMY OF INDIA

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## ABSTRACT

*The main purpose of this paper is to bring out that how the Tourism and Hospitality Industry contribute and playing a vital role in the economy of India. Also what is the data produce by the industry and what is the percentage of contribution in GDP in the previous years and current and what will be in future? In the introduction part of the paper put focus on the key players of the hospitality in India. The review of literature is showing the reviews of various officials and authors, what they explain that how the Indian economy effected by the tourism and hospitality industry time to time. The methodology is showing as the tools of the study, what are the earning sources of the industry. The finding and result highlights the Foreign Tourist Arrivals (FTA) and Foreign Exchange earnings (FEE) in India. How the various key players contribute in the economy of the country? How the Tourism & Hospitality Industry develop/maintain the economy of India during the period of recession, this can be easily understood able through the finding of this paper.*

**Keywords:** *Contribution, Tourism & Hospitality Industry, Hotels, Economy, Development, FTA, FEE, FDI*

## An Overview

### WTTC

The report points out that as noted by the World Travel Tourism Council (WTTC), the contribution of travel and tourism in India in 2011 was 6.4% of total GDP. By the end of 2012, this is projected to increase to 7.3%. The investment made in this sector in 2011 was Rs. 1,254 billion,

approximately 5.1% of the total investment in the country and is expected to rise to 12.3% by the end of 2012.

## **World Economic Forum**

According to the Travel & Tourism Competitiveness Report 2009 brought out by the World Economic Forum, the contribution of travel and tourism to gross domestic product (GDP) is expected to be at US\$ 187.3 billion by 2019. The report also states that real GDP growth for travel and tourism economy is expected to achieve an average of 7.7 percent per annum over the next 10 years. Export earnings from international visitors and tourism goods are expected to generate US\$ 51.4 billion (nominal terms) by 2019. Furthermore, the sector which accounted for 6.4 percent of total employment in 2009 is estimated to rise to 7.2 percent of total employment by 2019.

### ***(DIPP) Department of Industrial Policy and Promotion:***

The hotel and tourism industry's contribution to the Indian economy by way of foreign direct investments (FDI) inflows were pegged at US\$ 2.35 billion between 2000 to 2011, according to the Department of Industrial Policy and Promotion, further the major global hospitality chains are expected to expand their foot prints in India which will envisage investment of over US\$ 11 billion by 2012.

## **Introduction**

The Indian Tourism and Hospitality industry is one of the fastest growing and most important segments in the earning of revenue and as well as employment. According to an estimate of the Economic Survey of India of more than one decade, the Indian Tourism and Hospitality industry accounts for Rs. in Crores 94487 in the year of 2012 in the Foam of FEE from Tourism only and the percentage change was on the base of previous year 21.77% which was 19.60% for the year 2011. It is every year up warding the revenue in the economy of India. Also the revenue from rest hospitality sectors was in 2011/12 in 4 quarters Rs.728668 Crores (Rs. in Crore-Q1-167548, Q2-136806, Q3-230359, Q4-193955). The operating profits were Rs. 24.38 Crore for the year 2011/12 only from ITDC hotels.

In this way we can say the Tourism and Hospitality Industry is playing a vast role in the contribution of economy of India. Every Year the industry earns in billion of US\$ from domestic and foreign visitors. Also the tourism and hospitality industry contributes money in the foam of various taxes like Capital Gains Tax, Corporate Tax, Service Tax, Excise Duty, Personal Income

Tax, Value Added Tax, Wealth Tax etc for the Indian economy. The Tourism and Hospitality Industry is also playing the gigantic role in the employment of India.

There are so many national and international Key Players of Hospitality Industry in India those are the generating revenue and tax which is contributed in the economy of India.

**National:** Indian Hotels, EIH, Taj GVK Hotels, Hotel Leela Venture, Bharat Hotels and Asian Hotels, ITDC and Orient Hotels Ltd.

**International:** Hilton, Shangri-La, Radisson, Marriott, Meridian, Sheraton, Hyatt, Holiday Inn, Inter Continental and Crown Plaza.

## **Review of Literature**

The reviews taken from various e-journals, magazines, news papers and from various websites, which already done in related study.

“Hotel Industry is one of the important components of tourism industry. The definition of tourism industry can’t be completed without mentioning the presence of a hotel. A hotel is a place which provides a space to stay, some food & beverages to eat and drink, and some facilities to enjoy. Hotel industry is playing a vital role in earning millions of dollars from foreigners and thus contributing towards revenue generation and increasing employment opportunities to the host community”, explain by Sharma, A. and Kukreja, S. (2013), also present paper with “highlights the significance of hotel industry in Indian economy, their demand and supply scenario, and various challenges before hotel Industry and Government efforts to remove the problem associated with this industry.” Kulkarni, A. (2012), examine that, apart from traditional business or leisure travel, India’s hospitality sector has been witnessing interest from a variety of segments like meetings, incentives, conferences and exhibitions (MICE), wellness tourism, and spiritual and pilgrimage tourism. “The demand has been strong from both foreign as well as domestic tourists”. “Given the rather diverse nature of demand, the hospitality industry is also looking at creating adequate products to service the varied tourist requirements. With support and initiatives by the governments at various levels, the hospitality sector is moving toward comprehensive growth.” Pinto, O.R. (2012), give justification that “there are various factors that affect the Indian economy but the researcher through this study wants to find whether the impact of global recession has affected the Indian economy severely or gradually decreases with new initiative policies. The utility of the study is to know how are the Hospitality industries growing after global recession in terms foreign tourist arrivals, generation of foreign exchange reserves and

how are they contributing to the Indian economy in terms of GDP, reduction in inflation, rising of stock markets”. Nigam, V. and Srivastava, S. (2011), they focus on the “impact of global economic meltdown on Tourism industry in India as a whole with the case study of Lucknow city. Tour operators, Hoteliers, and other government officials of tourism were interviewed and make out the problems and prospects of tourism industry. It also helps to analyse the remedial measures which could be taken at the time of recession.” According to Ratheiser, D. (2010), “the contribution of the entire travel and tourism sector in India to Gross Domestic Product is estimated 8.6% (USD 117.9 billion) in 2010 to 9.0% (USD 330.1 billion) by 2020. Between 2010 and 2019 the demand for travel and tourism in India is expected to grow annually by 8.2%, which will place India at the third position in the world. Travel and tourism in India also accounts for 49,086,000 jobs in 2010 (about 10% of total employment) and is expected to rise to 58,141,000 jobs (10.4% of total employment) by 2020 (World Travel and Tourism Council, 2009).” Muthe, P.R. (2010), explain that the “Indian economy is consist of majorly three sectors (1) Primary sector (known as agriculture), (2) Secondary sector (known as Industry) and (3) Tertiary sector (known as service sector) which service sector recently alone contribute 55.1% of Indian GDP. The author analyse the impact of global recession on service sector in India, specially Tourism and Hotel Industry in the country, because tourism and hotel industry has playing the vital role in service sector regarding economic development of Indian economy. They focus on further challenges and opportunities for tourism and hotel industry during recession period.”

## **Methodology**

### ***Data Collection***

The data collection is the based on and gathered from secondary sources for this paper like books, magazines, e-journals, magazines, articles, news papers and websites and produced it after genuinely and thoroughly study with the techniques using in methodology. The collected data analyzed through MS-Excel to find out the result with the help of graphs/figures and tables

### ***Limitations of Study***

This is special study of this type because this type of study is available a few. The study is also limited to major Hospitality and Tourism Industries which is playing a vast role in the economy of India and the data is from limited period. One more limitation is that the collected data is related with selected key players of the hospitality industry.

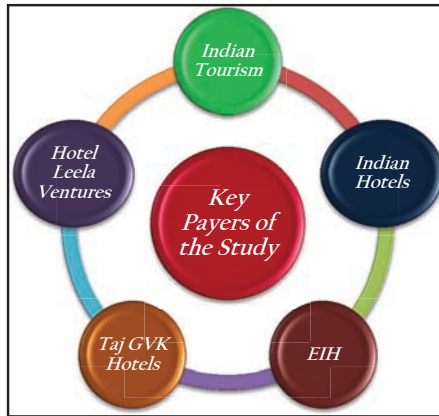
### ***Scope of the Study***

This paper focuses on data of last one decade from 2000 to 2012. Get the sufficient result from the findings. The results and findings examine the contribution of Tourism and Hospitality Industry in the economy of India. This paper will help to new researchers/scholars/students of the Tourism and Hospitality Management in India and out of India for future study, because this is the special and unique study of this type. Also the study will be help full in the development of economy of the country.

### ***Key Payers of the Study***

There are various key players generating revenue in the economy of India.

**Fig. 1: Key Payers of the Study**



### ***Tools of the Study***

There are various tools which contribute the revenue in the economy of India.

**Fig. 2: Revenue Sources of Tourism Industry**



## Findings and Result

**Table 1: Foreign Tourist Arrival (FTA) and Foreign Exchange Earning (FEE) in India from 2000 to 2012 with Change in Percentage Bases on Previous Years.**

Foreign Tourist Arrival (FTA) and Foreign Exchange Earning (FEE) in India from 2000 to 2012				
Year	Foreign Tourist Arrival (in nos.)	Percentage Change Over Previous Year	Foreign Exchange Earnings in (Rs. Crore)	Percentage Change Over Previous Year
2000	2649378	6.7	15626	20.6
2001	2537282	-4.2	15083	-3.5
2002	2384364	-6	15064	-0.1
2003	2726214	14.3	20729	37.6
2004	3457477	26.8	27944	34.8
2005	3918610	13.3	33123	18.5
2006	4447167	13.5	39025	17.8
2007	5081504	14.3	44360	13.7
2008	5282603	4	51294	15.6
2009	5167699	-2.2	54960	7.14
2010	5775692	11.8	64889	18.1
2011	6309222	9.23	77591	19.6
2012	6648318	5.37	94487	21.77

Sources:-Ministry of Tourism Govt. of India Annual Report 2011-2012

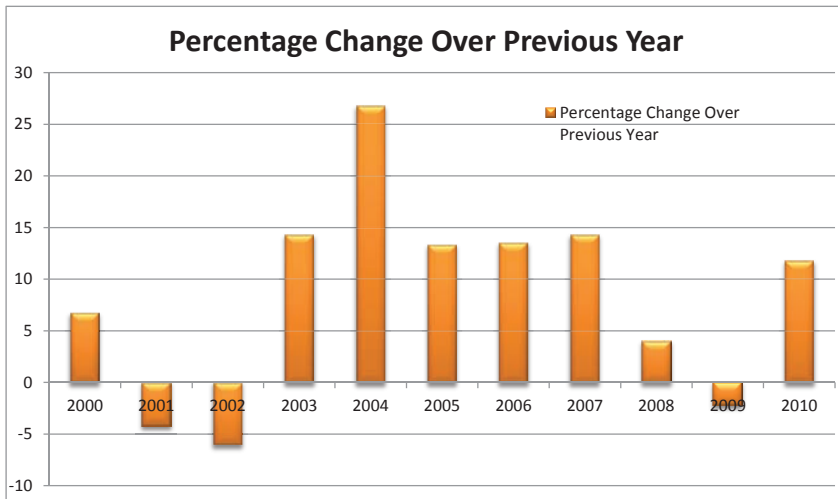
**FTA:** - The above Table no.1 and the below Figure no. 3 is showing the Foreign Tourist arrival in India during 2000 to 2012 as per the annual report 2011-2012 of Ministry of Tourism Govt. of India. That were 2649378 for the year 2000 and after downfall in 2001 & 2002, it was 2726214 for the year 2003. Till 2007 the arrival of foreign tourist were stable but the downfall seen for the year 2008 & 2009 which were 5775692 for the year 2010 later till 2012 the FTA were 6648319.

**Percentage Change in the FTA:** - The above Table no.1 and below Figure no. 4, presenting the percentage change in the Foreign Tourist Arrival on the base of previous year. It was 6.7% for the 2000 over 1999. It was seen in minus for the year 2001/2000 and 2002/2001. This was 14.3% for the 2003/2002 due to downfall in FTA, in recession years 2009/2008 it was -2.2%. Later in the year 2011/2010 it was 9.23% and 2012/2011 it was 5.37%.

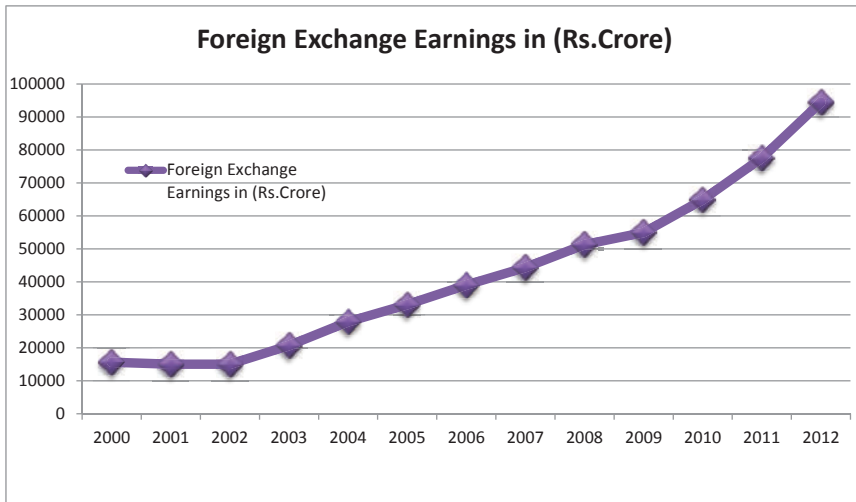
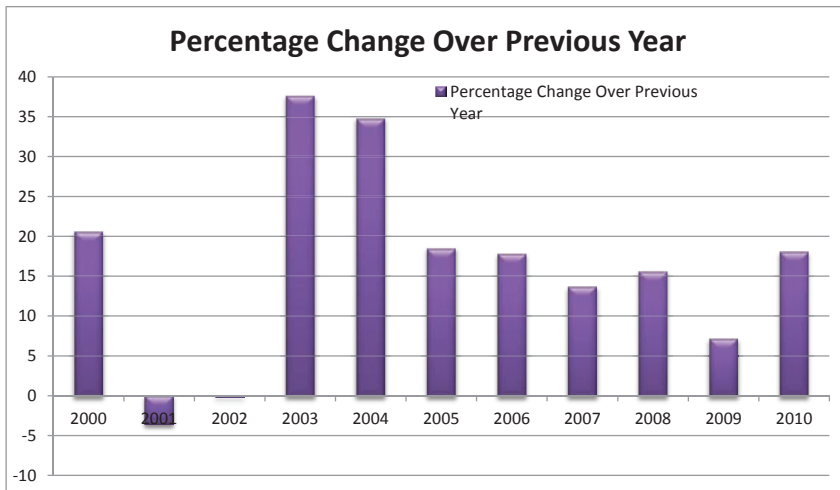
**Fig. 3: Foreign Tourist Arrivals (FTA) in India during 2000-2012**



**Fig. 4: Percentage Change based on Previous Year Foreign Tourist Arrival in India during 2000-2012**



**FEE:** - The above Table no.1 and the below Figure no.5 presenting the Foreign Exchange Earnings during 2000 to 2012. After increasing and downfall in the arrival of foreign tourist for the same period the result was seen positively which was 15626 crore in the year 2000 and 44360 for the year 2007 but due to recession the decreasing was seen in 2008 & 2009 in FEE. Again in the year 2011 and 2012 the FEE was in very good foam which was 77591 crore in 2011 and 94487 crore for 2012.

**Fig. 5: Foreign Exchange Earning (FEE) in India during 2000-2012****Fig. 6: Percentage Change based on Previous Year Foreign Exchange Earning (FEE) in India during 2000-2012**

**Percentage Change on FEE:** The above Table no.1 and Figure no. 6 showing the percentage change in foreign exchange earnings on the base of previous years during 2000 to 2012, which was 20.6% for the year 2000/1999, for the year 2001/2000 it was -3.5%, 2002/2001 it was -0.1%. After this the result was seen very well in the year 2003/2002 which was 37.6% it was highest in this period. During recession period in 2008/2007 it was 15.6% and

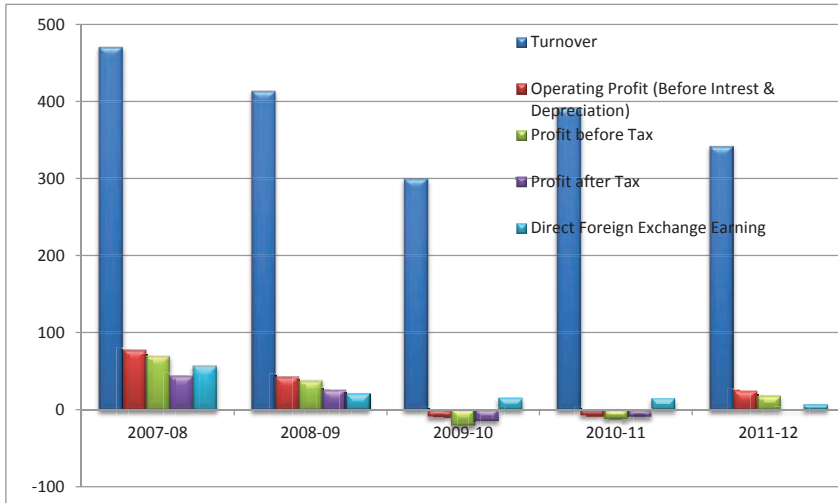
2009/2008 it was 7.14%. After recession in the year 2011/2010 it was 19.6% and 2012/2011 the percentage was 21.77%.

**Table 2: The Revenue Plan/Scheme of ITDC Hotels in India for Particular years**

<b>Overall Scenario/ Plan Scheme of ITDC Hotels (2007-2012) Rs. in Crore</b>					
Years	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover	470.27	413.43	299.75	392.36	341.67
Operating Profit (Before Interest & Depreciation)	77.45	42.95	-8.53	-6.88	24.38
Profit before Tax	69.41	38.19	-20.51	-11.73	18.01
Profit after Tax	44.08	25.38	-14.31	-8.59	*
Direct Foreign Exchange Earning	57.23	20.1	15.09	14.12	6.84

*Sources: Ministry of Tourism Govt. of India (Annual Report 2011-2012)*

**Fig. 7: Overall Scenario/Plan Scheme (2007-2012)**



The above Table no.2 and Figure no. 7 is presenting the overall scenario/ plan scheme of ITDC Hotels during 2007 to 2012, like total turnover for the year 2007-2008 was 470.27 crore, for the year 2009-2010 it was 299.75 crore, finally for the year 2011-2012 it was 341.67 crore. The operating profits for the year 2007-08 was 77.45 crore. During recession period 2009-10 it was in negative -8.53 crore. But it was the good achievement in the year 2011-12 which was 24.38 crore. Profit before tax for the year 2007-08 was 69.41 crore

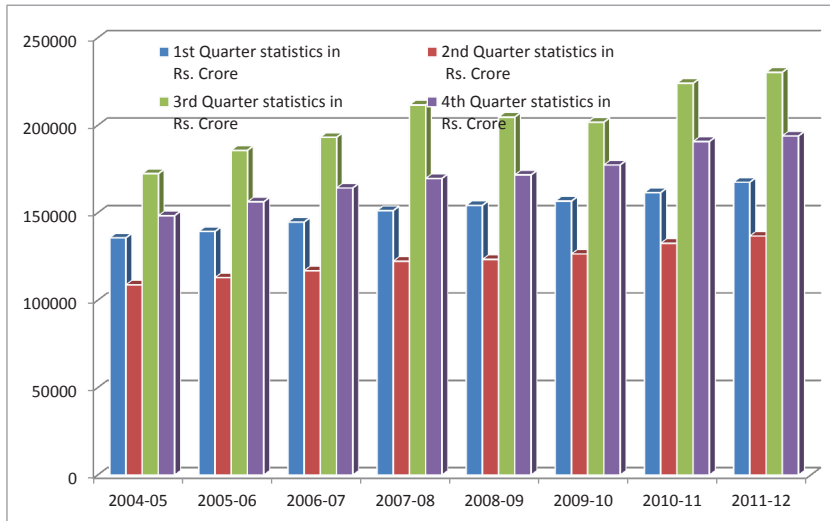
in the recession period 2009-10 it was in minus -20.51 and later for the year 2011-12 it was 18.01 crore. The profit after tax Rs.44.08 crore was in the year 2007-08 due to recession in the year 2009-10 it was in minus Rs-14.31 crore.

**Table 3: Hospitality (Hotel, Transport and Communications etc) Contribution to India GDP**

Years	1st Quarter statistics in Rs. Crore	2nd Quarter statistics in Rs. Crore	3rd Quarter statistics in Rs. Crore	4th Quarter statistics in Rs. Crore
2004-05	135745	108879	172401	148401
2005-06	139404	113023	185750	156309
2006-07	144790	116947	193209	164245
2007-08	151336	122418	211649	169677
2008-09	154307	123389	204748	171675
2009-10	156740	126524	201853	177390
2010-11	161614	132668	224044	190778
2011-12	167548	136806	230359	193955

Sources: Business Map of India

**Fig. 8: Hotel, Transport and Communications Contribution to India GDP**



The above Table no.3 and Figure no. 8 is showing the contributions in the GDP of India by the sources of hospitality industry in the four quarters during 2004 to 2012. For the first quarter it was Rs.135745 crore in the year 2004-05. Due to recession period for the year 2009-10 it was 156740 crore, later Rs.167548 crore was achieved in the year 2011-12. For the second quarter for the year 2004-02 the statistics was 108879, in recession 2009-10 it was Rs.126524 crore. Later it was Rs.136806 crore for the year 2011-12. The third quarter is showing the statistic 172401 for the year 2004-05, in the recession period for the year 2009-10 it was Rs. 201853 crore. Later it reaches in the year 2011-12 at Rs. 230359 crore. Finally for the quarter fourth the contribution of hospitality industry for the year 2004-2005 was Rs. 148401 crore. In the recession period year 2009-10 it was 177390 and later it reached at Rs. 193955 crore in the year 2011-12. If we compare the quarter with each other's then we find the result in this way  $Q2 < Q1$ ,  $Q3 > Q2$ ,  $Q4 < Q3$  for the year 2004-05. In the period of recession the  $Q2 < Q1$ ,  $Q3 > Q2$ ,  $Q4 < Q3$  for the year 2008-09 and 2009-10 also the result the find same here in the year 2011-12 according to business map of India sources .

**Table 4: Key Players of the Indian Hospitality Industry and the Contribution in the Economy of Country with Tax**

<b>Key Players of Indian Hospitality Industry and the Contribution in the Economy of India</b>									
<b>Key Players</b>	<b>Revenues (Rs Crore)</b>			<b>Net Profit (Rs Crore)</b>			<b>Tax</b>		
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Indian Hotels	2457	2985	3633	-137	86	274	23	18	12
EIH	845	1144	1363	66	69	161	27	20	15
Taj GVK Hotels	228	266	315	26	45	59	13	8	6
Hotel Leela Venture	430	540	769	41	56	81	35	22	14

*Sources: Bloomberg*

The Table no.4 is showing the contribution of key players of hospitality industry in the economy of India with tax. The revenue of Indian Hotels was Rs. 2457 crore in the year 2010, Rs. 3633 crore was in 2012 whenever the net profit was seen Rs. 274 crore in the year 2012 and the tax was Rs.23 crore in the 2010 and Rs. 12 crore in the year 2012. The EIH Hotels earn the revenue Rs. 845 crore for the year 2010 and Rs.1363 for the year 2012. The net profits Rs.66 crore and Rs.161 crore for the year 2012, which was Rs.95 crore extra on the previous two years but the tax was high with Rs. 12 crore in the year 2010 if we compare with 2012 which was Rs.27 crore in 2010 and Rs. 15 crore in 2012. Taj GVK Hotels shows there revenues Rs. 228 crore in the year

2010 which is increased and reached at Rs.315 crore in the year 2012. The tax was generated Rs.13 crore for 2010 and Rs. 6 crore for the year 2012. Hotel Leela Venture shows their revenue Rs. 430 crore for the year 2010 and Rs. 769 crore for the year 2012. The net profit was Rs.41 crore in the year 2010 and reached Rs.769 crore in the year 2012. If we see the tax it was Rs.35 crore in the year 2010 and Rs.14 crore in the year 2012 according to Bloomberg sources.

## Conclusion

The Tourism and hospitality industry is very sensitive to economic cycles and is therefore essentially linked to the state of the economy. It's totally like a agriculture industry in India because the Tourism and Hospitality Industry effect by nature up-down like agriculture As per the last one decade data is witnessed of the Indian economic downturns and a historic growth period during this time.

After analyzing all the information/data collected from various sources, it may be concluded that the Indian Tourism and Hospitality Industry is expected to show a healthy growth in the coming years on the base of previous years which provide good and healthy economy to India due to strongly increased FDI, Tourism development programme in the country, favourable government policies, 2010 commonwealth games in the country, 2011 Cricket World Cup and other international events, those establish the strong economy.

“India is an extremely important market for IHG, one that we are always looking for the right opportunities to invest in. With international tourism increasing year-on-year and the continued strength of domestic tourism, we see incredible opportunities for growth,” said Mr Jan Smits, Chief Executive Officer, Inter Continental Hotels Group (IHG) in Asia, Middle East and Africa, who took part in a trade mission to India with Mr David Cameron, the British Prime Minister, to boost trade ties between the two countries.

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