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Travel and Tourism industry in India: A theoretical perspective

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Abstract

Travel and tourism is the largest service industry in India. It provides heritage, cultural, medical, business and sports tourism. The main objective of this sector is to develop and promote tourism, maintain competitiveness of India as tourist destination and improve and expand existing tourism products to ensure employment generation and economic growth. In this section, we provide information about various tourist destinations, modes of travel, accommodation and approved travel agents. India is on track to build the world's fourth-largest travel and tourism industry – trailing behind China, the United States and Germany – by 2027, according to the World Travel and Tourism Council. In fact, in 2016, India's travel and tourism industry outperformed its economy as a whole, and in 2017, the sector generated more than \$230 billion. The present study is a theoretical perspective about the Travel and tourism in India.

Keywords: Travel, Tourism industry, Visa

Introduction

The travel and tourism industry evolved exponentially over the last five years and travel has become non-negotiable among the Indians nowadays. The tourism market is growing at a double-digit rate and it is still unaffected by the economic slowdown, it is one of the fastest-growing sectors in India, which gives a significant contribution to the GDP. Factors such as e-visa, government initiatives, and others have played a vital part in attracting more international tourists. This opened up the sector with more career opportunities in travel and hospitality. The liberalization of the e-Visa scheme, tourist, business, medical and employment visas and other introductions like Intern Visa and Film Visa will fuel the growth [1].

Types of Tourists

There are different types of tourists:

- **Intrinsic Tourists:** They are into holidaying for the sake of enjoyment
- **Extrinsic Tourists:** They have reward oriented motivation. These tourists are susceptible to the activities where performance is evaluated.
- **Adventurers:** They give very little importance to relaxation. They are always up to exploring places and taking challenges. Mainly youths and singles from both genders carrying zest of life largely contribute to this type of tourism.



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- **Budget Travelers:** They are economy-oriented tourists. Their touring decisions about places, travelling mode, and other related factors are largely dependent on their financial status.
- **Homebodies:** They are mainly relaxed tourists. They do not get into adventure. The tourists aged above 45 to 50 years belong to this type. The busy professionals under 45 years also belong to this type.
- **Moderates:** They plan their tour ahead, have a high inclination towards tourism but they do not get into sports or adventure activities.
- **Vacationers:** They plan touring during vacations such as summer break or Christmas break. They are not always sure of where and why they wish to visit ^[2].

Motivation factors of the tourists

Motivation of the tourists stems from the domain of human psychology. It is the satisfaction-forming factor. The factors of motivation can be categorized into two types:

Internal Factors of Motivation

Internal factors arouse, direct, and integrate a person’s behavior and influence his decisions for travelling.

- **Intrinsic motivation:** For many people, tourism is a way of satisfying their psychological needs such as travelling, performing leisure activities, exploring novelty and capabilities, self-expression and self-assurance, creativity, competition, need for relaxation, and belongingness. The intrinsic motivations pertain to assuring one’s capabilities on different emotional fronts.

Intrinsic motivation drives the tourists to opt for tourism for intangible rewards such as fun, assurance, and other emotional needs. The other intrinsic factors of motivation are:

- **Attitudes of Tourist:** Knowledge of a person, place, or object + Positive or negative feelings about the same.
- **Tourist’s Perception:** By observing, listening, or getting knowledge, a tourist forms the perception about a place, person, or an object.

- **Values or beliefs:** A tourist believes or values a specific mode of conduct which is acceptable personally or socially.
- **Personality of the tourist:** The nature and physique of a tourist plays an important role towards motivation in tourism.

External Factors of motivation

- There are external motives in tourism that can influence tourists and pull them towards a certain motivation and subsequent decision.
- **Extrinsic motivation:** Here, a tourist gets motivated by external factors such as money and the need to feel competent on the scale of expenditure and performance.
- **Place of origin:** The grooming of the tourist depends upon the place of its origin. For example, for the Indian married women, the tourism might come last in the list of preferential things they wish to do whereas for American ladies, tourism would acquire much higher rank.
- **Family and age:** The family matters when it comes to the structure and the income. Today, the families with nuclear structure and double income tend to opt for long distance, extravagant tourism more than joint families or families with single earning member who are interested in visiting domestic places. The tourists also have different preferences of places according to their age. For example, tourists in the age group of 5 to 45 years might enjoy visiting destination in the USA such as Disneyland more than the senior citizens.
- **Culture or social class:** Tourists of different cultures prefer different places, events, and different types of tourism. In addition, if friends and families who have visited a place earlier spread the first hand information that motivates the others to visit the place too.
- **Market:** Ever-changing market variables alter tourism. Changes in value of currency, political situations, and economic well-being of the country influence the decisions of a tourist ^[3].

Some of the important tourist destinations in India

<ul style="list-style-type: none"> • North India ❖ New Delhi: The capital city of India and has a rich cultural past ❖ Agra: The city of the Taj Mahal and one of the greatest tourist attractions in India ❖ Simla: A splendid hill station in the Himalayas ❖ Dehradun: The capital of Uttaranchal and famous for its fantastic scenery 	<ul style="list-style-type: none"> • East India ❖ Kolkata: The cultural capital of India, the city of Tagore, and Satyajit Ray ❖ Guwahati: Important base for tourism in the region ❖ Shillong: The capital of Meghalaya, and famous for its breathtaking lush green landscapes ❖ Patna: One of the oldest cities in India and famous for its historical relics ❖ Jamshedpur: An important industrial township, home of the Tata industries
<ul style="list-style-type: none"> • Central India ❖ Allahabad: The city of the Prayag and the Kumbha Mela ❖ Varanasi: The holiest city for the Hindus, famous for its temples and ghats ❖ Bhopal: The capital of Madhya Pradesh and important center of tourism 	<ul style="list-style-type: none"> • West India ❖ Mumbai: The commercial capital of India and the city that never sleeps ❖ Panjim: The main city in the state of Goa which is famous for its golden beaches and pristine waters ❖ Udaipur: The city of palaces famous for its Lake Palace in the middle of Lake Pichola
<ul style="list-style-type: none"> • South India ❖ Chennai: The Automobile capital of India ❖ Bangalore: The Silicon Valley of India, famous for its software companies and a has a beautiful weather ❖ Trivandum: The city of the famous Kovalam Beach ❖ Cochin : A coastal city famous for its historical relevance ❖ Ooty: A fabulous hill station in the Nilgiris famous for its verdure valleys 	

India is a country known for its lavish treatment to all visitors, no matter where they come from. Its visitor-friendly traditions, varied life styles and cultural heritage and colorful fairs and festivals held abiding attractions for the tourists. The other attractions include beautiful beaches, forests and wild life and landscapes for eco-tourism; snow, river and mountain peaks for adventure tourism; technological parks and science museums for science tourism; centers of pilgrimage for spiritual tourism; heritage, trains and hotels for heritage tourism.

Yoga, Ayurveda and natural health resorts and hill stations also attract tourists. The Indian handicrafts particularly, jewelry, carpets, leather goods, ivory and brass work are the main shopping items of foreign tourists. It is estimated through survey that nearly forty per cent of the tourist expenditure on shopping is spent on such items. Despite the economic slowdown, medical tourism in India is the fastest growing segment of tourism industry, according to the market research report "Booming Medical Tourism in India". The report adds that India offers a great potential in the medical tourism industry. Factors such as low cost, scale and range of treatments provided in the country add to its attractiveness as a medical tourism destination ^[4].

Sector overview ^[5]

Travel & Tourism is one of the world's largest economic sectors, creating exports and prosperity around the world. As per Global Economic Impact of Travel & Tourism (2018), Travel and Tourism sector has contributed 10.4% to global GDP, 4.6% in direct travel and tourism GDP, 9.9% of global employment highlighting high growth worldwide. Investments in Travel & Tourism sector in 2017 was accounted at USD 882.4 billion worldwide which is expected to rise by 4.3% pa over the next ten years to USD 1,408.3 billion by 2028 (5.1% of total).

- Indian Tourism and Hospitality Sector have emerged as one of the key drivers of growth of Indian economy. Considering the rich cultural and historical heritage of the country, India have high potential in Tourism and Hospitality sector.
- India ranks 7th among 184 countries in terms of travel & tourism's total contribution to GDP (2017)
- The number of Foreign Tourist Arrivals (FTAs) in February 2018 were 1.05 million as compared to FTAs of 956,000 in February 2017 and 849,000 lakhs in February 2016.
- India offers diverse portfolio of niche tourism like Cruise Tourism, Adventure Tourism, Medical Tourism, Wellness and Sports, Eco-tourism, Film Making, Rural and one of the most important Religious Tourism. Some major emerging segments includes- Rural Tourism, Adventure Tourism, Medical Tourism, Heritage Tourism, Eco-Tourism Luxury Tourism, Pilgrimage Tourism
- Tourism Sector is contributing enormously to employment as well as foreign exchange earnings for the country. In fact, it is the 3rd largest foreign exchange earners for the country.
- According to the Global Business Travel Association (GBTA), India is the 10th largest Business Travel market globally. Also, India as one of the fastest-growing markets, it is expected to be the sixth-largest market by 2019.

- The most flourishing India's Medical Tourism is estimated to be worth \$US 5.8 billion in 2017. It is projected to grow to \$7–8 billion by 2020
- Foreign tourist arrivals into the country are forecast to increase at a CAGR of 7.1 per cent during 2005–25.

The factors for the growth of the tourism sector of Indian economy

- Increase in the general income level of the populace
- Aggressive advertisement campaigns on the tourist destinations
- Rapid growth of the Indian economy ^[6]

Development of tourism in India

Early Development

The first conscious and organized efforts to promote tourism in India were made in 1945 when a committee was set up by the Government under the Chairmanship of Sir John Sargent, the then Educational Adviser to the Government of India (Krishna, A.G., 1993). Thereafter, the development of tourism was taken up in a planned manner in 1956 coinciding with the Second Five Year Plan. The approach has evolved from isolated planning of single unit facilities in the Second and Third Five Year Plans. The Sixth Plan marked the beginning of a new era when tourism began to be considered a major instrument for social integration and economic development. But it was only after the 80's that tourism activity gained momentum. The Government took several significant steps. A National Policy on tourism was announced in 1982. Later in 1988, the National Committee on Tourism formulated a comprehensive plan for achieving a sustainable growth in tourism. In 1992, a National Action Plan was prepared and in 1996 the National Strategy for Promotion of Tourism was drafted. In 1997, the *New Tourism Policy* recognises the roles of Central and State governments, public sector undertakings and the private sector in the development of tourism were. The need for involvement of Panchayati Raj institutions, local bodies, non-governmental organisations and the local youth in the creation of tourism facilities has also been recognized ^[7].

Present situation and features of tourism in India

Today tourism is the largest service industry in India, with a contribution of 6.23% to the national GDP and providing 8.78% of the total employment. India witnesses more than 5 million annual foreign tourist arrivals and 562 million domestic tourism visits. The tourism industry in India generated about US\$100 billion in 2008 and that is expected to increase to US\$275.5 billion by 2018 at a 9.4% annual growth rate. The Ministry of Tourism is the nodal agency for the development and promotion of tourism in India and maintains the "*Incredible India*" campaign.

According to World Travel and Tourism Council, India will be a tourism hotspot from 2009-2018, having the highest 10-year growth potential. As per the Travel and Tourism Competitiveness Report 2009 by the World Economic Forum, India is ranked 11th in the Asia Pacific region and 62nd overall, moving up three places on the list of the world's attractive destinations. It is ranked the 14th best tourist destination for its natural resources and 24th for its cultural resources, with many *World Heritage Sites*, both natural and cultural, rich fauna, and strong creative industries in the country. India also bagged 37th rank for its air transport network. The India travel and tourism industry

ranked 5th in the long-term (10-year) growth and is expected to be the second largest employer in the world by 2019. The 2010 Commonwealth Games in Delhi are expected to significantly boost tourism in India further. [www.ibef.org/industry/tourismhospitality.aspx] Moreover, India has been ranked the "best country brand for value-for-money" in the Country Brand Index (CBI) survey conducted by *Future Brand*, a leading global brand consultancy. India also claimed the second place in CBI's "best country brand for history", as well as appears among the top 5 in the best country brand for authenticity and art & culture, and the fourth best new country for business. India made it to the list of "rising stars" or the countries that are likely to become major tourist destinations in the next five years, led by the United Arab Emirates, China, and Vietnam [www.ibef.org/industry/tourismhospitality.aspx] ^[8]

Review of literature

Jeganathan et al. (2014) ^[9] Tourism is an industry that has been registering enormous growth year over year. Tourism plays vital role in a country's growth and development. India has become an attractive destination for global tourists. Liberalisation and Foreign Direct Investment brought huge investment and cash flow to tourism industry in India. Government of India adopted policies and initiated campaign to aid growth of tourism industry and marketed India to the global investors and tourists. In last decade the industry growth was outstanding in terms of foreign exchange earnings, employment generation and GDP contribution. This paper aims to brief the factors which have been act as growth drivers of tourism in India with the help of available data. Data presented in this study have been collected from government reports, published articles and government websites.

Ohlan and Ramphul (2017) ^[10] investigate relationship between tourism and economic growth in India by considering the relative importance of financial development over the period of 1960–2014. The results of newly-developed Bayer and Hanck combined test indicate that tourism, economic growth and financial development are cointegrated. It is shown that the inbound tourism spurs economic growth in India both in long-run and short-run. In addition, the analysis indicates the presence of a long-run one-way Granger-causation running from tourism to economic growth. It is suggested that policies for attracting more international tourists should be promoted.

Sultan Singh Jaswal (2014) ^[11] explores that there has been a tremendous growth in tourism in India because of the policies of the government and support from all levels. Tourism is considered to be an economic bonanza. It is a multi-segment industry. While gauging the positive economic effects of tourism, we study its contribution to the generation of national income, expansion of employment opportunities, rising of tax revenue, generation of foreign exchange and transformation of regional economy. Travel & Tourism is an important economic activity in most countries around the world. As well as its direct economic impact, the industry has significant indirect and induced impacts. Indian Tourism offers a potpourri of different cultures, traditions, festivals, and places of interest. There are a lot of options for the tourists. India is a country with rich cultural and traditional diversity.

Indian tourism – Interesting facts

- The travel and tourism industry contributed a total of \$124.8 billion to GDP in India in 2015 — this accounted for approximately 6% of India's total GDP.
- A 2014 study found that India was one of the fastest-growing tourism destinations worldwide. Placed eleventh in the list, the direct contribution of travel and tourism to GDP in India was expected to grow an average of 6.4% annually between 2014 and 2024.
- Tourism in India provides 40 million jobs. The sector is expected to grow at an annual average growth rate of 7.9% till 2023, making India the third fastest growing tourism destinations over the next decade.
- The industry provided more than 23.5 million jobs in 2015. Over 7.7% of Indian employees work in the tourism industry.
- The 2011 Kumbh Mela was the largest gathering of people with over 75 million pilgrims. The gathering was so huge that the crowd was visible from space.
- The largest source market for visitors to India was the US, followed by Bangladesh and the UK. Outbound travel from India is also is forecasted to reach 1.41 million in 2020.
- Tourist arrivals in India increased to 8,91,000 in November from 7,54,000 in October, 2016. It averaged 4,26,846.43 from 2000 until 2016, reaching an all-time high of 9,13,000 in December, 2015 and a record low of 1,29,286 in May, 2001 ^[12].

India travel trends and Outlook ^[13]

India has been the travel magnet for the world since ages. With a vibrant kaleidoscope of traditions, culture, and geographies, India speaks for itself as a soul-stirring destination. Also, with the growing income and technology seeping into every home, the industry whether outbound or inbound is witnessing steady growth.

The United Nations World Tourism Organization (UNWTO) estimates that India will account for 50 million outbound tourists by 2020. Despite the slowdown due to rupee fluctuations, the Indian outbound numbers have been growing at an average annual growth rate of 10-12% over the last seven years.

‘Customization’ will continue to be the keyword for 2019 too

The customization was the name of the game in 2018 when the travel customer experience was talked about. The travel brands tailored information and offered their products based on overall trip experiences of bespoke travel preferences or past behaviors of their customers. And, the trend was people did not mind paying more for their services. This will continue in 2019 and 2020 as well as people are looking for convenient and secured travel facilities which many players are striving to offer in different packages.

Experience-based travel

During 2018, experience-based travel gained momentum. The Indian market is throwing a lot of opportunities as travelers are getting matured. Trends are changing; people are now exploring new destinations like, South Africa, Tunisia, Jordan, Fiji, Mexico, etc, which were never touched in the past. Cruises have taken a huge leap; people are into experiencing good and new destinations.

Avid travelers between 30 years and 40 years are traveling more. People travel for experience be it food, fitness or adventure, sports for their favorite cuisines, yoga or sports, etc. More and more people are opting now for a destination wedding as the cost remains the same, but it's better coordinated with a new experience.

Technology is a game changer

In the last seven to eight years, the buying power of Indians has increased along with the internet and mobile technology giving thrust to the travel and tourism industry. Block chain technology ensures complete automation, is changing the game in terms of ease of travel. Indians are now among the top five spenders for overseas trips. As per the recent data, the travel searches conducted on a mobile device totaled 47% in Europe, 40% in Asia, 38% in Middle East Africa, and 34% in Latin America and 26% in the USA. Amazingly, Booking.com found that 80% of customers prefer to self-serve in order to get the information that they need.

Also, 60% of consumers believe that their travel experience should deploy the use of AI (Artificial Intelligence) and base their search results on past behaviors and/or personal preferences. Google's data shows that 36% of consumers are willing to pay more for these personalized experiences.

Off-peak travel is gaining appeal

The trend of traveling during the off-peak season is gaining more and momentum as informed travelers get discounted tariffs at hotels, off-season discounts at tourist attractions and cheaper airfare. Also, the thrill and excitement build up visiting destinations in the off-season. Trends show how countries like Iceland welcomed 32.9% of this total arrival during the winter months. Also, a recent study found that 79% of Americans would consider an overseas trip during the winter, and 53% of them would not be seeking a change in the weather. Winter festivals around the world attract millions of visitors, such as China's Harbin Ice Festival which had over a million visitors last year^[14].

The excitement in last-minute booking and search

The spur-of-the-moment generation goes for booking vacations last minute due to the excitement of not knowing where they're going until the very last second. Also, the corporate trends show the spur in the last minute booking as the companies have meetings fixed at the much shorter deadlines.

However, finding a cheap last minute flight is a little trickier compared to accommodation, since prices typically go up the closer you get to the departure date due to the increased demand of the flight. But the thrill that encompasses last minute planning is beyond expectation. The recent data suggests travel-related searches for "tonight" and "today" have grown over 150% on mobile, over the past two years. Travelers want more flexibility, which mobile devices have delivered leading to a greater propensity to book last-minute in 2018. And the trend will continue. 38% of bookings are made on the same day or two days before a trip, 53% are made within a week of a trip, and just 19% are made in advance.

Conclusion

As of 2019, India is home to nearly 1.2 billion residents, who speak 22 official languages and practice an array of

religions. The country's currency is the Indian rupee, and travel and tourism are its most vital and fastest-growing economic industries. Visitors travel to India for a plethora of reasons, including medical tourism, eco-tourism and religion. The country's geographical diversity, aesthetic beaches and extensive collection of World Heritage sites and bio-geographical zones also attract travelers from other countries. The India Brand Equity Foundation projects that international tourist arrivals in India will reach 30.5 million by 2028. The massive development of tourism in India comes as no surprise. The country has 36 World Heritage sites and 103 national parks. Tourists in India can visit the Taj Mahal in Agra, the hill forts in Rajasthan and the holy city of Varanasi, plus jungles and exotic wildlife. Along with foreign tourists, Indians are discovering their own country as well, with domestic travel on the rise along with international visits.

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