STUPENDOUS GROWTH IN INDIAN TOURISM – A BOON OF ECONOMIC REFORMS POST 1991

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ABSTRACT

The prominent development that has been witnessed as a result of the reforms of 1991 was that India being the second most populated country in the world has become the focus of attention of all the other economies of the world offering a wide and open market to be tapped. With economic development many new sectors have found space. One of them is tourism and travel. The growing popularity of tourism is the result of various plans and policies of the government. Abolition of licensing system and restrictions on private sector, dispersing industries towards rural and backward areas by giving them incentives and subsidies, liberal provisions for easy entry of foreign direct investments (FDI) in the fields of investment, trade, technology and hotel industry and shift of focus from manufacturing to service industry resulted in growth of tourism sector especially the domestic tourism. There is positive relationship between the growth of tourism and growth of the country. As the country grew in terms of GDP and FDI, tourism also showed positive trends. Tourism has grown as a result of overall policy changes that have led to more disposable income in the hand of Indians. The tax slabs have changed and so has the share of non-food expenditure of urban households. Present paper highlights that the good economic condition of the people of India and economic reforms of post 1991 era has resulted in continuous increase in domestic tourist visit.

Key words : Economic reforms, Govt. policies, FDI, Domestic tourism

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INTRODUCTION

Within the framework of a democratic mixed economy, India has completed more than six decades of economic planning. The reasons for practising the 5-year planning were different in the first four decades as compared to the last two ones. In the wake of independence, India faced an uphill task of overcoming the colonial legacy. India had miserably low standards of living and income, she had a slender industrial base, millions of people suffered under the weight of the traditional agrarian structure, productivity in industry and agriculture stood at low level. Thus, the major objectives to be achieved at that time were:

- securing an increase in national income.
- achieving a planned rate of investment within a given period to bring the actual investment as a proportion of national income to a higher level.
- reducing the inequality in the distribution of income and wealth and reducing the concentration of economic power over resources.
- providing additional employment.
- adopting measures to alleviate the three bottlenecks regarded by the planners as being of critical importance - agricultural production, the manufacturing capacity for producers' goods and balance of payments.

ECONOMIC POSITION OF INDIA AS IN JULY 1991

Until July 1991, the government had pursued a package of conservative macro-economic policies. However, the inevitable compromises which had to be made in order to bridge the gap between the vision and reality of our limitations took the economy towards the misguided alternative of deficit financing. The dimensions of the crisis which ensued get reflected in macro-economic imbalances which grew to critical proportions as shown in the following table.

Growth of Macro-Economic Imbalance as % of GDP

Measure of imbalance	1975-76 to 1980-81 (5 year average)	1990-91
Trade deficit	1.22	3.19
Current account deficit	0.79	3.28

External Debt	8.68	30.77
Fiscal Deficit	3.46	8.41
Budgetary Deficit	1.05	2.14
Total Public Debt	41.09	59.26

During this critical time the tourism sector was far behind in the priority list of the government.

The new industrial policy (NIP) in operation since 1991 ushered in the era of globalisation, liberalisation and privatisation in the economic sector. The objectives of the financial reforms announced in 1991 were:

- To make India grow as a part of the world economy and not in isolation.
- To give equal opportunities to the private sector to grow and let the public sector focus on only a few strategic industries.
- Abolition of licensing system and restrictions on private sector.
- Dispersing industries towards rural and backward area by giving them incentives and subsidies.
- Liberal provisions for easy entry of Foreign Direct Investments (FDI) in the fields of investment, trade and technology.
- Promotion of small scale industries by giving them financial support, supply of raw materials, production and quality management.

SCENARIO POST 1991

India opened its doors to Foreign Direct Investments (FDIs), removed barriers and restrictions, abolished licensing, gave thrust to public private partnership (PPP) and realised the importance of service industry for the growth of nation as envisaged in the New Liberalisation Policy of 1991.

The three dimension mantra of liberalisation, globalisation and privatisation has led to the overall economic development of the country as can be seen in the following comparative analysis of figures as they stood between 1991 and 2011.

Table 1: GDP Rate (%)

Year	1991	2011
GDP Rate	2.5	8.6

GDP has seen a remarkable increase of 244% in the 20 year period as shown in Table 1.

Table 2: Foreign Direct Investment (in $ million)

Year	1991-92	2010-11
FDI	133	1274

Figures given in Table 2 reveal that FDIs have jumped up 857% during the given period.

Table 3: Inflation rate (%)

Year	1991	2011
Inflation Rate	13.25%	8.72%

As shown in the figures of Table 3 inflation has dipped 34.18% between 1991 and 2011.

Table 4: Foreign Exchange Reserves (in bn $)

Year	1991	2011
Foreign Exchange Reserves	1.2	35.72

Figures given in Table 4 show that foreign exchange reserves of India have risen 26210% during a span of 20 years.

Table 5: Teledensity (in million households)

Year	1991	2011
Teledensity	0.6	67.67

As shown in Table 5, telephone connections in India have jumped up an astounding 11178%.

Table 6: Literacy rate (in %)

Year	1991	2011
Literacy rate	52.21	74.04

As revealed by figures given in Table 6. Literacy rate is showing a rise of

41.8%.

So, from the brink of bankruptcy in 1991 where India had money to finance only 3 weeks' imports and had to mortgage gold, India showed remarkable growth in a short span of two decades and is now the centre of attention of all the economies of the world.

With economic development, many new sectors have found space. One of them is tourism and travel. The history of tourism can be traced back to the earlier civilizations of India too. However, prior to 1980 the govt. of India paid little attention to service industries like tourism industry. During 1980s the govt. realised that this industry was the 3rd largest contributor to India's exports after readymade garments and gems and jewellery.

Chronology of Plans and Policies for Development of Tourism as Followed by the Govt. Since 1980

June 1982	-	Planning commission recognizes tourism as an industry.
Nov. 1982	-	1st Tourism Policy Announced
July 1986	-	National Committee on Tourism set up
Nov. 1987	-	Recommendations of committee-department of tourism to be replaced by National Tourism Board
	-	Partial privatisation of 2 airlines
1989	-	Tourism Finance Corporation set up
1992	-	National Action Plan for encouraging tourism
1992-97	-	(5 year plan) - Increase participation of private sector in tourism..
1997-2002	-	(9th 5 year plan) - Export house status to tourism sector.
	-	Declaration of tourism as high priority industry for foreign investments.

May 2002 - (1) New National Tourism Policy (Based on 7s).

- Swagat
- Soochna

- Suvidha
- Suraksha
- Sahyog
- Sanrachna
- Safaii

(2) Acknowledgement of tourism industry as key economic drivers.

(3) Creation of world class infrastructure.

FDI : An Instrument of Development in Tourism Industry

With a view to stimulating domestic and international investments in this sector, the government has implemented the following initiatives:

- 100% FDI under the automatic route is now permitted in all construction development projects including construction of hotels and resorts, recreational facilities and city and regional level infrastructure.
- 100% FDI is now permitted in all airport development projects subject to the condition that FDI for upgradation of existing airports require FIPB (Foreign Investment Promotion Board) approval beyond 74%.
- A five year tax holiday has been extended to companies that set up hotels, resorts and convention centres at specified destinations, subject to compliance with the prescribed conditions.
- Plans for substantial upgradation of 28 regional airports in smaller towns and the privatization and expansion of Delhi and Mumbai airports.

Following Table shows FDI inflows into India in tourism sector.

Table 7: (In US $ million)

Year	1990-91	2000-01	2010-11 (P) (upto Nov.)
FDI Inflows	0	4029	19,002

*'P' - Provisional Source: RBI Bulletin (May 2010)

ECONOMIC DEVELOPMENT AND GROWTH OF DOMESTIC TOURISM IN INDIA

The growing popularity of tourism is the result of the various plans and policies that the government has initiated for tourism. Also, the economic development has led to growth in the number of people going out for vacations. Infact, 74% of tourists in India are domestic tourists. The following figures highlight increase in domestic tourism.

A) Domestic tourists travel

Table 8: Domestic Tourists Visits

Year	Domestic Tourist Visit	Annual Growth Rate (in %)
1991	66670303	--
2000	220106911	15.4
2009	668800482	18.8
2011	850856640	13.8

Figures given in Table 8 show that domestic tourists have risen a whopping 1176% in the 20 year period with the year 2009 having the highest growth rate of 18.8%.

B) Visitors to centrally protected ticketed monuments

A 107% growth in domestic visitors to centrally protected ticketed monuments truly indicates the growth of tourism (See table 9)

Table 9: Visitors to centrally protected ticketed monuments

Year	No. of CPTM	No. of domestic visitors	Annual Growth Rate
1996	68	NA	--
2003	126	19551820	12.8%
2008	117	28786608	22.8%
2011	117	40534481	13.3%

C) Increase in no. of passengers in airlines and railways

Domestic passenger growth in airline sector is quite impressive as it moves from approx. 20 million passengers in the year 1999-2000 to over 151 million in the year 2011-12.

Similarly, the passenger kilometers (PKM) in the railways has moved up from 295644 km in 1991 to 1046522 km in 2011-12.

D) Increase in disposable income

Tourism has grown as result of overall policy changes that have led to more disposable income in the hand of Indians. The tax slabs have changed and so has the share of urban households in total expenditure is non-food products including travelling.

Tax Slab

Year	Min. Tax (2)	Tax Rate	Exemption Limit
1991	22,000	20	1,00,000
2011	18,000	10	1,80,000

Share of urban households' total consumer expenditure on non-food products

Year	Share of non-food expenditure in total expenditure (%)
1993-94	36.8
1999-2000	40.8
2009-2010	46.4

As can be seen the minimum tax paid has gone down 18% while expenditure on non-food products has risen 26% over the same period.

ECONOMIC DEVELOPMENT OF INDIA -A BIG REASON TO INVEST IN INDIA TOURISM

A rapidly growing middle class, the advent of corporate incentive, travel and the MNCs in India has boosted prospects for tourism. India's easy visa-rules, public freedoms and its many attractions as an ancient civilization makes tourism development easier than in many other countries. Following are the reasons to invest in Indian tourism -

1. Economic liberalization has given a new force to the hospitality industry.
2. Indian hospitality industry is increasing at a rate of 15% annually.
3. The current gap between demand and supply is predicted to grow.
4. 2,00,000 additional rooms are predicted to be required in the next five years.
5. Opening of the skies to private domestic airline operators has made travel easier.
6. The 5 star hotel sector has increased the fastest during the last 5 years at a CAGR of 12%. The survey by the Federation of Hotel and Restaurant Association of India (FHRAI) further highlights that the good economic condition of the people of India is highlighted by their choices:

- Most of the rooms are now air conditioned (ACs)

- Share of domestic guests for all hotels - 74%.
- Leisure tourists are approximately 40% of the total.
- Average stay of the guests is 2.8 days.

CONCLUSION

Thus, it can be rightly said that when people start earning more, they move from the necessity zone to the comfort zone and finally aim for the luxury best. One of the ways Indians decided to show off their income was by travelling. Thus, the tourism industry owes its stupendous success to the policies of economic development that were followed post 1991. There is a positive relationship between growth of tourism and growth of country. As the country grows in terms of GDP and FDI, tourism also shows positive trends.

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