



FOREIGN EXCHANGE EARNINGS FROM TOURISM DURING PRE-COVID-19 IN INDIA: AN ANALYSIS

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ABSTRACT

It has been observed that the tourism industry in India had been earning invaluable foreign exchange since the beginning of the planning era. As a result of policy initiatives today India is able to earn significance revenue from this industry up to march 2020. Against this background the paper is prepared with the objectives like, to review the global scenario of Foreign Exchange Earnings before covid 19; and to review trends in Foreign Exchange Earnings in India. The paper is based on secondary sources. It is found that Europe received about 39 per of the global tourism receipt during 2016-17 and stood the first rank and Asia accounted for 29 per cent, the second highest. The share of global tourism receipts was found to be lower in the case of emerging economies with 35 per cent, whereas in the case of advanced economies, it accounted for 65 per cent during 2017. The foreign exchange earnings as a percentage to GDP increased from 0.81 per cent in 1991 to 1.3 per cent in 2017 in India. Covid-19 is the biggest challenge to tourism sector in the worldwide. For the tourism sector in India, there is a need for redefine, refocus and change the game plan going forward and catch the benefits of the tourism sector.

KEY WORDS: Foreign Exchange, Tourism receipts, working capital, employment.

INTRODUCTION

Tourism was an important economic activity in most countries around the world contributing in terms foreign exchange earnings, GDP, employment, exports etc, both directly and indirectly. As well as its direct economic impact, the industry had significant indirect and induced impacts. The UN Statistics Division-approved Tourism Satellite Accounting methodology (TRMF, 2008) quantifies only the direct contribution of travel and tourism. But WTTC (World Tourism and Travel Council) recognizes that travel and tourism's total contribution is much greater, and aims to capture its indirect and induced impacts in most of the destinations through its annual research. It has been observed that the tourism industry in India had been earning invaluable foreign exchange since the beginning of the planning era. As a result of policy initiatives today India is able to earn significance revenue from this industry. This valuable foreign exchange can be used to import capital for the development of the core sector of the economy.

Against this background the paper is prepared with the following objectives and methodology.

The main objectives of this paper are:

- To review the global scenario of Foreign Exchange Earnings before covid 19;
- To review trends in Foreign Exchange Earnings in India.

The paper is based on the information gathered through available secondary sources and literature reviews. The secondary sources include the reports collected from Ministry of Tourism Government of India (MOTGI), socio-economic reviews, various articles at state, national and international level.

GLOBAL AND INDIAN SCENARIO OF FOREIGN EXCHANGE EARNINGS FROM TOURISM

The data provided in the table 1 shows the region-wise receipts of foreign exchange from tourism



during 2016-17. The data show that Europe received about 39 per cent of the global tourism receipt during 2016-17. Europe stood the first rank in terms of receiving the foreign exchange receipts from tourism. Asia accounted for 29 per cent, the second highest.

Across advanced and emerging economies, the data show that the share of global tourism receipts was found to be lower in the case of emerging economies with 35 per cent, whereas in the case of advanced economies, it accounted for 65 per cent during 2017.

Table 1: Global tourism Receipts by Major Economies of the World: 2016-17

Regions/Economies	Global Tourism Receipts (US \$ Billion)			Market share (%)	Percentage change
	2015	2016	2017	2017	
Europe	468	468.1	519.2	39	8.0
Asia and the Pacific	355.6	370.8	389.6	29	2.6
America	307.3	313.7	326.2	24	1.3
Africa	32.2	33.0	37.3	3	8.0
Middle East	58.0	59.0	67.7	5	12.8
Advanced economies	799	814	870	65	4.2
Emerging Economies	423	431	470	35	6.2
World	1221	1245	1340	100.00	4.9

Source: World Tourism Organisation: UNWTO Tourism Highlights 2018.

The data provided in table 2 indicate that foreign exchange earnings from tourism in India increased from Rs 4318 crore to Rs 177874 crore during 1991 to 2017. The data on the annual growth

rate of foreign exchange earnings increased at a significant pace but in the years 2001 and 2002, there was a negative growth rate took place, and thereafter, it grew positively and significantly.

Table 2: Foreign Exchange Earnings from Tourism in India during 1991-2017

Year	Foreign Exchange Earnings in Terms of Rs		Foreign Exchange Earnings in Terms of US \$		% to GDP
	Amount (Rs Crore)	Percentage change	Amount (US \$ Million)	Percentage change	
1991	4318	--	1861	--	0.81
1992	5951	37.82	2126	14.24	0.97
1993	6611	11.09	2124	-0.09	0.94
1994	7129	7.84	2272	6.97	0.87
1995	8430	18.25	2583	13.69	0.88
1996	10046	19.17	2832	9.64	0.90
1997	10511	4.63	2889	2.01	0.81
1998	12150	15.59	2948	2.04	0.84
1999	12951	6.59	3009	2.07	0.78
2000	15626	20.65	3460	14.99	0.85
2001	15083	-3.47	3198	-7.57	0.76
2002	15064	-0.13	3103	-2.97	0.69
2003	20729	37.61	4463	43.83	0.89
2004	27944	34.81	6170	38.25	1.07



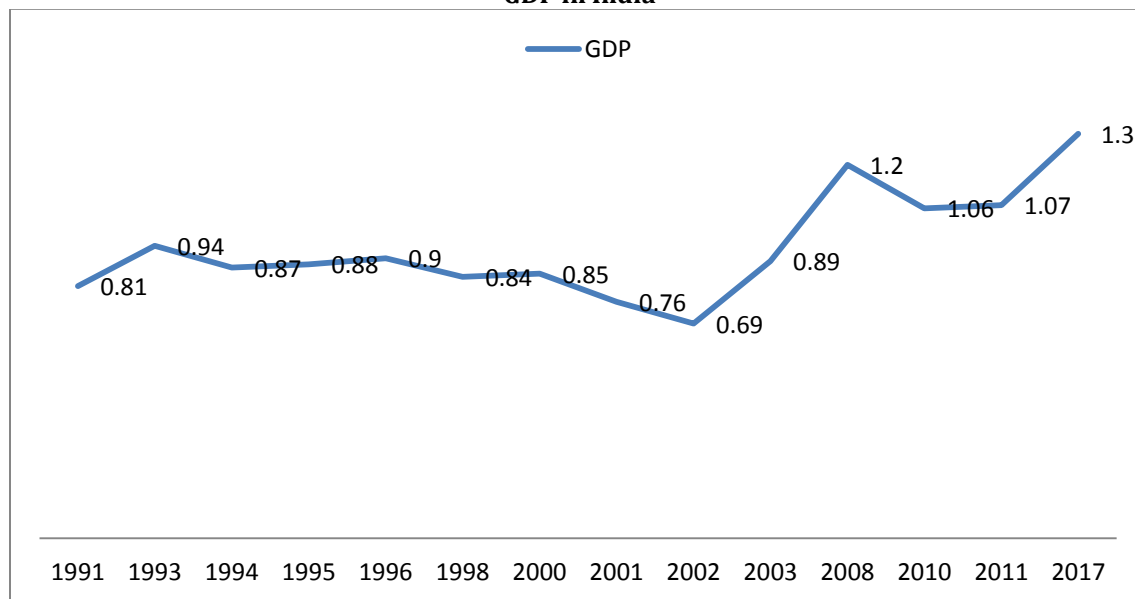
2005	33123	18.53	7493	21.44	1.11
2006	39025	17.82	8634	15.23	1.15
2007	44360	13.67	10729	24.26	1.12
2008	51294	15.63	11832	10.28	1.12
2009	53700	4.69	11136	-5.88	1.01
2010	64889	20.84	14193	27.45	1.06
2011	77591	19.57	16564	16.71	1.07
2017	177874	15.4	27310	19.1	1.30

Source: India Tourism Statistics 2018, Ministry of Tourism, GoI, New Delhi., World Tourism Organisation: UNWTO Tourism Highlights 2018.

The foreign exchange earnings as a percentage to GDP was estimated to be at 0.81 per cent in 1991 and which did not increase more than 1 per cent till 2004. After 2004, it started showing an increasing trend

and reached 1.30 per cent in 2017. This may be due to the initiation of new tourism policy in India (Figure 1)

Figure 1: Trends in Foreign Exchange Earnings as a Percentage to GDP in India



Source: India Tourism Statistics 2018, Ministry of Tourism, GoI, New Delhi, World Tourism Organisation: UNWTO Tourism Highlights 2018.

The data provided in Table 3 indicate that while the world's tourism receipts increased from 475.3 US \$ billion in 2000 to 13332 US \$ billion in 2017. The annual growth rate was registered with less than one per cent during 1997-98 and which tended to be higher with 11.11 per cent in 2010-11 and reached 19.1 per cent in 2017. This implies that there has been a rapid increase in global tourism receipts. In the case of India, the annual growth rate was much higher during

the same period. Even in the most case, India's tourism receipts increased much higher than that of the world. The share of India's tourism receipts in world was estimated to be at 0.73 per cent with 10th rank in 2000, and which increased to 2.05 per cent with 7th rank during 2017. The percentage of India's tourism to GDP increased sharply from 2003. This can be due to the introduction of a new policy for the development of tourism and travel in India.

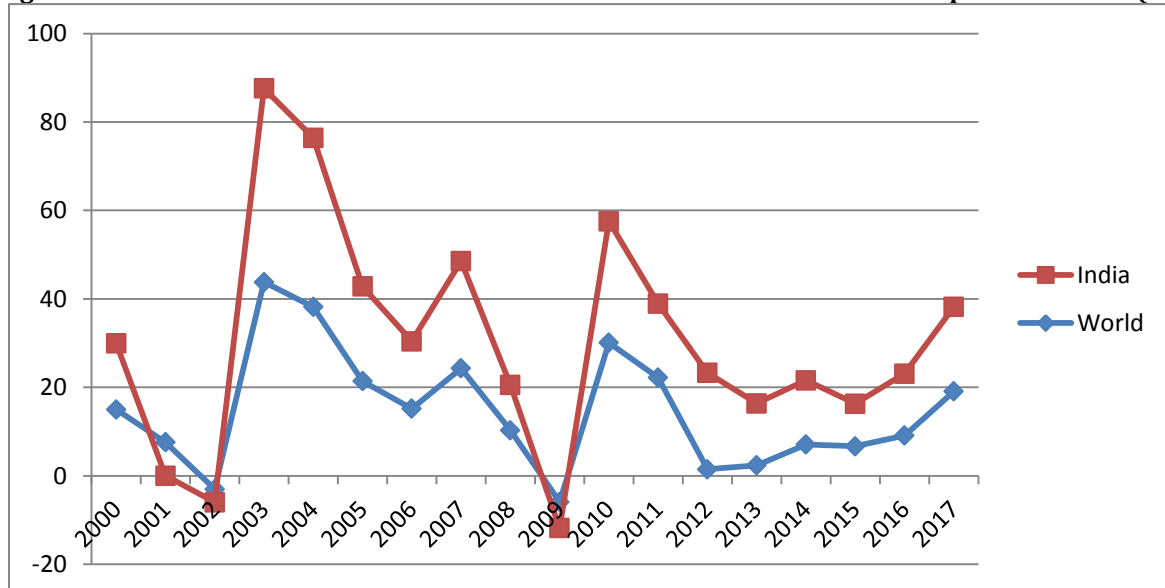
**Table 3: Global Tourism Receipts and India's Share and Ranking: 2000-2017**

Year	World Tourism Receipts Amount(US \$ Billion)	India's Tourism Receipts		India's Share	Rank
		Amount (US \$ Billion)	Percentage Change over the year		
2000	475.3	3.460	15.0	0.73	10 th
2001	463.8	3.198	7.6	0.69	12 th
2002	481.9	3.103	-3.0	0.64	13 th
2003	529.3	4.463	43.8	0.84	9 th
2004	633.2	6.170	38.2	0.97	8 th
2005	679.6	7.493	21.4	1.10	7 th
2006	744.0	8.634	15.2	1.16	7 th
2007	857.0	1.0729	24.3	1.25	6 th
2008	939.0	11.832	10.3	1.26	6 th
2009	853.0	11.136	-5.9	1.31	7 th
2010	931.0	14.490	30.1	1.56	7 th
2011	1042	17.707	22.2	1.70	8 th
2012	1117	17.971	1.5	1.61	7 th
2013	1198	18.397	2.4	1.54	8 th
2014	1252	19.700	7.1	1.57	7 th
2015	1217	21.013	6.7	1.73	7 th
2016	1239	22.923	9.1	1.85	7 th
2017	1332.0	27.310	19.1	2.05	7 th

Source: India Tourism Statistics 2018, Ministry of Tourism, Government of India, New Delhi.

The data provided in figure 2 indicates that the annual growth rate of India's tourism was estimated to be much higher as compared to that of the world. This rate was higher in recent years. It can also be noted that the annual growth rate of both global and India's tourism receipts declined quite significantly in 2009

and thereafter it started to show an increasing trend. This can be due to the introduction of the new policy for the development of tourism and travel in India from 2002 to 2017.

**Figure 2: Trends in Annual Growth Rates of World's and India's Tourism Receipts: 2000-2017(%)**

Source: India Tourism Statistics 2018, Ministry of Tourism, Government of India, New Delhi.

With the above analysis it is clear that, as far as the contribution of tourism in terms of foreign exchange is concerned, the data show that Europe received about 39 per of the global tourism receipt during 2016-17. Europe stood the first rank in terms of receiving the foreign exchange receipts from tourism. Asia accounted for 29 per cent, the second highest. The share of global tourism receipts was found to be lower in the case of emerging economies with 35 per cent, whereas in the case of advanced economies, it accounted for 65 per cent during 2017. The foreign exchange earnings as a percentage to GDP increased from 0.81 per cent in 1991 to 1.3per cent in 2017. The annual growth rate of India's tourism receipts was estimated to be much higher as compared to that of the world. It can also be noted that the annual growth rate of both global and India's tourism receipts declined quite significantly in 2009 and thereafter it started to show increasing up to 2010 and then again started to decrease. This may be attributed to the global economic crisis that occurred in the USA and European countries.

SUGGESTIONS

Government has to make concerted efforts towards increasing the safety and security of tourists in India. There is a significant need for improvement in ensuring sound health and hygiene standards as compared to world economies. Apart from this, budget allocation for tourism sector has to be increased. The two challenges in the survive stage are to save businesses and retain the jobs. The Centre government must provide businesses environment with institutional

access to working capital and enable liquidity through an affordable loan facilities. The government should help the tourism related small businesses people to access working capital by banking loan facilities. Hence, Government of India needs to concentrate on simplifying the visa procedure and has to launch free visa. There is a need to spread education and awareness on the importance of tourism sector and increase stakeholder participation involving the government, private sector and the community at large

CONCLUSION

In concluding remark, it can be said that tourism is recognized as a powerful engine for economic growth and employment generation. The tourism sector is the largest service industry in the country, its importance lies in being an instrument for economic development and employment generation, particularly in the remote parts of the country. Covid-19 is the biggest challenge to tourism sector in the worldwide. The United Nations World Tourism Organization estimates a reduction of 58% to 78% in tourist traffic across the world. For the tourism sector in India, there is a need for redefine, refocus and change the game plan going forward and catch the benefits of the tourism sector. There is a urgency to measure the impact of Covid-19 and prepare a suitable policy measures involving both the government and the industry stakeholders



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