CHAPTER ONE

(i) Concept of Service

(ii) Tourism as a Service

(iii) Historical Development of Tourism

(a) History of Travel and Tourism

(b) History of Travel and Tourism in India

(c) Statistical Analysis of the tourists arrival in India and globally.

(d) Tourism and Indian Economy

(e) tourism and its dimensions

(f) History of Travel Agency in India

(g) Regulatory Framework of Travel Agencies and Government policy implications
One often assumes that services cannot only be personal services, like auto repairing, hair cutting, dentists services, legal work consultancy and so on. To distinguish the services from manufacturing industries, it has been defined in a number of ways but no single classification is accepted universally. According to US Government's Standard Industrial Classification (SIC), the classification is based on type of activity they are engaged in for the purpose of facilitating the collection, tabulation presentation and analysis of data. Their definition of a service establishment is:

"Establishments primarily engaged in providing a wide variety of services for individuals, businesses, and government establishments, and other organizations; hotels and other lodging places; establishments providing personal, business, repair, and amusement services; health, legal, and engineering and other professional services; educational institutions, membership organizations, and other miscellaneous services are included".

The above definition covers a variety of services provided by people in the economy, but somehow different services can be assumed by different persons in "Personal
Services and miscellaneous services" although it clearly leaves out manufacturing industries.

In the words of Sir Beveridge "Services refer to social efforts (which includes Government) to fight "Five giant evils" want-disease-ignorance, squalor and illness in the society".

It highlights these services also that concerns civil administration, personal services, hospital services etc. The services provided by non-profit making organisations or by various societies are also included in the above definition.

"Services can be defined as a human effort which provides succour to the needy. It may be food to a hungry person, water to a thirsty person, medical services to an ailing and education to a student, loan to a farmer, transport to a commuter, communication aid to two persons who want to share a thought, pleasures or pain".

Here the author has tried to include three activities of people which help others in a society either voluntarily or for a gain. Extending a helping hand for any reason, according to Bevendge, based on above definition, can be called a service. However there are other dimensions of extending a helping hand, like guiding, volunteering etc.
Services can also be defined according to Yakeshel Hasen Field and others "an action(s) of organisation(s) that maintains and improves the well being and functioning of people".

Here the authors have emphasized the well being of people. Again it may be on a commercial basis or voluntarily. If we look at the activities of manufacturing organisations or industries, they too, improve the general well-being of society. Conversion of any raw material into finished goods increases its utility and naturally resources of a nation are utilised properly, which is the well-being of society in general. However the hidden meaning behind the definition may be because of another characteristics that the authors have given along with the above definition. According to them the input of a service industry and the output of this industry are human beings. In their own words "Their (the service industry’s) of input of raw material are human beings with specific attributes and their production output are persons processed or changed in a pre-determined manner".

There is no tangible or visible raw material in service industries unlike that of a manufacturing one, except for human beings. The output that comes out, is again in the form of human being, whose attributes were determined prior to rendering them services, changed or processed. The change may be their satisfaction or in some other form which is the
result of input and the process of conversion. As one would judge the quality of a product on the basis of tangible factors. One may also look at the processed humanbeing. Considering the common situation of making a withdrawal from bank one observes that input as a humanbeing is bank employee(s) dealing with withdrawal of money; the process is the way he clears the cheque; gives his client the amount of withdrawal (service) and output can be seen in the form of satisfied or dissatisfied client, whose request has been processed and he is a changed person. The sequence can be illustrated with the help of a diagram as shown in Figure I.1. (HB refers to human beings)

**ILLUSTRATION**

Input client "A"  

Client "B" passes on request for withdrawal to HB "A"  

INPUT

Processing client "A" towards satisfaction of HB "B"  

"A" processes the request of HB "B"  

Output client "B" changed as a result of process of "A"  

HB "B" satisfied or dissatisfied from the process of "A"

Figure I.1

Services Processing in a Bank
Services Versus Goods or Products:

Another approach to understanding services is to compare them with goods or products. Thus in relation to goods and products goods may be defined as the "articles of trade merchandise or wares". Alternatively something which can be physically touched, verified, and is treated or exchanged with or without making a profit on such exchange while the service may be defined as the organised system of apparatus, appliances, and/or employees for supplying some accommodation and activities required by public. Thus it is clear that goods are like food, clothes, books, etc. that can be carried home, they are stored in a place and tangible, while on the other hand hotels business, haircut, auto repair, legal work are all services. These services cannot be stored at any place and one has to hire someone else to perform the services. They are not taken home but consumed in the process of production. Similarly one only carries home effect of hire of service. The effect of service may be enjoyment, entertainment or recreation or a clean house, or a relief from legal problem or from an ailment.

Thus we can finally differentiate between the definitions of goods and services on the basis of:

a) Tangible physical objects
b) Transferability and
c) Existence, which can be summarised as follows:
Basis of Differences | Goods | Services
---|---|---
Tangibility | These are tangible physical objects, can be created and transferred. | They are intangible and non-physical in nature.
Transferability | People take goods home from the place they are stored at and consume them at home in most of the cases. | Service are not taken home, but the effect of services. It is consumed during the process of its creation itself.
Existence | Goods can be stored and it has existence over a long period of time. Usually goods are perishable. | Services can’t be stored; they don’t have any existence and perishable in nature.

But here it is maintained that even if one buys goods or a product which is tangible, he buys services also along with this. For example if one buys a computer, should it be regarded as good or a product? If one goes deeper, one observes that the prices which one has paid for computer to seller, are more than its cost to manufacturer. Higher prices that one pays to the seller is definitely for something. It may be because of convenience of location, information, and so on. If one observes all kinds of purchases, one finds that there exists some element of services along with goods.

On the other hand all services rendered involve purchases of goods, either directly or indirectly. For
example services of car rental company are based upon its purchase of a car. Therefore it can be said that whenever one buys a goods he buys some services along with the goods and when he buys services, he indirectly buys goods also.

Television set are usually considered as goods or product specifically as a consumer durable. It can be called a physical object which is carried home and used over time, but does one consume it? In fact by buying a television set one is only buying the services of a broadcasting company. In fact the television set acts as a medium to receive the communication from transmitters. Without the services of broadcasting company, the set is first a receptable having some electronic components. It is a broadcasting service which makes it useful as a product. This illustration amply proves that service dominates the elements of goods.

A study conducted in America in 1970 revealed that Americans purchased $2983 million worth television sets and television tations sold $ 3035 million worth of advertising. Here too services dominate goods by 32%. A part of this, to run a television set, to maintain it, we need services. It was revealed that 63% of people's expenditure on television was for services.

Similarly when one takes meals at expensive restaurant, he does not pay only for eatables but also for many such things as environment, aroma provided by food
items, services of waiters, surroundings of fellow dinners etc. It is difficult if not impossible to find out how much weight does each of the above factors get. It calls for an evaluation of the relative importance of goods and service content in restaurant so that due attention could be paid to obtain components of products and services in the overall package. A comparison of various goods and services package has been drawn by Sassar which is adapted in Figure 1.2, on next page.

On the basis of goods-service classification as shown in Figure 1.2 one may say that if goods content decreases by 50% in a purchase, it becomes a service and vice-versa.

Characteristics of Services:

Unlike that of goods or products, services have some distinct characteristics which call for separate attention in respect of delivery system, organisation and all other areas of management. The important characteristics of services are:

(1) Intangibility:

One cannot physically touch the services unlike that of goods. According to Carman & Unal a Buyer of products normally has an opportunity to see, touch, hear, smell, or taste them before he buys. But in case of services, the buyer has no opportunity to see, touch or smell before he
### Fig 1.2

**A COMPARISON OF VARIOUS GOODS AND SERVICES PACKAGES**

<table>
<thead>
<tr>
<th></th>
<th>GOODS</th>
<th>(%)</th>
<th>SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>100</td>
<td>75</td>
<td>50</td>
<td>25</td>
</tr>
<tr>
<td>75</td>
<td>25</td>
<td>50</td>
<td>75</td>
</tr>
<tr>
<td>50</td>
<td>25</td>
<td>25</td>
<td>50</td>
</tr>
<tr>
<td>25</td>
<td>0</td>
<td>25</td>
<td>75</td>
</tr>
<tr>
<td>0</td>
<td>25</td>
<td>50</td>
<td>100</td>
</tr>
</tbody>
</table>

- Self-service groceries
- Automobile
- Installed carpeting
- Fast food restaurant meal
- Auto maintenance
- Hospital care
- Haircut
- Consulting services
- Motel services

uses. They are even more difficult to describe except illustrating them in promotional material. Services carry with them a combination of intangible perceptions. For example, an airline sells the seat from "X" destination to "Y" and it is a matter of consumers' perception of the services than launching it, smelling or tasting etc.

(2) Perishability:

Like labour, services are also perishable. Once a labourer stops working, he cannot store the services that he was rendering to. Similarly services cannot be inventoried. Examples of perishability of services may be given as a seat of an airline, room of a hotel and an hour of a lawyer’s day. In service organizations there is no store for services, in fact these are consumed during the process of manufacturing and hence leave no chance to set off shortage of demand with high demand. There is no difference between stages of production too.

(3) Heterogenity:

It is very difficult to sell the same type of services to many consumers even if they pay the same price. Firm will be selling the same services but consumers will rate it different because of difference in perception of individuals at both levels (i.e., giver and receivers). For example, a flight attendant services on many flights - some passengers appreciate his services while some don't on the same flight. Sometimes his services are appreciated by majority of
passengers on one flight but not on the other. There is always some difference between two services he renders while this is not the case with a product. If one buy a book from a book-seller, leaving services content aside in over-all purchase, physical object i.e. book remain the same even if one buys 10 copies provided edition etc. does not change.

The heterogeneity factor of services makes it difficult to establish standard for the output of a service firm. Hence, on this basis at least, there is no question of performance appraisal or control with variance analysis. It, too, is not possible to establish standards for each service and match it with actuals because it cannot be measured objectively.

(4) Inseparability

Yet another characteristic of the services is that it is not separable from the seller. In other words it can be said that services and service provider are almost the same. One can easily understand it in the words of Donald Cowel that "goods are produced, sold and then consumed whereas the services are sold and then produced and consumed". It can be seen in the following figure, given on next page.
Goods

| PRODUCTION |
| MARKETING |
| CONSUMPTION |

Services

| TRADITIONAL |
| MARKETING |
| BUYER-SELLER INTERACTIONS |

Figure 1.3


(5) Ownership

Another characteristic of the services is that of ownership. After the sale has taken place goods are transferred in the name of buyer and he becomes owner which is not the case of services. The buyer has only the access to the services. He simply uses them. For example, a customer can use a hotel room or swimming pool but the ownership rests with hotel.

In the words of Kotler, "A service is any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product". In the above definition, Kotler has made clear about the ownership
of services. It always rests with the owner. 

(9) However Stanton has made the issue of ownership more clear by giving the following definition.

"Services are those separately identifiable, essentially intangible activities which provide want-satisfaction, and that are not necessarily tied to use sale of a product or another service. To produce a service may or may not require the use of tangible goods. However when such use is required there is not transfer of title (Permanent ownership) to these tangible goods."

In using this definition, in the words of Donald Cowell, Stanton makes clear that activities like medical care, entertainment and repair services are included but credit delivery and other services which exist only when there is a sale of a product or another service are excluded. He also recognizes that the consumer may take temporary possession or make temporary use of any goods that may be required in the production of a service (e.g. a hotel room). Also by suggesting that service organisations are those who do not have as their principle aim the production of tangible products which buyer will possess permanently.

(10)

In the words of Batesan

- "A service cannot be touched."
- Precise Standardisation is difficult.
- There is no ownership transfer.
- A service cannot be patented.
- Production and consumption are inseparable.
- There are no inventories of service.
- Middleman roles are different."

The above definition, pointwise explains the characteristics of services and these hold good in tourism also as explained in the later part of this chapter.

(6) Simultaneity:

This is another unique characteristics of service that it cannot be delivered to the customers. Since services do not move through channels of distribution, therefore either customer are brought to services or service providers go to the customers. In this way services have got only limited geographical area. In the words of Carman and Uhl "Producers of services generally have small size operations than do producers of products, largely because the producer must travel to get the services or vice-versa. When the producers travel to the buyer time is taken away from the production of services and the cost of those services is increased. It also costs time and money from buyers to travel to producers of services. These economies of time and travel provide incentive to locate more service centres closer to prospective customers which results in smaller service centre".
There are numerous examples that illustrate the above problems. An airline cannot bring an aeroplane to the customer, (even if it can, the service of flying has to be outside the domain of customer), hotels room cannot be brought to customers, legal services or medical services are possible to provide to customers at home but here too, provider of services is brought to customers along with services.

(7) Judgement of Service Quality:

As the quality of product is measured in terms of its specific performance characteristics, the quality of service requires other measurements which are hard to be quantified. It can be measured in terms of services level. A firm sells atmosphere, convenience, consistent quality, pleasant interpersonal relations, status, anxiety, moral and so on. One can quantify the food being served in a restaurant i.e. 200 ml. soup with a definite proportion of its ingredients, but the way a bearer serves it or over all environment, which apart from many other factors are a proof that total purchase cannot be quantified. Therefore one must determine the level at which he is satisfied. Satisfaction of customers may be the criteria for judging the quality of service.

Having given the various ways a service may be defined, the discussion now follows to prove the fact that tourism is an activity that very much fits in the definition
of services. This part has been elaborated in Section II of the present chapter that follows.

SECTION II: TOURISM AS A SERVICE

In this part efforts have been made to prove that the tourism business qualifies for all definitions and characteristics of services described in first part of this chapter.

Overall process that involves tourism business, is service. There is nothing which is tangible, can be physically touched, verified and which is not perishable also. In first part of the discussion on services, characteristics of services have been explained and tourism business fits in them very well. While defining services in first part if one looks at tourism business and definition of service, it too fits in the definition of services.

According to standard industrial classification "Establishments engaged in providing services for individuals, business and government establishments, and other organisations -- hotels and other lodging places, establishment providing personal, business repair and amusement services, health, legal, engineering and other professional services educational institutions, membership organisations and other miscellaneous services are included."
Looking at the definition, one observes that companies engaged in tourism business provide a wide variety of service like air ticketing, hotel booking, arranging transports and guides, selling package tours and arranging visa etc., to individuals and government. Example of providing services to government can be traced back when government of U.K. also hired the services of Thomas Cook, first Travel Agent and Tour operator of the world, to transport its 1800 men to Khartoom present capital of Sudan, one of African countries, to release its general of army who was captured by Africans. Tourism companies provide services to businessman also which is self-explanatory. They provide health services also by creating good atmosphere leisure and so on.

Business of tourism companies also qualify the definition of services given by Sir Beresige. According to Sir Beveridge "Services refer to Social efforts (including government) to fight five giant evils "want disease ignorance, squalor and illness in the society".

Here too, one finds that tourism services also fight against these evils if one calls them evil. Want of movement, or knowing people comes under cultural tourism, fighting against disease comes under tourism for health purposes. For example, people go out for change of environment or for consulting specialist in the field of science of spiritualism and so on. Ignorance is also removed
from services provided by tourism organisations. One comes to know more and more when he goes out of his own world. However squalor seems out of scope of discussions but to give a passing reference one can say that there are hotels and other organisations advertising tourism through such attractions. Fifth element covered under this definition is that of illness which for tourism purpose can be taken as disease. In this way one observes that tourism occupies right place under this definition also.

Looking at the service offered by tourism organisations in the light of definition given by Prof. Rao, A.V.S. one finds that it very much fits in here also. The gist of Prof. Rao's definition (detailed earlier) is that the service is a human effort which helps a needy person either free of charge or commercially. Tourism services is no doubt helps one who needs to know many thing before leaving home. For example legal requirements, if he is leaving for abroad, airline's rout, most economical fare and rout, suitable places of stay depending on purpose of visit, important spots to be seen are some of the queries which he gets clarified from tourism organisations, usually against a price. This is an ample evidence that providing help to a needy, is service offered by travel organisations also.

According to Yakeshel Hasenfield and others services have been defined as "an action(s) of organisation(s) that maintains and improves the well-being and functioning of
people". Tourism organisations' efforts are also directed towards maintaining and improving the well-being of the persons who travel for any reasons whatsoever. These organisations improve the well-being of travellers in many ways. For example, a traveller travelling through an agent is far more secure than the otherwise traveller in respect of all services he avails. Because most of the providers of services get bulk business from agent and they cannot afford to mishandle this client at any time because of the fear of losing next business from the same agent. An individual traveller does not affect the business as much as does the agents'. There are many advantages of the same nature and will be discussed at greater length in coming chapters.

While explaining the definition of services, Yakeshel Hasenfield and others have explained another important characteristics of services which means that unlike that of manufacturing organisations where input is in the form of raw materials and the output is in the form of finished goods, in service organisations input and output are human beings only. The difference between human being as input and human being as output is of the changed behaviour of human being after availing of some services or the satisfaction that one gets which is reflected in human being as output. This definition too fits in very well in the services offered by travel and tourism organisations. As in the case of tourism services also, there seems no tangible raw material which is processed. It is the only guidance which is given and
facilities that are arranged in the form of air-tickets, hotel booking arrangement of local transportation and finalisation of all these services through an organised system. After availing these services human being gets satisfaction which is the output. The same has been explained in Exhibit 1 at page number 4 of this chapter.

Comparison of Tourism Services with Goods

Another approach towards understanding the services offered by tourism organisations is to compare them with goods or products. Goods have been defined as "the article of trade, merchandise or wares". While the services have been defined as "the organised system of apparatus appliances and/or employees for supplying some accommodation and activities required by public".

Travel aids provided by professional tourism organisations cannot be physically touched but they can simply be felt. They are in the form of an organised system of apparatus and appliances which make the provision of service possible timely and effectively. A tourism organisation has a network of telephones, telex, and other communication devices linked internationally to facilitate travel. These organisations also have contacts throughout the world with leading subservice providers. They also employ people to arrange for all needs of travel through above mentioned organised systems.
Goods are usually stored in a place and the services cannot be stored. It is true with services provided by tourism organisations also that their experties cannot be stored. They are very much perishable. If one is not hiring them, they get useless for the day.

Goods are usually taken home and consumed while the services are not. Travel services are also consumed during the process of production. One cannot carry accommodation home or bring a tourist spot to the place of his/her stay. He/She has to go to the place and then avail of this facility. Final result will be in the form of satisfaction, enjoyment relief from ailment and so on.

When the services cannot be stored they cannot be transferred too. To avail of any airlines services to go to a particular country, one has to use the carrier and cannot make the other go to that country.

Comparing services and goods and emphasizing the tourism as a service one can say that all that tourism deals with, is based on purchase of goods. For example, one cannot avail the services of staying at a place other than his home, say a hotel, or cannot travel without car, plane and like. But here too, stay in a hotel carries something more than merely proportionate payment by guest towards its fixed and variable costs. This may be towards feeling of social likings, sense of being a status man, informal talks with high class fellow stayers and so on. Therefore it can be
said that there lies an element of service in tourism also even if there is an involvement of goods.

On the basis of existence also, one finds that the services offered by tourism organization's do not at all exist. They are generated as and when demanded. Only the physical part of that helps providing services exists. For example, if a tourist needs a transfer from the airport to a hotel, he get the services of a travel agent who arranges a tourist car for him, books a suitable accommodation for him and arranges for the transfer. All this did not exist. Only car and hotel had existence and they had to, but the arrangement existed nowhere. It was done as the client needed.

Having discussed the meaning of service and having proved that tourism comes under the purview of services, the historical development of tourism has been discussed which is given in part III of the present chapter that follows.

SECTION III: HISTORICAL DEVELOPMENT OF TOURISM

Before looking at the emergence of Tourism Industry in India, looking at the history of travel, would be proper. In the history of the world, there has never been a migration of people from one country to the other on such a large scale as it is taking place today. According to World Tourism Organisation, the number of international tourist arrivals
exceeded 287 million in 1982. The residents of one of the most advanced countries of the world, U.S.A., spent more than US $300 billion on a domestic and international travelling which was more than the spending of their country on defence.

Out of many reasons for the rapid growth of this industry in the world, rapid changes in the automobile industry is important. Fast expansion of air crafts fleets, improved communication system, world wide availability of rental cars and accommodations are a few reasons to name.

Although there had been travellers in the part also. People believed that man prefers to stay at one place and not to wonder here and there unless it becomes necessary. For example Aryans left central Asia due to the change in climatic conditions. The travel is directly related to the trade because with the invention of money people started trading and for trading they went from one place to the other. It is also supported by the civilisation of Mohen-jo-daro and Harappa where the wheel and money was already in existence.

There was yet another reason for travelling, that was religion. About 4000 years ago, Egypt was the popular centre of learning. The king of Babylone, Shulgi, protected the roads, rest houses and gardens for travellers.

In India, during those days also, travelling facilities were of high order as supported by historians.
When Alexander the Great reached India, he found well maintained roads, rest houses, police stations and wells for water. Records of the history show that the Emissions of Ashoka the Great travelled to Sri Lanka, East and West of Asia to preach the religion. Chinese travellers also gave an account of travel facilities in India. In 480 Alexander established democratic government in Esphesus (now in Turkey) and around 0.70 million tourists visited there to enjoy to acrobats, jugglers and magicians.

Some European travellers also visited India between 12th to 14th century. The Francisco Frair John of Monte Corrino visited India on his return from China. The expeditions of these great travellers led to more and more travel by other people also who came to know of the travelling facilities like well maintained royal long highway of 1920 kilometer, with a width of 17 meter. Ibn-Batuta, the famous traveller, covered more than 14000 kilometer of his journey in India, out of his total journey of about 17000 kilometers. Looking at various motives of travellers, one observes that there were basically three reasons for travelling in olden days. Travel of pleasure, for religion and for exploring the world. These have been detailed below.

Travel for Pleasure:

The credit of travelling for pleasure for the first time goes to Romans. They had a very good communication system and security also which are essential for travelling,
specially for pleasure. Romans also published travel literature which enabled them to calculate distance time and route. It is believed that they used to travel 100 miles in a day by horse relays, to see monuments and famous pyramids of Egypt. Olympic games were also a reason for their travelling from their place of residence to Olympia.

In Rome, medieval baths, known as "Spas" were also famous. Romans used to take baths in sea for getting rid of some disease. Later on these baths turned into a fashion and people started visiting these places as tourists. By the year 1865, these baths became very famous and many major sea sides and resorts were developed in Britain, France and few countries of Central Europe.

The setback of tourism in fifth century can be associated with the fall of Roman Empire. Due to fall of Roman Empire, the pleasure trips stopped. People did not travel any more for pleasure in the absence of incentive to travel and other hardships.

**Travel for Religion:**

Another reason for travel in those days was of religious quest. Many people travelled to preach the religion, like the travel of emissaries of Ashoka the great and Faheiyan and so on. This kind of tourism was developed in middle ages, when large number of pilgrims travelled to the main shrines in Europe. The adoption of Christianity also led
to widespread travel to Holy lands, Hinduism, Buddhism, and Islam, all these religions contributed a lot in travel for religion because of their strong belief in the religious rituals.

**Travel of Exploring the World:**

Another important reason for travelling was the intention of people to explore the world to see what all lies on the other side of the world. The example of Vasco-de-Gama and Christopher Columbus are the best to substantiate the claim that people did travel to see the world. The people of economically strong countries visited other countries to show their feelings of dominance and their way of life to the people of comparatively less developed countries. Thus the Romans visited Greece and the Eastern Mediterranean to show their way of life to the people of Greece.

**Brief Statistical Analysis of Tourists:**

Tourism industry has been experiencing ever increasing trend in the arrivals of international tourists. In spite of the fact that much has not been done on our part to increase the number of repeat visitors but a still a look at the tourists' arrival in India and the trend will be in order to establish the importance of this growing industry.
Table 1.1

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of tourists arrivals in India</th>
<th>No. of tourists arrival globally</th>
<th>India's share in %</th>
<th>% Change-over per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1983</td>
<td>884,731</td>
<td>292,278</td>
<td>0.45</td>
<td>-</td>
</tr>
<tr>
<td>1984</td>
<td>835,503</td>
<td>312,298</td>
<td>0.38</td>
<td>(5.6)</td>
</tr>
<tr>
<td>1985</td>
<td>836,908</td>
<td>325,000</td>
<td>0.39</td>
<td>0.2</td>
</tr>
<tr>
<td>1986</td>
<td>1,080,050</td>
<td>NA</td>
<td>-</td>
<td>29.1</td>
</tr>
<tr>
<td>1987</td>
<td>1,163,774</td>
<td>NA</td>
<td>-</td>
<td>7.8</td>
</tr>
</tbody>
</table>

Source: Tourists Statistics, Department of Tourism, Government of India, 1985. (compiled.)

From the above table it can be observed that in spite of an increasing trend in the arrivals of tourists to India, her share is less than 2% which is negligible looking at the treasure that India has to offer to the tourists ranging from architecture to beach and everything.

The growth is also not very satisfactory except for the year 1986 where in the growth is more than 29%. For rest of the years its just satisfactory.

A survey was conducted by the Department of Tourism in 1982-83 which revealed the following interesting facts regarding the arrival of tourists to India, as reported in the handbook on tourists statistics, published by the Department of Tourism, Government of India, 1985.
(1) 9% of the tourists visited to India, were of Indian origin.

(2) Out of the total tourists visited during 1982-83, 37% were professionals, 3% Educationists and Scientists, 19% businessman, 14% official, 11% students, 4% housewives, and 7% others.

(3) Out of total, 43% visited for pleasure 25% for business, 11% to see relatives and friends, 4% to study, 3% on pilgrimage and 14% for other purpose.

(4) 51% visited on their own, 23% were influenced by those who had already visited India, only 1% were influenced by the Government agencies, abroad, 2% by travel agents, 2% by film shows and 21% by other factors.

(5) Length of stay: on an average the length of stay was 26 days.

(6) Expenditure: Average expenditure by a tourist was Rs.8,019 and per day expenditure was between Rupees 100 to 1000 excluding air fare.

Above facts are the major findings of the survey. Another profile of the tourists coming to India can be presented in the following summarised form:

(1) Maximum number of tourists visit in the month of December and minimum in the month of May.

(2) Maximum number of tourists fall in the age group of 25-34 years and minimum 15-24 years.

(3) Male tourists are usually 73% and female 27%.

(4) Maximum tourists stay here for a period of 30 days and
minimum 7 days.

(5) 96% of the tourists arrive by air and 4% by other means of transportation.

Table 1.2

<table>
<thead>
<tr>
<th>Year</th>
<th>F.E. in crores Rs.</th>
<th>% change</th>
<th>Global Receipts in US $ billion</th>
<th>India's Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976</td>
<td>189.60</td>
<td>-</td>
<td>NA</td>
<td>-</td>
</tr>
<tr>
<td>1977</td>
<td>285.00</td>
<td>50.3</td>
<td>NA</td>
<td>-</td>
</tr>
<tr>
<td>1978</td>
<td>530.60</td>
<td>86.2</td>
<td>NA</td>
<td>-</td>
</tr>
<tr>
<td>1979</td>
<td>565.30</td>
<td>06.5</td>
<td>NA</td>
<td>-</td>
</tr>
<tr>
<td>1980</td>
<td>920.00</td>
<td>62.7</td>
<td>101.410</td>
<td>1.53</td>
</tr>
<tr>
<td>1981</td>
<td>1166.30</td>
<td>26.8</td>
<td>103.006</td>
<td>1.24</td>
</tr>
<tr>
<td>1982</td>
<td>1063.90</td>
<td>(8.8)</td>
<td>97.386</td>
<td>1.22</td>
</tr>
<tr>
<td>1983</td>
<td>1130.60</td>
<td>06.3</td>
<td>100.800</td>
<td>1.20</td>
</tr>
<tr>
<td>1984</td>
<td>1225.00</td>
<td>08.3</td>
<td>105.000</td>
<td>1.23</td>
</tr>
<tr>
<td>1985</td>
<td>1300.00</td>
<td>06.1</td>
<td>115.000</td>
<td>1.19</td>
</tr>
<tr>
<td>1986</td>
<td>1464.00</td>
<td>12.6</td>
<td>123.000</td>
<td>1.14</td>
</tr>
<tr>
<td>1987</td>
<td>1784.00</td>
<td>21.8</td>
<td>109.000</td>
<td>1.29</td>
</tr>
</tbody>
</table>

Source: Handbook of Tourists Statistics, Department of Tourism, Government of India, 1985. (compiled)

From the above table one can observe that India's share in the foreign exchange earning is also not satisfactory but it is at least better than her share in the arrival of tourists. It is interesting to note that India's
Tourism and its Dimensions:

Tourism, which has generated a revenue at international level worth more than 100 billion US dollars, a figure equal to 6% of international trade has many dimensions. They can be grouped under the following headings.

Cultural Dimension:

Tourism has unsettling effects. It can result in certain amount of cultural pollution but if it is directed properly adverse effects can be minimised. But the plus point of cultural dimension is that because of the cultural attraction of few tourists places in India like Khajuraho, Konarak etc., we shall be able to maintain these beautiful monuments. It will also improve our monumental heritage.

In the same way, the performance of arts and festivals abroad, have a tremendous impact on development of tourism and world community. Instead of taking negative aspects of culture deterioration, let us try and keep good show of our cultural heritage through tourism and try to send this message round the world.

Ecological Dimensions:
Tourism is also directly related to ecology. Because of too much deforestation in Himalayan region to facilitate tourism, our ecology has suffered. This is also affecting wild life. Instead of making wild life disappeared, it can be converted into a beautiful tourist resort specially for wild life. It should be linked with tourism and tourism viewing can help to channelise this resource.

**Economic Dimension:**

On economic front, it has many advantages and no disadvantages at all. It provides employment directly and indirectly. One tourist, according to rough estimates provides employment to 3 people directly and 9 indirectly. If the tourism is developed, hotels do well, travel agents do well, the airlines do well, the transporter, in turn automobile industry and handicrafts etc. do well and all get the advantage of it. It can easily be illustrated in the following way. When a tourist plans to visit and actually visits, it results in the following activities:

1. Foreign travel agent gets business.
2. Airline gets business.
3. Indian travel agent gets business.
4. Banks are contacted for foreign currency requirements.
5. Hotels are booked.
7. Transport are hired.
8. Guides are hired.
(9) Handicraft and other items are sold.

(10) Cultural programmes like sound and light shows are organised.

(11) Miscellaneous activities takes place.

In this way it generates much revenue and employment as well. The country does not have to send out the foreign exchange. According to the experts in the Department of Tourism, Government of India, tourism is the second largest source of foreign exchange earnings so far as the gross receipts are concerned and the first one is Gem and Jewellery. But when it comes to the net receipt, tourism stands first. Only 7% of its receipts are spent on this industry in foreign exchange while in Gem and Jewellery, it is 70%.

Another important aspect of the industry is that it requires no raw material, labour or overhead to produce a product and sell it to a tourist. Basically everything is available and only infrastructure is needed to earn from him or her. This is the second largest industry after oil with a multiplier effect of 1:3.5.

Tourism and National Development:

Apart from economic development tourism also plays an important role in the national development. Tourism interacts with several nation building activities. The national objectives of several nations can be more easily attained if tourism is developed on healthy lines. It can
also serve as an effective instrument for national integration. No other activity has such a great potential for breaking barriers of caste, creed, motivating linguistic groups to communicate with one another and promoting inter-regional understanding. Improvements in tourists facilities also help expand opportunities for common citizens. The impressions that a tourist carries from one place to the other, can build the national as a family and many nations of the world as one family.

Travel Agency - Through Ages:

Since the focus of research is on 'Travel Agency' therefore a few words about it are in order. The history of travel agency is not very old. It goes back to June 1841 when Thomas Cook, a name known to every one in the trade, walked 15 miles to attend to a meeting at Leicester there he conceived an idea to hire a train to take the fellow members of the meeting, too. Although it was not a commercial activity but soon he realised the potential in this activity and started an agency in 1845 and became the first travel agent. He, for the first time used coupons for hotel which is a common practice now in the trade and known as exchange order or voucher or a service voucher etc. He progressed so fast that even British Government hired his services to transport its 1800 people to Nile river (in Khartoom). His group of traveller visited Kashmir Valley for the first time in 1872. Since then it passed through various stages and now
it has grown to such an extent that it has over one thousand offices in more than 100 countries around the world. Such is the history of travel agency.

Travel Agency in India:

Looking at the travel agency business in India, one observes that it is relatively new. Travel agency business is organised form started only after independence when a few travel agents in India set up an apex body called Travel Agents Association of India (TAAI) at Bombay. Today travel agency business in India is in two sectors—organised and unorganised. The organised sectors are those which are recognised by the Department of Tourism, Government of India and also by TAAI. The unorganised sectors are also there. Put together both are said to employ over 10,000 people and the turnover is said to be over 600 crores. The travel agency in India are subjected to certain regulations imposed by the Department of Tourism, Ministry of Tourism, Government of India and also Reserve Bank of India in respect of foreign exchange transactions, through Foreign Exchange Regulation Act (FERA).

Regulatory framework and Government's policy implications:

In 1949, the nucleus of a tourist traffic branch had been constituted in the Ministry of transport. Thereafter in 1950-51 four Regional Tourist offices were opened. It was Pandit Jawaharlal Nehru to whom the credit of creating a separate department of tourism goes. Thereafter many
departments were set up in various states, and finally a separate Ministry of Tourism and Civil Aviation was launched on 30th March 1967. Then the Civil Aviation was also separated from the Tourism and at present Tourism is managed by an independent Minister of Tourism.

National Development Council also recognised it as an Industry in July 1984 and the plan outlay for tourism in central sector which stood at Rupees 5 crores in 1983, was raised to Rs.23 crores in 1984. The regulatory framework of the industry can be illustrated in the following figures.

Figure 1.4

MINISTRY FOR TOURISM

CENTRE | STATE

DEPARTMENT OF TOURISM | STATE GOVERNMENT'S TOURIST OFFICES

HOTELS | TRAVEL AGENTS | TRANSPORTERS

TOUR OPERATORS | TICKETING AGENT | CARGO AGENT

INBOUND TOURISM | OUTBOUND TOURISM

Figure illustrates the way, this industry is regulated. On top, there is Government of India since it is state subject and there is control at central level also.
Government of India controls the tourism business through a separate department that is Department of Tourism which has two wings. One look after the hotel and the other one to Travel Agents and Transporter. A Travel Agent may also carry on a business of a tour operator, ticketing agent and cargo agent also. A tour operator may specialise himself in inbound tourism or outbound tourism or both. The present study focuses its attention on those tour operators organisations who specialise in inbound tourism.

Legislative Aspect:

(17) Pran Nath Seth in his article covers the details related to the legislation of this industry. He says that the demand to frame regulations for this trade is very old. In 1959, a draft on regulation of Travel Agencies and Hotels was submitted to Pandit Nehru, who turned that down saying that there were enough regulations already existing then to regulate that trade too. But because of this introduction, government started the system of giving recognition to travel agencies and to tour operators handling inbound tourism, accreditation to guides trained by the Department of Tourism and the right to escort a foreign tourist on fixed rate. All these regulations have prevailed and worked for about 25 years, without the sanctity of central or state rule.

But today the industry has expanded to such an extent that few travel agents have now multiplied into few hundreds.
and a few lakh foreign tourists into 1.2 million, the need for central or state legislation has become a must.

Keeping in view the above, the Ministry of Tourism asked the Indian Institute of Tourism and Travel Management to hold a workshop with all segment of travel industry with a view to proceed for necessary legislation for this industry and to recommend the areas where the legislation was necessary. Among the areas identified were - Travel Agencies, Accommodation Environment, States and Transport. The drafting was entrusted to the specialists in each field. The first workshop was held in 1987 and the second one in early 1988, and the drafts were submitted.

Today tourism has been accorded the status of an industry. The announcement of Finance Minister in Lok Sabha (18) in recent session (1988) reads as follows.

"I also propose to take certain measures for encouragement of tourism which is a major Foreign Exchange earner for the country and the tourism industry also provides employment in substantial numbers. It is proposed that the benefit of Section 80 HHC, hitherto available for the merchandise exports, will also be extended to hotels and tour operators. This scheme will be operated broadly on the same lines as prevailing schemes for exporters with one modification in order to ensure that tax benefit is substantially re-invested in tourism related activities like hotels, travel agencies, tour operators, tourist equipment etc. Fifty per cent of the income attributable to the foreign exchange earnings of hotels etc. will be allowed as a deduction straightaway. For the remaining 50 per cent, the benefit of tax exemption will be available to the extent income is taken to a reserve for re-investment in tourism industry. It is also proposed that the benefit of Section 80 CC in respect of investment in new equity will also be available for new capital issues of hotel industry and other specified tourism related activities, the details will be announced separately.

It is also proposed to increase the rate of interest
subsidy for one, two and three star hotels to three per cent from the present rate of one per cent. Necessary legislation to give effect to various new measures announced by me will be introduced shortly".

**Views of Experts on the Announcement:**

With the announcement of the Finance Minister regarding the recognition of tourism as industry, different representatives in India have different opinion. Some have welcomed the announcement and some have expressed somewhat hopeless view.

Mr. Inder Sharma, Chairman of Sita World Travel (India) Private Ltd., one of the top travel agencies in India has expressed his happiness, specially on the extension of Section 80 HHC. He said it will encourage fresh investment in tourism infrastructure. For hotel industry Mr. Surendra Paul, Chairman, Park Hotel, Mr. Bhushan Kachru, Vice-President, Sales, I.T.D.C. and Mr. Shashan Warty, General Manager, Taj Palace also hailed government’s recognition of hotels as an export industry. They are of the opinion that now more funds will be available with industry for re-investment and the benefits of Section 80 CC will help bringing new capital into tourism and create resources for future development. Same are the views of many other representatives of the tourism industry.

There are other representatives on the other hand who have a different opinion but there number is very small. In their opinion, when there are more laws, there will be more
enforcement officers and more problems. They also maintain that at present a hotel has to deal with some 20 different agencies and local government bodies and after the present announcement it will increase further.

However, majority of them have welcomed the announcement and the announcement will certainly boost the tourism business.
enforcement officers and more problems. They also maintain that at present a hotel has to deal with some 20 different agencies and local government bodies and after the present announcement it will increase further.

However, majority of them have welcomed the announcement and the announcement will certainly boost the tourism business.
References to Chapter One


18. Ibid, pg.22.