CHAPTER-2

THE TRENDS AND GROWTH PATTERN OF TOURISM INDUSTRY
2.1. INTRODUCTION:

Tourism today is an industry which is getting bigger every day. It is an industry; that has assumed global proportions. Tourism, which generally in everyday conversation is used interchangeably with travel, is in fact much a broader term. In spite of the fact that travel is an essential ingredient of tourism, the latter concept; encompasses much more than travel alone. In a significant; sense, every traveler is a ‘potential’ tourist specifically, there has been a definitive transition from the 19th and early 20th century tourism as an indulgence in leisure and pleasure to tourism as a more or less particularly economic activity having a consumption, or demand, aspect; and a production or supply aspect especially during the last quarter of the twentieth century. This has necessitated and stimulated analytical explorations of the various dimensions and details of tourism. Tourism, a service-oriented industry, has emerged to be a revolutionizing phenomenon, especially in the second half of the twentieth century, outpacing the manufacturing and extractive industries as a catalyst of the development process at the national and at the global levels. In certain economies, it is the foundation of the environ (economic, socio-cultural and even human) pyramid, while in most others it is contributing to a significant extent in the general development process as well as in the finding of answers to their basic problem. Thus, presently, tourism has come to be one of the world’s largest growth industries with immense latent potential.

A) Economic approach.

Tourism is a human activity that arises due to the economic factors associated with the tourist or consumer. A tourist undertakes a tour in the first instance, after considering the economic viability or affordability. Then we see the economic impact
of such a tourist activity on the nation or any region. This is what leads to the study of the economic nature of tourism. The very fact that tourism has risen to become an industry itself suggests that it is a very important economic activity. Tourism industry is important to both domestic and international economies. This has led to a closer focusing on various economic aspects such as employment, expenditure, balance of payments, foreign exchange, demand and supply, and multiplier effect. The economic approach therefore provides a framework for analyzing the economic benefits or adverse effects of tourism on any country’s economic development.

B) Economic impact of tourism.

Tourism affects the economy of the region or country where it takes place. These regions are better identified as tourist destinations. Some of these destinations are dependent on the inflow of tourists for their economic sustenance. There are a number of countries which are in fact solely dependent on tourism as their mainstay of their economy, for example, Mauritius, Nepal etc. the original place from where the tourist comes to visit other destinations is called as generation areas. So when a tourist visits a destination, there is a loss of revenue to the generating area and a gain to the destination area. In turn the suppliers of the tourist in the destination area spend the money pumped into the destination area by the tourist. It could be the hotel at which the tourist stays and the hotel owner paying wages to his employees, or for the procurement of food, electricity, entertainment, or laundering. Money is therefore circulated in various ways, such as taxes paid, savings made, expenditure on food, and other supplies. Every time money changes hands it provides a ‘new’ income and this series of conversions of money changed by the tourist forms what is called as the Multiplier Effect by the economists. It is also called tourism income multiplier (TIM).
In other words it is the means of estimating due to and initial spending. Tourism expenditure is therefore an important source of income to an economy but which cannot be accurately measured due to this multiplier effect. But one has to even account for the leakage of tourist expenditure to other areas such as taxes paid, which are transmitted to outside the area or savings removed from the area, or for goods imported from another country. These leakages will reduce the multiplier effect.

Tourism’s economic impacts are therefore an important considerations in state, regional and community planning and economic development. Economic impacts are also important factors in marketing and management decisions. Communities therefore need to understand the relative importance of tourism to their region, including tourist’s contribution to economic activity in the area.

C) Tourism scenario.

Patterns of an International tourism at the global level testify to the fact that it supplements the structural inequalities between the developed and developing countries. Whilst developed countries remain the major tourist generating and receiving countries of the world viewing tourism as an industry for the future, the developing countries view tourism as a panacea for the future, the developing countries view tourism as a panacea for solving their problems related to mounting foreign debt, poverty and unemployment.

Travel and tourism is a vitally important part of the world economy today. It is the largest and fastest-growing sector, with more than 800 million people travelling every year and a strong predicated growth rate. Travel and tourism is the world's number one employer and represents more than 10% of global spending. As it grows,
the industry is becoming both more diverse and more specialized, calling on many
different kinds of talents. The travel and tourism sector continues the momentum of
the last few years. By ending 2011 it will contribute more than $US 9.3 trillion to
world economic activity – more than 10% of total spending. More than one in 12 jobs
today is in tourism. In spite of the ups and downs of the economy, tourism is
extremely resilient in the face of external factors. There was a record overall growth
rate of 6% for 2007, and a very healthy growth rate of 4%- 5% is projected over the
next ten years.9

In the past few years there has been a tremendous upsurge in the number of
tourist visiting India. India, with its cultural, spiritual and natural richness unparallel
in any other country: traditions, lifestyles, cultural heritage and colorful fairs and
festivals all serve to make India a unique tourist destination. Moreover, the country
offers a wide choice of tourism activities for example, eco-tourism, adventure
tourism, science tourism, spiritual tourism, heritage tourism and health tourism.
Tourism industry has contributed enormously in the flourishing graph of India’s
economy by attracting a huge number of both foreign and domestic tourists; traveling
for professional as well as holiday purpose.

So far as tourism in J&K is concerned, tourism has no doubt remained an
instrument of economic growth in the state and has contributed a lot in developing the
economy, particularly in Kashmir valley and Ladakh. Tourism is the most important
industry of economic activities especially in the tertiary sectors. Its impact is visible in
service industry of the state such as transport, hospitality, horticulture, and small scale
industry sectors.

9 United Nations World Tourism Organization (UNWTO)
The tourism activities at a particular place are directly related to the arrival of tourists to that place. The more the arrival, the more economic activities get generated and make impact on the related sectors accordingly. So it is imperative that while studying the impact of tourism sector on the economy of the particular regions, trends in tourist traffic needs to be analyzed viz-a-viz the spending by the tourists. Tourist expenditure generates multiple effects on the service sector. According to one estimate 30% of state’s population is directly or indirectly connected with this activity subscribing 16% of State Domestic Product.\(^\text{10}\)

Tourism has emerged as an important and one of the major contributors to the state’s economy. There are various places of tourist attraction in the state being visited both by foreign and domestic tourists. However, the trend in the development of Jammu and Kashmir is not encouraging. It has been lagging behind most of the states in regard to Net State Domestic Product (NSDP) at current prices and also in tourist arrival.

The boundless beauty, snow–clad mountains, large natural lakes surrounded by thickly populated pine forests with rivers flowing therein have made Jammu and Kashmir state a prime tourist attraction place. Till 1989, tourism had been the major economic activity of state. Tourism activities in the state were concentrated around Kashmir valley, with few visiting Ladakh and yet fewer interested in Jammu. But due to terrorist activities in the Kashmir valley since 1989, tourist inflow received a major setback. This has affected the economic stability as well as employment opportunities of its population.

\(^{10}\) J&K Draft 9th Five Year Plan 1997-2002
2.2. EMPIRICAL LITERATURE AND ESTIMATION METHODOLOGY:

Tourist arrival to any region had great importance from various aspects. It has the major importance from the income generation point of view to the visiting country. The following studies are the evidence where we can have an elaborative explanation and clear understanding of the concept. (Selvanathan S., et al. 2009), (Chang, C-L., et al. 2011), (Chang, C-L., et al. 2009), (Jesium Pais 2011), (Chaiboonsri C. and Chaitip P. 2009), (Bhattacharya and Kaushik 2011), (Chia-Lin Chang and Michael McAleer 2010), (Tisdell, et al. 2004), (Cortes-Jimenez I. and Pulina M. 2006) are the few which had been mentioned here are directly discussing the trends of tourist arrival and tourism receipts with different respective matters. Although there are plenty of studies which are throwing the light on tourist arrival and tourism receipts and discussing the trends and growth pattern but this study has mentioned only few which were more relevant to our study.

Nevertheless, the economic and social benefits of tourism and its importance as an instrument of economic growth have to be fully recognized by all sections of the society. Moreover, in the wake of enfolding economic liberalization and globalization, the development policies of no sector can be independent or operative in isolation remain static and unrelated to the broad national perspectives. This proposition is equally relevant to tourism involving the activities of human traveling to and staying in places outsides their usual habitat and environment for different motives and purpose-be it education, experiences, enrichment or enjoyment. With this background, this study had made modest attempt to analyze the growth and trend patterns of tourism at India in general and J&K at particular by using the appropriate methodology as follows;
This study is based on the secondary data for a period of 1991 to 2008 for India and 1981 to 2008 for Jammu and Kashmir. Two universally accepted yardsticks have traditionally been used to measure the tourism index in any country or region: International tourist arrivals and International tourism receipts. This study had also used the same yardsticks. All the data has been collected from the sources like, United Nations World Tourism Organization (UNWTO), Ministry of Tourism Govt. of India, Directorate of Tourism Jammu and Kashmir and other official documents. The data was collected for the tourist arrivals and tourism receipts first for the India and then for the Jammu and Kashmir. Year to year growth rates were computed to capture yearly changes in growth of tourist arrivals and receipts as under:

\[
G_t = \left( \frac{Y_t - Y_{t-1}}{Y_{t-1}} \right) \times 100 \quad \text{(2.1)}
\]

Where;

- \(G_t\) = Growth rate for period \(t\)
- \(Y_t\) = value of the variable in period \(t\)
- \(Y_{t-1}\) = Value of the variable in period \(t-1\)

Further Compound Annual Growth Rates (CAGRs) were also computed for tourist arrivals and receipts at Indian level. But to compute the CAGR for tourist arrivals for J&K, the period is divided into three sub-periods i.e. 1981-1989 and 1990-2008. And also for over all period, 1981-2008 to compute overall trend of growth.
These CAGRs were estimated by fitting an exponential function of the following form:

\[ Y_t = \beta_0 \beta_1 e^{Ut} \]  \hspace{1cm} (2.2)

Where \( Y_t \) is dependent variable and \( t \) is the time, \( \beta_0 \) and \( \beta_1 \) are the unknown parameters, and \( U_t \) is the disturbance term. The equation 2.2 could be written in the logarithmic form as follows:

\[ \log Y_t = \beta_0 + \beta_1 t + U_t \]  \hspace{1cm} (2.3)

Above equation was estimated by applying Ordinary Least Square Method and compound rate of growth (grc) was obtained by taking antilog of estimated regression coefficient, subtracting 1 from it and multiplying the difference by 100, as under:

\[ ^\wedge grc = (A.L. \beta_1 - 1) \times 100 \]  \hspace{1cm} (2.4)

Where \( ^\wedge \beta_1 \) is an estimate for \( \beta_1 \) the significance of growth rates was tested by applying t- test as follows:

\[ ^\wedge t \beta_1 = \frac{^\wedge \beta_1}{\text{se} (^\wedge \beta_1)} \sim t (n-2) \text{ d.f.} \]  \hspace{1cm} (2.5)

Where \( ^\wedge \beta_1 \) is the regression estimate, se (\( ^\wedge \beta_1 \)) the respective standard error.
2.3. RESULTS AND DISCUSSION:

Results have been discussed into three sections. Section (A), (B) and Section (C). Section (A) is devoted for foreign tourist arrivals and percentage annual change to India, Section (B) is devoted for foreign exchange earnings and percentage annual change to India and finally Section (C) is devoted for J&K tourism trends. However, the problems encountered in this study were numerous. These relate to conceptual difficulties, as well as difficulties of quantification and measurement besides paucity of statistical information. For instance, a study of the pattern of home tourists in the state can be attempted only on the basis of available information regarding statistically recorded inflows. However, a part of the domestic traffic in the state, as elsewhere, is not registered. A more important information-gap, in fact, the most vital one, is the absence of data on total tourist expenses (receipts from tourism in the state) over time. This basic data limitation precludes one from an analysis of the importance of tourism in the state as a possible ‘dynamic source’ of foreign exchange, and a comparison of the growth rates of the aggregate income of the states and its income from the tourism sector in both real and nominal terms, i.e., a study of tourism’s share in the state income. Accordingly, a satisfactory projection of the likely annual change in tourist receipts in the future becomes extremely difficult. Also, an inter-regional collation proceeds from tourism is ruled out with this weak data base.

A) An analysis of foreign tourist arrivals to India and percentage annual change (1991-2008).

The Foreign Tourist Arrivals (FTAs) in India continued to grow from 1.68 million in 1991, 2.54 million in 2001, and reached 5.37 million in 2008. During year 2008, India witnessed a growth of 5.6% over 2007 in FTAs, which is the lowest in the
last six years. This was due to global financial meltdown, terrorist activities, etc. however; growth rate for India was higher than that for the world (2%) during this period. The growth in FTAs in India during the eighties and nineties did not follow any consistent pattern. While 7 years viz. 1992, 1995 and 2003 to 2007 saw double digit positive growth, and there was negative growth in the years 1991, 1993, 1998 and 2002 (Fig. 2.1). The calculated values of CAGR for the India’s arrivals is 0.061 which indicates that there is 6.1 % increase in India’s tourist arrivals and it is statistically significant.

**Fig.2.1: Foreign Tourist Arrivals to India and Percentage Annual Change (1991-2008).**


Tourism is one of the important sectors in the country for foreign exchange earnings (FEE). FEE from tourism in India in US$ term during 1991 was 1.861 billion which continues to grow to US$ 11.75 billion in 2008 with a growth rate of 9.5% in
2008 over 2007. The decline in growth rate in FEE from tourism in 2008 over 2007 is mainly due to decline in FTAs due to global financial crisis, terrorist activities, etc (Fig.2.2). The calculated values of CAGR for the India’s tourism receipts is 0.091 which indicates that there is 9.1 % increase in India’s tourism receipts and it is statistically significant.

Fig.2.2: India’s Foreign Exchange Earnings and Percentage Annual Change (1991-2008).

* = Provisional Estimates, # = Advanced Estimates


It is stark reality that till late 1980s the state of J&k would attract huge number of national as well as foreign tourists, but the tourism sector received a serious jolt with the out breaking of militancy in the year 1989. The tourism influx declined
considerably up to 2002 during which period the state heavily suffered in this sector due to the effect of the militancy and insurgency. The tourist rush in the year 1988 was recorded as the highest. The infrastructure created over the years suffered colossal damage. With the improvement in the security scenario the government made all possible efforts and took all possible steps for the revival of the tourism sector by raising the requisite infrastructure for restoration of the pristine glory of the places of the tourist attraction.

Tourist inflow to J&K has continuously been increasing steadily from 18.95 lakhs in 1981 to 71.95 lakhs in 2008, which indicates an increase of 279.56 % (Fig.2.3 & 2.4). The percentage increase in respect of the visitors to Kashmir has been to the extent of 63.2% in 2008 over the 2007 as compared to 40.7% in 1991 over 1990, for Jammu region this percentage change was 8.9% and 45.27 for the same period, and for Ladakh it was 43.5and 34.3 % during the same period. During 2009, 32.49 lakhs tourists visited J&K ending June 2009. In the perspective of overall Tourist’s inflow to all the three regions of the state the percentage has increased during the years 1988 to 2008 by 172.19%. It may be in place to mention here that flow of foreign tourists has certainly diverted to Ladakh region because of turmoil which erupted in the state of Jammu and Kashmir in late 1980s and the prevailing security scenario. The number of foreign tourists to Kashmir valley has drastically dwindled from the years 1988 to 2008 registering a decrease of 63.30%. Contrary to this the number of foreign tourists to Ladakh has increased over the same period of time showing an increase of 103% (Fig.2.5).The main cause of decrease in foreign tourists to Kashmir valley is due to the advisories issued by different governments overseas. There is an increasing trend in the domestic tourists arrival to Jammu and Kashmir, which shows an increase from
18.38 lakhs arrivals in 1981 to 76.63 lakhs tourist in 2008 (Fig.2.6). So far as the foreign tourist arrival is concerned it shows an increase up to 1989 with 83841 tourist arrival as compared to 57745 in 1981 which was decreased to 54697 in 2008 (Fig. 2.7). For J&K the time period has been taken from 1981-2008. And this period has been divided into two periods i.e. from 1981-1989, and 1990-2008. It is because up to 1989 the tourist inflow was very high but suddenly with the out breaking of militancy the tourism inflow drastically comes down. And also in the state we have taken only arrivals figures and not tourism receipts because of non-availability of the data for receipts. The calculated values of CAGR for domestic tourist arrival in the Jammu and Kashmir for the 1st period i.e. 1981-1989 is 0.046 which indicates that there is 4.6 % increase in tourist arrivals and it is statistically significant. And also for the second period i.e. 1990-2008 the calculated values of CAGR is 0.058 which indicates and increase of -5.8% which is not significant, and also for the overall period from 1981-2008 the computed value of CAGR is 0.065 which indicates an increase of -6.5% which is also not significant. Similarly we have calculated the CAGR value of foreign tourist arrival to J&K for the first period which is 0.055 which shows an increase of 5.5% and for the second period the value is 0.059 which shows an increase of -5.9% and for the overall period the CAGR value is -0.024 which shows the negative growth of -2.4% which is also not significant.
Fig. 2.3: Tourists Arrival to Jammu and Kashmir (1981-2008).
Fig. 2.4: Percentage Annual Growth Rate of Tourists Visiting Jammu and Kashmir (1981-2008).
Fig. 2.5: Total Tourist Visiting Jammu and Kashmir Region Wise (1981-2008).
Fig.2.6: Domestic Tourist Arrival to Jammu and Kashmir (1981-2008).
Fig. 2.7: Foreign Tourist Arrival to Jammu and Kashmir (1981-2008).
2.4. SUMMARY

This chapter has examined the trends and growth pattern of tourism industry in India in general and Jammu and Kashmir in particular. The CAGR values had been calculated for India’s tourist arrivals and receipts, the estimated CAGR values are statistically significant for India level. But for J&K the CAGR values for domestic and foreign tourist arrivals for different periods has been calculated which has shown non-significance. Tourism is a growing industry in India that accounts for the larger section of foreign earnings. In recent years, the industry has been severely affected because of the political instability in Kashmir. However, the arrivals and receipts of India’s tourism shows an increasing trend but not satisfactory when we look at the share of India in world level arrivals and receipts. India’s share in world’s arrival is mere 0.58% and in world’s receipts it is just 1.24% in the year 2008. There is unlimited potential for further tourism development in India. Within the Himalayan range of India, J&K is an area with great tourism potential. For J&K there is more domestic tourist traffic than foreign. Up to 1989, the tourist traffic in J&K was high but after 1989 the tourism sector in the state received a serious jolt with the outbreaking of militancy in the year 1989. Thus there are certain structural and institutional weakness like tourism infrastructure and superstructure, the level of development and internet usage being especially significant for tourism development. Development of infrastructure and linkages with the other sectors of the economy and promotion of tourism is a vehicle for local development and visitor’s satisfaction as well. The political and social instability in the valley is also a serious deterrent to the growth in tourist arrivals. Appropriate tourism policy needs to be developed for the state to be able to attract more tourists both domestic as well as foreign.