Chapter - I

Introduction
1.1 The Context

Advent of a new world economic order characterized by free trade, non-protectionism, market-driven economy, stiff competition where only the fittest can survive, has compelled economies around the globe to undergo transformations in order to face challenges and grab opportunities thrown up by this new order. These challenges and opportunities emanate from the fact that no country, whether developed or developing, enjoys an all-inclusive advantage over others in various sectors of the economy. So it becomes imperative for every nation to make SWOT analysis to figure out its strength and weakness in each sector and sub-sector of its economy and then concentrate on developing those areas where it has leverage over others and garner a better share of the world market.

It is in this context that 'Trade in Services' has assumed great significance for developing economies and particularly for India. The service sector usually referred to as 'Tertiary Sector' had long been neglected by these economies in spite of possessing immense potential. As a result, international trade in services has been dominated by the high-income economies of the world. The contribution of service sector to the high-income economies can be gauged from its share as a percentage of Gross Domestic Product (GDP) and labour force. In 1995, the sector accounted for 66% of GDP and 64% of labour force in these countries, which amounted to 54% and 42% respectively in middle-income economies, and 37% and 16% respectively in low-income economies (Agrawal & Verma, 1998, pp-331 & 335). By the turn of the century services accounted for a share of close to or above 70% of the GDP in the industrialised countries and about 50% in developing countries (Kapila, 2002 p-659). But it is in the early nineties that the position of service sector in developing economies began registering an improvement. For instance, the low-income economies attained annual average growth rate of 6.4% in services between 1990-95 against a growth rate of 2.9% by middle-income economies and 2.3% by high-income economies (Agrawal, Ibid, P-333). The very high positive growth-rate in service sector has lent strength and imparted some stability to the developing world.

In India the sector has shown steady improvement in terms of growth rate and share in GDP over a period of five decades between 1950-51 and 2000-01. In the 1950s it showed a growth rate of 4.1% and an average share of 28.2% of the GDP. In the last decade of the century the growth rate and average share in GDP were 7.6% and 44.3%
respectively. This enabled the service sector to contribute 57.6% to the GDP growth. Moreover, it provided employment to 102.9 million persons in 1999-00 accounting for a share of 23.5 percent of the total employment (Kapila, 2002, PP - 658-662). Further, statistics relating to sectoral composition of Gross Domestic Product of India at factor cost revealed that the share of services in 1999-00 was 53.2 percent of the GDP at 1993-94 prices which increased to 53.7 percent in 2000-01, and advance estimates put it at 54.1 percent in 2001-02 (Kapila, 2002, P-939). All this suggests that the services sector has strengthened the Indian economy. The report of RBI on currency and finance says, “The recent years’ experience shows that the growth of services sector has imparted much of resilience to the economy particularly in times of adverse agricultural shocks”. (RBI, 2000-01). While acknowledging this we should also note that India does not enjoy a commanding position in all the sub-sectors of the service sector. The rapid growth of services is primarily a consequence of the emergence of information technology and the knowledge economy. Besides software, the other areas in service sector which carry huge potential for India are Tourism and Health Care. Tourism in the global context is making a revolutionary impact as an economic activity. During the 1980s receipts from international tourism grew at a faster rate than world trade. “Today, it is estimated to constitute a higher proportion of the value of world exports than all other sectors except crude petroleum and petroleum products, and is also the world’s largest creator of jobs”. (Bezbaruah, 2000, P-18) The future holds even greater promise for this sector. It is projected that by the year 2020 “Annual average growth of tourism sector will be far above the maximum probable annual expansion of world’s wealth” (Ibid, P - 18).

1.2 Thrust and Relevance of the Study

With the global tourism scenario looking so bright, how does India fare today and what are its prospects for the future? The sector provides employment to more than 10 million persons and it has a multiplier effect of 2.23 (Yojana, August 1999, P-31). The return on investment in tourism from the point of view of employment generation is much higher compared to agriculture and manufacturing (Yojana, ibid, P-11). It helps India earn foreign exchange of Rs.14238 crores (Ministry of Tourism, 2000, P-70). It has been estimated that tourism industry pumps into the national economy Rs.37000 crores annually (Yojana, ibid, P-15). And the future appears even more promising. The World Travel and Tourism Council’s (WTTC) Tourism Satellite Accounting Research states that India has the potential to become the leading tourist destination in the world with the demand
growing at 10.1% per annum (The Hindu, 17-08-2001). But the admittedly huge potential continues to languish unexploited to a distressingly large extent. The sorry state of affairs is evident from the following –

1. India’s ranking as 44th in the world as a popular tourist destination in 1997 the same as in 1980;
2. Its percentage share of 0.39 percent of tourist arrivals worldwide in 1997 against 0.42 percent in 1980;
3. Its percentage share of 0.72 percent of receipts worldwide in 1997 against 1.09 percent in 1980; and

A comparison with its neighbour, China, makes the failure more glaring. China has improved its ranking as a popular tourist destination in the world from 18th in 1980 to 6th in 1997 and its percentage share of worldwide tourist arrivals from 1.22 percent in 1980 to 3.89 percent in 1997 achieving a growth rate of 11.93 percent during the period and the percentage share of its tourism receipts went up from 0.59 percent in 1980 to 1.22 percent in 1997 (Bezbaruah, 2000, PP - 29-32). Causes for India’s dismal failure on this front have to be analytically studied. And while doing so an intra-national comparative assessment has to be made.

In the new economic environment, each state of the Indian Union is trying to garner for itself a bigger share of the Indian market. And, in this context, the emphasis on tourism industry is on the increase everywhere. Orissa is no exception. But, what India’s tourism sector is to the international arena, Orissa’s is to India at the national level. Orissa is a state which is richly endowed with tourism resources and has the potential to develop them into a highly profitable economic activity. But it has miserably failed to tap these resources. Hence, only 0.44 percent of the foreign tourists and 1.52 percent of the domestic tourists in 1999 visited Orissa. (Tourist Statistics – 1999, PP – 50-51). The state of tourism services in Orissa is highly discouraging. Other states with inferior potential have fared much better than Orissa in terms of tourism development. There is an urgent need to study the causes of the poor development of tourism sector in the state. While extensive research on different aspects of tourism in certain states has already been made involving researchers from different disciplines ranging from geography, history,
sociology, economics, commerce and management to ecology and environmental sciences (Punia, 1997, P-7), very little research has been done on the tourism sector in Orissa.

The present research, in some way a pioneering work, is in answer to a crying need of the state. The researcher’s familiarity with the region and its language and culture, hopefully, would stand the study in good stead and help planners and policy makers of the state to take appropriate steps towards fruitfully harnessing the resources of the state as a whole, and, in particular, of the unfortunately famous KBK region, the undivided districts of Kalahandi, Bolangir and Koraput one of the most underdeveloped in the whole of India. Apart from economic interest that might be served by the findings, they might also help in the preservation and enrichment of arts and music, monuments, wildlife and folk-culture of the state, besides opening up a possibility of removing its regional imbalances. As it is, the government both at the centre and the state are agitated over the perennially undeveloped KBK districts of Orissa. The present research may contribute to their development-plans by suggesting improvements on tourism trade in this region. The present study is likely to be of some importance in view of the fact that research in this area has been utterly negligible.

1.3 Design of the Study

In the context of what has been stated above, the basic objective of the study is to locate the deficiencies of Orissa’s tourism sector, and to pin-point areas critical to the development of tourism in the state. Therefore, the study has to have a pan-Indian frame, and monitor both an inter-state and an intra-state comparative evaluation. The objectives to be pursued at the micro level are:

1. To identify and assess the potential of natural and man made tourist resources in the state;

2. To assess plans and policies of the state government;

3. To analyse the existing demand and supply situation of tourism in Orissa;

4. To examine the existing hurdles in the way of tourism development in the state particularly in relation to availability of tourism infrastructure, human resources, tourist information and publicity, marketing and promotion and other allied aspects;

5. To assess the tourism potential and its impediments in KBK region and suggest measures for the development of tourism in the region;
6. To examine the existing tourism arrival patterns and use patterns in the state and

7. To suggest political, economic and social measures to ensure accelerated growth of
   tourism in the state.

   Each of these micro-level objectives would be explored through a
   comparative engagement.

1.4 Study Area and Database

   As has already been indicated, in order to make the study authentic and its
   recommendations pragmatic, a comparative assessment has been made in a vertical axis
   between India and Orissa, and in the lateral axis between Orissa on the one hand and
   Rajasthan and Goa on the other. The reasons for selecting these two states for the
   comparative context are many. Firstly, both are relatively more developed in the tourism
   sector than many other states in India. Secondly, in terms of size, while Rajasthan is the
   largest state, Goa is the smallest. Thirdly, where as cultural tourism is the mainstay of
   tourism in Rajasthan which has no beach tourism and Goa is very developed in beach
   tourism, Orissa, has tremendous potential for development of both kinds of tourism.

   Coming to the intra-state comparative analysis it is necessary to appreciate that while in
   the interest of a focussed study, it would be useful to broadly delimit the area of study to
   the western region of the state and the KBK region in particular, it would be neither
   feasible nor desirable to obstinately refuse to bring in, as and when necessary, contiguous
   or associated geographical and socio-cultural chunks into the orbit of discussion. While
   administratively the state has been divided into northern, central and southern belts,
   geographically, socio-culturally and economically a different kind of territorial
   unit-formation is in evidence. Thus, Orissa has been divided into three broad regions,
   namely, Western Region, Eastern Region and Central Region for the purposes of the study.

   In the present study what is generally known as western Orissa including Koraput from the
   Southern belt would constitute the focus. However, on occasions depending on the nature
   of the discussion on hand, the researcher would have to bring in certain neighbouring areas
   which constitute a part of a unit for a given subject. Thus, for instance, areas like Angul,
   Nayagarh, Dhenkanal, Khandamal, Mayurbhanja and Keonjhar have been included in the
   central region in this study though administratively they are not all parts of it. They have
   been formed into a region here because they share an important feature – they are all rich
   in eco and tribal resources.
Data Base

This investigation is exploratory in nature. Some of the data have often been collected from secondary sources. But, the researcher has undertaken extensive travel through the state of Orissa in order to gather first-hand information on tourist infrastructure in potential tourist destinations and to assess on the spot the lacunae in the development of these destinations. Interviews were conducted in an informal manner to elicit information from tourists, travel agents, tour operators and policy makers on many facets of tourism growth and development in the state. This would not have been possible through questionnaires for they would have been in a set pattern and sincere responses would have been hard to come by among the respondents addressed. The personal approach was more rewarding. The researcher visited many tourism destinations in the other two states, Rajasthan and Goa, and also the national capital New-Delhi to gather information not only about the facilities available but also to ascertain the views of the tourists visiting these places. The experience of these visits has been utilised for quantification of tourism resources of the three states under study. The first-hand information thus gathered have been supplemented by secondary data collected from some national and state libraries. Besides, a large body of useful information have also been collected from the Department of Tourism, the Planning Commission and the Central Statistical Organisation at New-Delhi; the Department of Tourism and Culture, the Orissa Tourism Development Corporation, the Directorate of Planning and Coordination, the Department of Industry of the Government of Orissa at Bhubaneswar; the Department of Tourism, Art and Culture, the Rajasthan Tourism Development Corporation, the Planning Department of the Government of Rajasthan at Jaipur; and the Department of Tourism, Goa Tourism Development Corporation, the Directorate of Planning, Statistics and Evaluation of the Government of Goa at Panaji. Data relating to other states like Andhra Pradesh, Kerala, etc. have been used, though sparingly, as and when felt particularly useful.

The data collected have been analysed and interpreted with the help of statistical tabulation methods using simple average and percentage approach wherever needed. Other statistical tools such as time series analysis have also been used for the purpose of calculation of growth rate of tourist arrivals. The alternative models generally used in a time series analysis are Linear, Semi Log and Dummy Variable Models. In the present study simple linear regression model and semi log model have been used.
The linear model assumes that a unit change in the independent variable, irrespective of its level, causes a constant change in the dependent variable. In this case, the elasticity of the dependent variable changes directly with the absolute value of exploratory variable, but inversely with the value of dependent variable.

Let Linear Mode be –

\[ Y = a + bt + u \]

Here, 'Y' is the dependent variable and 't' is the independent variable. 'a' here represents the intercept and 'b' the slope coefficient (Annual Growth) of the independent variable. If 'u' is well behaved then it is possible to estimate a and b. (Gujarati, 1995, PP-52-85). The estimated value of 'b' when 'u' is well behaved is

\[ b = \frac{\sum ti yi}{\sum ti^2} \]

The compound growth rate of tourist arrivals can be obtained by using semi log model. The model can be explained as

\[ Y = ab^t u \] (1)

Where 'a' and 'b' are parameters of the model. 't' represents the time in years and is an independent variable. Similarly, 'y' here represents the dependent variable. Taking logarithms on both sides of the equation, we have the log-linear model. That is

\[ \log y = \log a + t \log b + \log u \]

Or \[ \log y = a + tb + u \] (2)

If 'u' is well behaved then 'a' and 'b' can be estimated by taking 't' (Time) as the independent variable and \( \log y \) as the dependent variable. Then the growth can be found out from the estimated parameter. That is

\[ \text{Compound Growth Rate} = \left[ \text{Antilog} (\log b) - 1 \right] \times 100 \]

Or \[ \text{Compound Growth Rate} = \left[ \text{Antilog} (b) - 1 \right] \times 100 \]

The equation (2) is called a Semi-log Model because only the variable 'y' or 't' is in the logarithmic form. For descriptive purposes this model is called log – lin Model, because the dependent variable is in the logarithmic form. The Co-efficient 'b'
measures the constant proportional or relative change in ‘y’ for a given absolute change in ‘t’. If the relative change in ‘y’ is multiplied by 100, the result will give the percentage change in ‘y’ for an absolute change in ‘t’. (Gujarati, ibid, PP - 169-173).

1.5 Chapterisation

The dissertation is divided into eight chapters. The first one is devoted to certain preliminary remarks relating to the importance of service sector in general, and that of tourism as a service in new economic environment in particular, enunciation of problems concerning tourism sector in India and in Orissa, objectives of the study and its relevance, study-area and the database etc.

Review of literatures relating to concepts, historical development, typology and impact of tourism, its importance in the context of present economic scenario along with tourism planning and tourism organisation comprise subjects of the second chapter.

The focus of the third chapter is on tourism-development in India, its historical backdrop, tourism-planning through the five year plans, an assessment of the role, function and organisation of the Department of Tourism and its outfit, the India Tourism Development Corporation, a critical appraisal of tourism-growth, and an analysis of the causes leading to the stunted growth of the tourism sector in India.

Chapter four is devoted to an assessment of tourism planning and development in Orissa during the last 50 years, involving study of the five year plans, and the tourism organisations of the state with their organisational structure, role and functions.

The discussion in the fifth chapter is centered on tourist resources of Orissa in each from of tourism and an analysis of tourism-growth in the state in terms of tourist arrivals on the one hand and the supply of tourist services on the other. An attempt has been made in this chapter to examine whether the supply of tourism services match the demand generated through the arrival of tourists.

An intra-state comparative discussion relating to tourism potential and tourism growth in Orissa with special reference to western region in general and the ‘KBK’ region in particular, with an analysis on the problems facing development of tourism in central and western regions of Orissa constitutes the subject of the sixth chapter.
The seventh chapter makes a comparative study of the tourism sector of Orissa and India on the one hand, and Orissa and the states of Rajasthan and Goa on the other. The comparison relates to tourist arrivals on the demand side, and availability of tourist services like accommodation, transport, sightseeing and entertainment, shopping, catering and tour operator and travel agency network on the supply side. Besides, a comparative assessment of resource potential of Orissa, Rajasthan and Goa has been made in this chapter. Finally, a detailed examination of tourism-planning and tourism-organisation in Orissa and the states of Rajasthan and Goa has been made with a view to identifying the problems confronting Orissa tourism.

The concluding chapter contains main findings and suggestions.

1.6 In Conclusion

Considering the constraints of time and fund under which this study had to be managed, the large area of enquiry compelled by a comparative project involving three states and the country as a whole (something that, to the best knowledge of the researcher, no support studies exist) and non-availability of adequate statistics in certain areas the dissertation may be viewed to have attained a satisfactory percipience. But the researcher is aware of the fact that a greater comprehensiveness of analysis and recommendation is possible to achieve with additional resources.