

Chapter 23

TOURISM

Tourism has emerged as one of world's largest industries and a fastest growing sector of the world economy; tourism receipts account for a little over 8% of world export of goods and more than 34% of world export of services. In India, however, the sector has failed to receive due importance on the country's development agenda. Employing only 2.4% of the Indian workforce, the vast potential of tourism as an instrument of employment generation and poverty alleviation has tended to remain largely unutilized. Of the 625 million world tourist arrivals in 1998, India received a meagre 2.36 million or 0.38% of the total world tourist arrivals and only 0.62% of world tourist receipts. Compared to other countries in the region India's performance in the sector has been rather poor. Major causes cited for the low performance are lack of professionalism, unhygienic conditions, poor infrastructure, lack of easily accessible information, lack of safety, poor visitor experience, restrictive air transport policy, inadequate facilitation services, multiplicity of taxes and the low priority accorded to tourism. However, despite its tiny share of world tourist arrivals, tourism in India has emerged the second largest foreign exchange earner for the country even though the mainstay of the Tourism industry in India continues to be domestic tourism.

2. Domestic tourists (excluding religious tourists), who stayed in accommodation establishments, increased from 109.2 million in number in 1993 to 159.9 million in 1997, registering an annual rate of growth of 10%. That growth rate declined to 9.35% in 1999 when an estimated 175.4 million domestic tourist visits were recorded. The foreign tourist arrivals to India grew from 1.82 million in 1992-93 to 2.33 million in 1996-97, registering an average annual growth rate of 6.37% during the Eighth Five Year Plan Period. In first two years of the Ninth Plan, the growth rate declined to 1.49% and an estimated 2.40 million foreign tourist arrivals were recorded in 1998-99. The international tourist arrivals at world's top tourism destinations in comparison with India are given at Annexure-I. A very large proportion of the foreign tourists, i.e. around 91.7%, visited India for holidaying and sightseeing, followed by business travellers who constituted approximately 5.1% of the visitors. Although international arrivals are a small proportion of world tourist arrivals, international tourists have the longest stay of 29 days in India. This is reflected in the proportion of revenues being higher than percentage of world tourist arrivals. The foreign exchange earnings during the Eighth Plan period surged from Rs. 6,060 crore in 1992-93 to Rs 10,231 crore in 1996-97, achieving an annual growth rate of 13.99%. The growth rate declined to 10.99% in the first two years of the Ninth Plan and earnings in 1998-99 were estimated at Rs. 12,604 crore. The sector provided direct employment to about 14.79 million people during 1998-99.

3. The Ninth Plan envisages the Government playing a role of facilitator for private sector participation in the development of tourism. The Plan seeks to diversify the tourism product by encouraging rural and village tourism, pilgrim and spiritual tourism, adventure and eco tourism, indigenous and natural health tourism, heritage tourism and youth and senior citizens' packages. The outlay for the Central Sector in the Ninth Plan is Rs. 793.75 crore, comprising a budgetary support of Rs. 485.75 crores and internal and

extra budgetary resources of Rs. 308 crores. The main schemes of the Ministry of Tourism relate to infrastructure development, human resource development and publicity and marketing. The scheme-wise details of the Ninth Plan outlay and the Annual Plan outlays and expenditure incurred/anticipated during first-three years of the Ninth Plan are given at the Annexure-II.

Policy for Tourism Promotion

- A National Policy on Tourism was formulated in 1982 focusing on the development of travel circuits and assigned the responsibility of promoting international tourism to the Central Government and domestic tourism to the State Governments.
- Tourism was given the status of an 'industry' in 1986 and became eligible for several incentives and facilities including tax incentives, subsidies, priorities in the sanctioning of loans by the State financial institutions and preferences in providing electricity and water connections.
- Tourism was made a priority sector for foreign direct investment in 1991 making it eligible for automatic approvals upto 51% of the equity.
- A National Strategy for Tourism Development was evolved in 1996, which advocated the strengthening of an institutional set-up in human resource development, setting up of an Advisory Board of Tourism Industry and Trade (which has since been set up), the integrated development of tourist destinations and the promotion of private sector in tourism development.
- Tourism was granted 'Export House' status in 1998 making hotels, travel agents, tour operators and tourist transport operators eligible for such recognition entitling them to various incentives.
- In order to take advantage of the liberalised economic regime and the developments taking place around the world, a new National Tourism Policy is under consideration of the Government.

Development of infrastructure

4. Ministry of Tourism has identified 21 circuits and 12 destinations for development. Financial assistance is provided to State/Union Territory (UT) Governments for developing tourist infrastructure at these places. In first three years of the Ninth Plan, 779 projects have been taken up. It has been observed that many States, particularly in the North-Eastern region, could not avail themselves of the financial assistance provided under the scheme because they could not find the required matching contribution for projects prioritized under the scheme. There is a need for modifying the pattern of funding under the scheme to enable all such States to benefit from it. The scheme stipulates transfer of land ownership in respect of those projects in the name of the Central Government. The stipulation is acting as a deterrent in the operation of the scheme as the States face legal difficulties in transferring the land ownership. Ministry of Tourism needs to take urgent action to waive the condition. The Ministry has envisaged an equity scheme for attracting funds from financial institutions but the scheme has not made much headway because the State Governments have not been able to put up financially viable projects. There is a need to evaluate the scheme.

Human Resource Development

5. The hospitality and service sector has assumed high priority with the growth of tourism and the diversification of tourism activities. At present, the Ministry of Tourism is running 21 Institutes of Hotel Management (IHMs) and Catering Technology and 14 Food craft Institutes (FCIs). The IHMs provide 3-year Diploma in Hotel Management, 1-1/2 year Post-Graduate Diploma in Accommodation Operations, 1-1/2 year Post-Graduate Diploma in Dietetics and Hospital Food Science, 1-1/2 year Certificate course

in Food Production, 6- month Certificate course in Food & Beverage Services, 6- month Certificate course in Hotel and Catering Management, 1-1/2-year Post Diploma in Hotel Administration and P.G. Diploma in Fast Food Operations. The FCIs are engaged in providing the craft Diploma in Cookery, Food & Beverage Service/ Restaurant & Counter service, Reception & Book Keeping, House Keeping and Bakery & Confectionery. The trained manpower released during the Eighth Plan period was 7168 persons. The tentative target in the Ninth Plan is to produce 12000 Diploma holders in Hotel Management and 16000 manpower in other crafts courses. A majority of Institutes operated by the Ministry have attained self-sufficiency in meeting the revenue expenditure. No new IHMs are proposed to be set up in the Ninth Plan period. In view of the employment generation potential of the craft level trained manpower, 15 new FCIs are to be set up in the Ninth Plan. The training courses run by the Institutes should be designed to suit the needs of the various target groups.

Publicity & Marketing

6. There is fierce competition in tourist generating markets from several nations for attracting traffic to their countries. Ministry of Tourism conducts overseas publicity through a network of 18 Government of India Tourist Offices located abroad. The promotional expenditure on the overseas offices, which was Rs. 47 crore in the terminal year of the Eighth Plan increased in the Ninth Plan period to Rs. 52.2 crores (Revised Estimates) in 1999-2000, accounting for 47.45% of the total plan allocation in that year. There is a need to examine cost effectiveness of the expenditure incurred on overseas publicity. The Ministry of Tourism also provides financial assistance to the State Governments for promotion of select fairs and festivals and rural craft Melas in the country. These fairs and festivals play a positive role in developing tourism by providing cultural glimpses of the States to tourists and generate local income and employment.

Corrective measures proposed

Restrictive Air Transport Policy

7. Air seat capacity constraints have been noticed on several international sectors connecting India. Air India, however, has not been able to take full advantage of the capacity available to it under the various bilateral agreements due to fleet limitations and low level of efficiency. A number of foreign airlines have shown interest in expanding seat capacities on the various sectors. Ministry of Civil Aviation, however, is denying international carriers additional flights for fear of diverting traffic away from Air India. The non-availability of adequate air seat capacity is constraining the growth of tourism in the country. In the interest of the development of tourism and trade, a liberal policy of allowing capacity expansions by scheduled airlines needs to be followed.

Inadequate Facilitation Services

8. The facilitation services in the country are quite inadequate. The poor airport facilities are a constraint in the development of tourism. The airport infrastructure services need to be improved and modernized. The Ministry of External Affairs and the Ministry of Home Affairs can consider liberalisation of the system for issue of

visa/permit. Streamlining the process of migration/customs clearance and prevention of touting and misguiding of tourists are also essential.

Multiplicity of Taxes

9. A multiplicity of taxes exists in the tourism sector. The quantum of taxes also varies from place to place. This creates hurdle in packaging of the tourism product and is also irksome to the tourist; it makes the product expensive as well. The taxes in the sector, therefore, need to be rationalized and reduced for end-customer to make the destination competitive. Further, some uniformity in taxes on tourist transport should be adopted to facilitate free flow of tourist traffic across the State borders.

Need for Publicity through Internet

10. In order to make effective use of the resources for overseas publicity, the application of information technology needs to be promoted in the sector. It may be advantageous to close the Government of India Tourist Offices overseas and promote publicity through the Internet and television. The Ministry of Tourism launched a website in January 1999. The tourist offices abroad are likely to become redundant with the improvement of the website.

Priority for Tourism

11. In spite of the repeated role of tourism in employment generation and socio-economic development in the country, tourism has not attracted the desired priority. It is necessary to focus attention on the potential role of tourism as an effective instrument of employment generation, particularly in backward areas.

Perspective Plans and Sustainability Perspective in Tourism

12. Haphazard and uncontrolled growth can destroy the very base on which tourism is built and poor planning can cause considerable damage as noticed at the places of tourist interest in States of Himachal Pradesh, Goa and Jammu & Kashmir. Tourism development should be based on perspective plans prepared with appropriate technical and professional assistance. The plans/projects must include environmental impact studies, carrying capacity studies, instruments of spatial and land use planning, instruments of architectural controls, strategy for preparing the local community to safeguard its cultural identity and awareness programmes for local participation and local commitment to the project.

Village and Rural Tourism

13. Rural tourism needs to be given an impetus by earmarking funds for pilot projects on the basis of a model plan for each State for the purpose. These villages can be taken up for priority development particularly if the projects can be linked with the restoration of heritage properties in the area. This would provide a boost to local performing arts and help conserve the local culture apart from preventing rural-urban migration.

14. Local people in the rural areas should be encouraged to participate in tourism related projects, which may preferably be formulated by the tourist officials in consultation with locals and NGOs. These projects could be in the nature of providing glimpse of the village ambience and the tourists presented with local cuisine, art and culture by persons in local costumes engaging in the daily activities of cooking, weaving, dancing etc.. Moderate, but clean, accommodations for tourists should be constructed by villagers in traditional design and architecture. Bank finances should be made available at attractive terms and conditions for promotion of such projects.

Action Points in Tourism Development

- Liberalise India's skies to increase air seat capacity.
- Have a visa-less/visa-on-arrival facility for tourists from selected countries.
- Improve and modernize airport infrastructure and services.
- Allow free inter-State tourist vehicle movement.
- Rationalise and reduce taxes for end customer to make destination competitive.
- Close down Government of India Tourist Offices located overseas and make publicity increasingly through Inter-net and other electronic media.
- Make tourism a national strategic priority for employment generation.
- Incorporate sustainability perspective in tourism development plans/projects to prevent the kind of environmental degradation that have taken place at Himachal Pradesh, Goa and Jammu & Kashmir.
- Provide impetus to rural tourism by linking village development with restoration of heritage properties.
- Create public awareness about economic and social benefits of tourism.

Tourism potential in the North East

15. Although the North-East could be developed as a tourist haven by virtue of its topographic advantages, diverse cultures and its pristine areas unspoilt by pollution, tourism development has tended to elude it. The Plan expenditure incurred on the schemes operated in the N.E. States has been only about 30% of the amount sanctioned during first three years of the Ninth Plan. The concept of non-lapsable funds, introduced to ensure utilization of the funds, is meaningless if it does not translate into concrete development. A revision in policy is required.

India Tourism Development Corporation Ltd. (ITDC)

16. The financial performance of ITDC improved during the Eighth Plan period and the net profit after tax increased from Rs. 10.05 crore in 1992-93 to Rs. 55.80 crore in 1996-97. In first two years of the Ninth Plan the profit after tax declined from Rs.43.30 crore in 1997-98 to Rs. 10.81 crore in 1998-99. ITDC would be required to intensify its efforts for economy in expenditure and grabbing more business through new initiatives in the face of competition by private sector. On the recommendations of Disinvestment Commission, the Government has taken a decision to disinvest in ITDC. Expeditious action is required in this direction.

Conclusions

17. The tourism sector has immense backward and forward linkages in terms of both income and employment and can contribute significantly to the economy. An imaginative and innovative approach keeping in view the socio-demographic changes taking place world-wide and an efficient information system would yield better results. At the same time, the need for sound perspective planning with local participation is imperative.

ANNEXURE -I

WORLD TOP TOURISM DESTINATIONS IN COMPARISON WITH INDIA
International Tourists Arrivals (excluding same day visitors)

Rank			Countries	Arrivals (in million)	%change	% of Total
1990	1995	1998		1998	1998-97	1998
1	1	1	France	70	4.70%	11.20%
3	3	2	Spain	47.7	10.00%	7.60%
2	2	3	Unites States	47.1	-1.30%	7.50%
4	4	4	Italy	34.8	2.20%	5.60%
7	5	5	United Kingdom	25.5	-0.20%	4.10%
12	8	6	China	24	1.00%	3.80%
8	7	7	Mexico	19.3	-0.30%	3.10%
27	9	8	Poland	18.8	-3.60%	3.00%
10	11	9	Canada	18.7	7.90%	3.00%
6	10	10	Austria	17.3	3.80%	2.80%
9	13	11	Germany	16.5	4.20%	2.60%
16	12	12	Czech Republic	16.3	-3.00%	2.60%
17(1)	18	13	Russian Federation	15.8	3.00%	2.50%
5	6	14	Hungary	14.7	-15.00%	2.30%
14	17	15	Portugal	11.8	16.00%	1.90%
13	16	16	Greece	11.1	10.00%	1.80%
11	14	17	Switzerland	11	4.00%	1.80%
19	15	18	China (Hongkong)	9.6	-7.70%	1.50%
24	20	19	Turkey	9.2	1.80%	1.50%
21	21	20	Thailand	7.7	6.90%	1.20%
		40+	India	2.4	-0.50%	0.40%
			Sub Total	449.3		71.90%
			Other Countries	175.9		28.10%
			World Total	625.2	2.40%	100.00%

Source - World Tourism Organisation

ANNEXURE - II

OUTLAY AND EXPENDITURE

CENTRE: TOURISM

S. N.	Schemes	Ninth Plan Apprvd. Outlay	1997-98		1998-99		1999- 2000
			Apprvd. Outlay	Actual Expd.	Apprvd Outlay	Revised Estimat es	Apprvd. Outlay
1	Paryatan Bhawan	30.00	0.00	0.00	0.00	0.00	0.05
2	Central Assistance for the development of facilities for domestic tourists.	105.00	21.00	18.97	46.00	34.00	53.20
3	Product Development	20.00	4.50	4.26	6.30	5.50	6.50
3.1	Refurbishment of Monuments/ SEL shows/ Floodlighting.	11.00	3.00	3.17	4.30	3.75	4.30
3.2	Adventure Tourism	6.00	1.00	1.07	1.75	1.75	1.75
3.3	Pilgrim and Spiritual Tourism	3.00	0.50	0.02	0.25	0.00	0.45
4	Mega Tourism Projects.	5.00	0.00	0.00	0.00	0.00	0.00
5	Human resource development	60.00	15.00	8.27	16.00	9.00	16.00
5.1	Institutes of Hotel Management	46.00	12.00	6.92	12.00	7.00	12.00
5.2	New Foodcraft Institutes	1.00	0.10	0.00	0.20	0.00	0.20
5.3	Indian Institute of Tourism & Travel Management including National Institute of Water Sports.	12.00	2.30	1.35	3.50	2.00	3.50
5.4	Training of Officers and Guides	1.00	0.60	0.00	0.30	0.00	0.30
6	Promotion and Marketing	244.43	63.00	62.36	85.00	58.50	77.80
6.1	Overseas Promotion	204.43	57.00	57.69	75.00	53.00	67.80
6.2	Production of Literature	10.00	2.00	1.99	4.50	2.90	4.00
6.3	Hospitality Programme	10.00	1.00	0.42	1.50	0.60	1.50
6.4	Assistance to States for Fairs & Festivals and Rural Craft Melas	12.00	1.50	*	*	*	*
6.5	Domestic Campaigns	8.00	1.50	* 2.26	* 4.00	* 2.00	* 4.50
7	Research, Computerisation & Monitoring	3.00	0.50	0.54	1.50	0.50	1.70
8	Subsidies & Incentives	15.00	4.00	3.65	5.00	2.00	5.00
9	Strengthening of Organisation	2.00	2.00	0.00	0.20	0.00	0.00
10	Externally Aided Projects	1.32	0.35	0.08	0.50	0.50	0.25
	TOTAL	485.75	110.35	98.13	160.50	110.00	160.50
11	ITDC	308.00	70.00	16.28	70.00	28.30	70.00
	GRAND TOTAL	793.75	180.35	114.41	230.50	138.30	230.50

* The figures of outlay/expenditure for Domestic Campaigns, given at S.No.6.5, include outlay/expenditure for Assistance to States for Fairs & Festivals and Rural Craft Melas (S.No.6.4).