

# Impact of Global Economic Recession on the Indian Tourism Industry

Lateef Ahmad Mir  
Research Scholar Vikram University, Ujjain (M.P.)

Dr. Sangram Bhushan  
Lecturer in Economics Vikram University, Ujjain (M.P.)

## Abstract

The global economic recession affected almost every economy of the world both developed and developing in different magnitudes. These effects were detected in greater amount and in greater number of economies compared to previous global recessions, because of the increased volume of world trade supported by liberalised trade policy of many developed and newly emerging market economies. The 2008 economic recession resulted in the remarkable reduction in the international tourist arrivals which resulted in the loss of employment, sale of goods and services, investment and income of those households which were directly or indirectly engaged in this profitable economic activity. The tourism and hotel service in India was no exception, but it was not impacted in the manner and magnitude as the other countries of the globe were affected by 2008 global economic recession. It is because time has changed and we should not look India as it was in 80's and 90'. It is now shielded by its unprecedented growing Medical and Domestic tourism.

## Objectives

1. To find out the impact of global recession on foreign and domestic tourist arrivals in India.
2. To explore the response of Indian tourism industry towards 2008 global economic recession.

## Material and Methods

The present study is an attempt to find out the behaviour of Indian tourism industry after the 2008 global economic recession. Tourism is an important instrument in the employment generation of and foreign exchange earnings and is included among the top export sectors of many tourism based economies. As a result remarkable funds are allocated in this software tertiary activity so that it may act as an important instrument to foster economic growth. For present study Secondary data of various parameters of tourism industry has been used and after these relevant statistical tools has been used to find out the impact of global economic recession on Indian tourism. The secondary data has been collected from Libraries, Books, Journals, Magazines and Internet.

## Result and Discussion

Before exploring the impact of global recession on the Indian tourism industry one must properly understand the various dimensions and concept of global recession and tourism. Analysis of these important concepts in a broader sense will facilitate us better understanding that how, why and where global recession is throwing its. The National Bureau of Economic Research defines recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production and wholesale-retail sales".

International Monetary Fund (IMF) changed their definition of Global recession In April 2009, as: A decline in annual per capita real World GDP (purchasing power parity weighted), backed up by a decline or worsening for one or more of the seven other global macroeconomic indicators: Industrial production, trade, capital flows, oil consumption, unemployment rate, per capita investment, and per capita consumption.

The Oxford Dictionary defines recession as, "A period of temporary economic decline during which trade and industrial activity are reduced, generally identified by a fall in GDP in two successive quarters: the country is in the depths of a recession."

No doubt Recession is a regular part of any business cycle which occurs like the other parts of a business cycle. The above definitions demonstrate that recession is a period of general economic decline which results in the decrease of Gross Domestic Production (GDP)- the market value of all goods and services produced in a country, reduction in employment, loss in business profits and personal income.

World Tourism Organisation (WTO) defined tourists as people who "travel to and stay in places outside their usual environment for more than twenty four (24) hours and not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited".

According to the tourist statistics, Government of India Department of Tourism, New Delhi - "A visitor is defined as a person who travels to a country other than in which he has his usual residence but outside his/her usual environment for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of activity remunerated from within the country visited

Theobal (1994) suggested that etymologically, the word "tour" is derived from the Latin 'tornare' and the Greek 'tornos' meaning 'a lathe or circle; the movement around a central point or axis. This meaning changed in modern English to represent one's turn. The suffix-ism is defined as an action. When the word tour and the suffixes-ism and Ist are combined they suggest the action of movement around a circle. Therefore like a circle a tour represents a journey that is a round trip, i.e. the act of leaving and then returning to the original starting point, and therefore one takes such a journey can be called as a tourist.

The importance of tourism as an instrument of economic development and employment generation particularly in remote and backward areas has been well recognised the world over. It is a large service sector industry globally in terms of gross revenue as well as foreign exchange earnings.

The 2008–09 global economic crises have severely impacted international tourism, causing a decline of 4% in international tourist arrivals and a decrease of international tourism revenues by 6% in 2009. Since tourism has become a major economic engine at a global level, this deterioration had important impacts on various countries, and in particular in developing countries, where the sector has become an increasingly relevant source of income and employment.

Tourism the fast growing sector of the global trade, accounts for 10.7% of global gross domestic product (GDP), 12.8% of global export, 8.2% of global employment and 9.4% of global investment. The global market trends in tourism are changing due to the change in living standard, free time for leisure, advancement in transportation and development of information technology etc. Tourism has noticeably progressed to become a major economic activity that has proved vital and irreplaceable role in world trade. Its potential to generate employment and earn foreign exchange for the host country had made this industry the concern of all governments, planners, entrepreneurs and the people in general. As a result countries around the world are pumping resources for an effective and planned development of the industry. This chimney less industry is in essence a software product and is in territory service sector with the relatively high value addition.

The tourism recession phase of 2008-09 has been interceded successfully with focused policy interventions and industry initiatives that in turn added as a result it once again got momentum from a negative growth of -2.2% in 2008-09 to 8.1% in 2009-2010, foreign tourist arrivals increased considerably to register a growth of 8.1% in 2010/09. This turn-around is indeed encouraging given the fact that global economy was still recovering and has not reached its usual growth trajectory. Notwithstanding this, it is not heartening to mark that India's share in the world tourism pie has never crossed the threshold of 0.7% at any point in time.

The 2008-09 global economic recession heavily affected the world tourism industry which resulted in the 4% decrease of international tourist arrivals and a 6% decrease in tourism revenue. This decrease has very important bearing on the income and employment of many developing countries where tourism has become an important tool of economic development.

Case studies in Costa Rica, Maldives and Tanzania shows that 2008 global economic recession severely affected the tourism sector by reducing the tourist inflow ranging from 4% for the Maldives to 5% for Tanzania and 9% for Costa Rica. It resulted in the decrease of tourist receipts whose magnitude was 10% for Costa Rica, 9% for Tanzania and 8% for the Maldives this was mainly due to the decrease in tourist arrivals from high spending markets. To mitigate these adverse effects working hours were reduced in Costa Rica. In addition to this employers were forced for unpaid leave for three months. In Maldives accommodation industry adopted cost reduction to minimize the impact of reduced tourism demand and spending, but it resulted in the loss of 40% semi-skilled jobs of foreign (Bangladesh, India, Sri Lanka) employees.

Research of many tourism based economies shows that the 2008 global economic recession is more relevant to the loss of skilled and managerial jobs yet it has clear negative impact on seasonal and semi-skilled employs. As a result this dynamic sector reduced the income of a large group of people both directly and in directly world over.

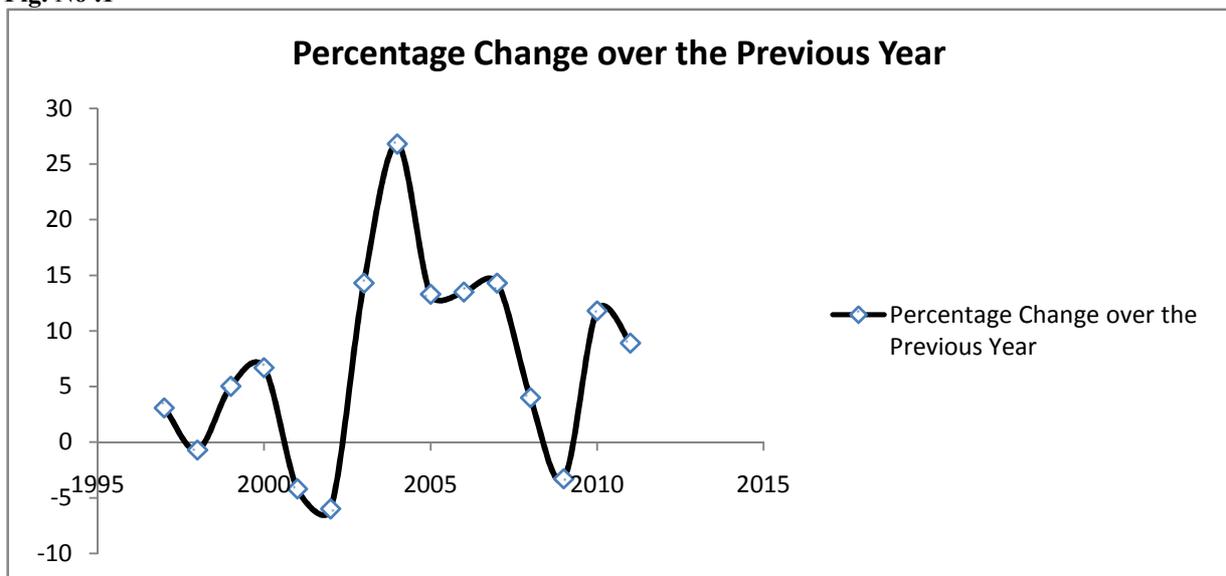
According to UNWTO, tourism accounts not only for 45% of the exports of services of least-developed countries, but is also a major job generator for many of the world's most vulnerable populations. Indeed, in 2009, emerging economies received 410 million international tourist arrivals, a 47% share of the World's total, and US\$ 306 billion in international tourism receipts, equalling 36% of the total. (UNWTO and ILO 2013)

**Table- No: 1. Foreign Tourist Arrivals (FTAs) in India (Millions)**

Year	FTAs In India ( In Millions)	Percentage Change over the Previous Year
1997	2.73	3.08
1998	2.36	-0.7
1999	2.48	5.02
2000	2.65	6.7
2001	2.54	-4.2
2002	2.38	-6.0
2003	2.73	14.3
2004	3.46	26.8
2005	3.92	13.3
2006	4.45	13.5
2007	5.08	14.3
2008	5.28	4.0
2009	5.11	-3.3
2010	5.78	11.8
2011	6.29	8.9

Source: (1). Ministry of Tourism government of India (2009-2010)  
 (2). Indian tourism statistics 2011 at a glance

**Fig. No .1**



Both Table No. 1 and Fig. No. 1 shows the trend of foreign tourist inflow in India from 1997-2011. The foreign tourist arrivals was 2.37 million in 1997 which with a little fluctuation decreased to 2.38 million in 2002 after 2002 it shows a persistent rise which reached to 4.5 billion in 2006. After this tourist inflow shows a negative (-3.3) percentage change in 2009, this decrease is due to the negative impact of 2008 global economic recession accelerated by outbreak of AN1H1 influenza virus.

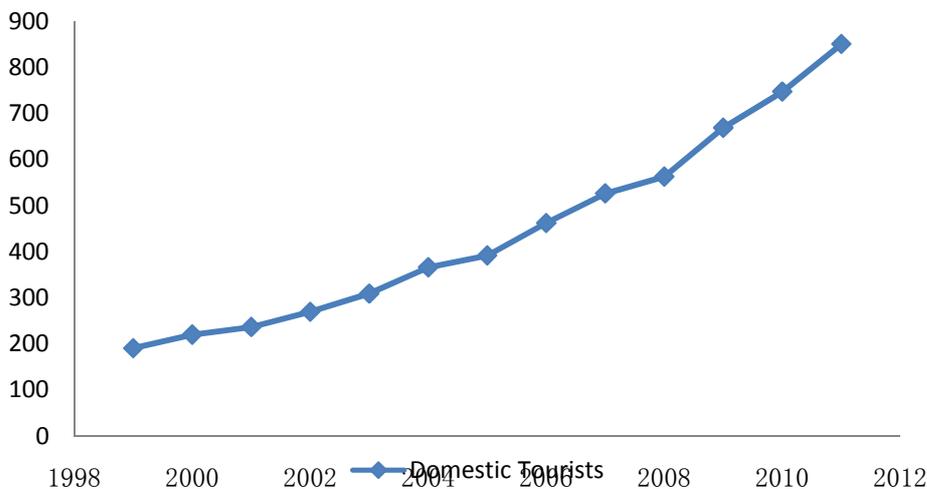
**Table-2: Trend in Domestic Tourist Arrivals in India**

Years	Domestic Tourists	Percentage (%) change
1999	190.67	13.4
2000	220.11	15.4
2001	236.47	7.4
2002	269.60	14.0
2003	309.04	14.6
2004	366.27	18.5
2005	391.95	7.0
2006	462.31	18.0
2007	526.56	13.9
2008	562.98	6.9
2009	669.02	18.8
2010	747.70	11.8
2011	850.86	13.8

Source: (1). Ministry of Tourism government of India (2009-2010)  
 (2). Indian tourism statistics 2011 at a glance

The above table shows that the Domestic tourists arrivals shows an uninterrupted increase from 190.67 million tourists in 1999 to 366.27 million in 2004. The arrivals further shows a continuous increase from 391 million in 2005 and reached 850.86 million in 2011. The table reveals that no doubt there is fluctuation in the percentage in tourist arrivals from one period to another period but there is no negative percentage growth from 1999 to 2011, which is a positive indication of bright future of tourism industry.

**Fig.-NO.2**



India is a country of diverse culture, language, religion and climate. It is known for its diversity all over the world. There is something for everyone. It is also known for its tourism attraction and infrastructure which is in par with those in UK, USA and Europe. Tourism is playing its important role in overall economic development of the country. The wages in this sector are higher than the other sectors of our economy and thus attracting and providing employment to a very huge group of labour force. Medical tourism and domestic tourism is acting as a shield from many shocks like the global economic recession. There is very little fluctuation in the domestic tourism the growth of which is increasing continuously with the passage of time.

After the occurrence of global financial crisis in September 2008, it was predicted by many scholars and experts that developing countries would also be affected, but that the impacts would vary significantly. After the period recession same picture came in to existence as many employees in the tourism sector lose their jobs, while some employees were forced to accept unpaid leave. Fortunately Indian tourism was least affected by the global economic recession and also made immediate recovery to grow on the previous fast growing track.

## Conclusion

The gloomy phase of 2008 global economic recession resulted in a remarkable negative impact on tourism industry of many economies of the world. India tourism also received the undesirable effect of the recession, but the magnitude was very low. No doubt foreign tourist arrivals shows a remarkable decrease in 2009 but this was not only because of global economic recession but also due to the outbreak of AN1H1 influenza virus. From a negative growth of -3.3% during 2008-2009 foreign tourist arrivals increased significantly and register a growth of 8.9% in 2011 number of countries with. It is that period when global economy was still recovering and we were back on our usual growth trajectory.

## References

- Anad M. M., (1976), "Tourism and Hotel Industry in India," New Delhi: Printice Hall of India.
- Ardahaey F.T., (2011), "Economic impacts of Tourism Industry," International Journal of Business management.
- ArslanturkYalcin, And AtanSibel, (2012), "Dynamic Relationship Between Economic Growth income:An Economic Perspective OF Turkey," Journal of Business, Economics and Finance.
- Bhatia A.K., (2002), "Indian Tourism Management," Sterling Pvt. Ltd., New Delhi
- Durbarry R., (2004), "Tourism and Economic Growth: The Case of Mauritius," Tourism Economics.
- Fayissa B., Nsiah C., and Tadasse B., (2007), "The Impact of Tourism on Economic Growth and Development in Africa," Middle Tennessee State University, Department of Economics and Finance.
- Harris G. and Katz. M. K., (1999), "Promoting International Tourism to the year 2000 and Beyond," Atlantic Publishers and Distributors..
- World Tourism Organization and International Labour Organization (2013), *Economic Crisis, International Tourism Decline and its Impact on the Poor*, UNWTO, Madrid.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:  
<http://www.iiste.org>

## CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

**Prospective authors of journals can find the submission instruction on the following page:** <http://www.iiste.org/journals/> All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

## MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

Recent conferences: <http://www.iiste.org/conference/>

## IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

