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Socio-Economic Impacts of Tourism in India: An Empirical Analysis

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Abstract:

The importance of tourism as an instrument for economic growth and employment generation, particularly in remote and backward areas, has been well recognized world over. It is the largest service industry globally in terms of gross revenue as well as foreign exchange earnings. Tourism plays an effective role in achieving growth with equity objectives which we have set for ourselves. The extant tourism literature suggests that the expansion on tourism sector can contribute to long-run macroeconomic performance of developing countries. India vining high potential for the expansion of tourism industry can be a catalyst for the long-run socio-economic growth.

Thus, we have investigated the impact of tourism on India's economic growth over a period from 1990 to 2015. The results predict the possibility of long-run equilibrium relationship between tourism and economic growth. This justifies for the identification of the indicators which should be emphasized while formulating plans and policies for tourism sector expansion. The estimation of long-run regression model suggests that the indicators such as foreign exchange earnings, international tourists spending, domestic expenditure on tourism and capital investment by all industries related to travel and tourism are critical in making tourism industry an engine of economic growth.

Keywords: tourism, impact, India, economic growth, fully modified ordinary least square (FMOLS).

JEL Classification: O44, Z32.

Introduction

In recent years, tourism has become a leading industry in the service sector at the global level as well as a major job provider and foreign exchange earner at the national level. Tourism is one of the largest economic activities of the world (Bigano *et al.* 2007). The existing literature, in general, provides the evidence in support of the notion that tourism promotes economic growth (Balaguer and Cantavella-Jorda 2002, Dristakis 2004, Gunduz and Hatemi-J 2005, Ongan and Demiroz 2005, Oh 2005, Kim *et al.* 2006, Katircioglu 2009, Belloumi 2010). Tourism is often considered as a solution to the macroeconomic problems, as an engine for social transformation (Khaled 2009), and as a producer of good image on the global platform (Edgardo 2005, Imran *et al.* 2010, Jamieson 2000). Algieri (2006) observed that the countries specialized in tourism register good economic performances. And, India is such a country in Asian continent which has been well known world over for its tourism sector. There is no other

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