

IMPACT OF FOREIGN DIRECT INVESTMENT ON TOURISAM SECTOR IN INDIA

Dr. SK.KARIMULLA

INTRODUCTION

Tourism in India is an emerging sector in the economy and it is presently, India's third largest foreign exchange earner after readymade garments, gems and jewelers'. The foreign exchange earnings through tourism during 2021- 2022 has been estimated to be US \$ 37693 millions, it's share in the world tourism is 1.9 *per cent*. The Developing countries data figures shows that the yearly normal growth rate of global tourist entrance in significantly increased in the nations for the year 1991 – 2006 was 7.4 percent related to 5.1 percent in developed countries in the worldwide over the similar time period Asheyy et al, 2007. The most significant feature of the Indian tourism industry is its capacity to generate large scale employment opportunities, particularly developing countries like India in the year 2022 -2023 tourism industry provided directly and indirectly employment to 14.36 millions people accounting for 4.3 *per cent* of the global work force. Long-term prospects for growth appear relatively robust, with developing countries capturing a growing share of the tourism market (Lejáragand Walken horst, 2006).

Assistant Professor in Economics, Dr.LHR. Government Degree College, Mylavaram, NTR.Dt.
A.P , email:karimpach@gmail.com,

In all the way tourism sector promoting economic growth which has direct or indirect impact on economy. In generally, the tourists spend money for food and pay to be cater, and retail purchases. It becomes income for the local people in one form or the other and again re-spent or saved and simultaneously this will influence employment opportunities and income generation. Labour abundance countries like India, is suitable for tourism sector recently tourism industry allowed 100 percent Foreign Direct Investment as per new FDIs policy, Foreign Direct Investment means an investment made by company in to the production and services in another nation either by buying a business or by expanding trade in that nation. Foreign Direct investment brings transfer latest technology, capital, and knowledge, skills for entrepreneur, investment managerial experience, and access to export markets and foreign exchange market that helps in reducing the deficit of the BOPs for the host country. FDI contribute economic development through the tourism sector with the investment on Construction of Hotels, resorts, recreation facilities and construction of new airports it results the growth of tourist arrivals thereby increasing the demand for goods and services such as food, accommodation and transport.

Review of Literature

There are few studies focused on Foreign Direct investment and tourism they found that positive relation between FDI and tourism sector, such studies like Thanga Velu and Narjoke (2014) They pointed out that FDIs directly results in an injunction of capital, new technology, marketing techniques and management skills into the domestic economy this potentially rising its competitiveness and output growth and stimulates the tourism, Lee and Taung (2006) The recently Asian financial crisis has again highlighted the importance of FDIs as a major sources of capital inflow into developing countries. Sharma, P.K. et al (2012) in his research paper tries to define the factors moving of foreign direct investment in tourism area, assesses the policies accepted to attract FDI and examines the benefits of foreign direct investment (FDI) in the development of tourism sector, Selvanathan et al (2012) His research paper analysed the

fundamental relation among tourism and Foreign Direct Investment (FDI) in India under value at risk (VAR) statistically analysis, they use quarterly data from 1995 to 2007 the results specify that a one direction casualty relation, Ahmed Jafar: Samimi et al (2013) In their research paper "The relationship between Foreign Direct Investment and tourism development: Evidence from Developing countries" pointed out that in the long run cointegrated relationship between Tourism and Foreign Direct Investment, UNCTAD (2007) reports that Foreign Direct Investment in Tourism is still rather low in both the developed and developing countries compared to the levels of FDI in other economic activities, including other services industries. But it does not mean that tourism related FDIs are in significant, yet FDI is undoubtedly used as an important tool for expanding the tourism industry in developing countries.

Objectives of the Study

1. To examine the impact of Foreign Direct Investment on Tourism
2. To assess the growth trends of FDI flows and Tourism arrivals and receipts

Data and Methodology

The study envisaged the Impact of FDI on Tourism sector on Indian Economy in which how Foreign Direct investment is influenced tourism sector and there is positive relation between FDIs and Tourism sector for analyzing the study the secondary data from 1991 to 2021 is collected from the different sources such as Economic survey, Department of Industrial Policy & Promotion Ministry of Commerce and Industry, Govt. of India -2018 Report, India Tourism Statistics Report 2021 and online data base India stat. com

New Foreign Direct Investment Policy

After introduced Liberalization, Privatization and Globalisation (LPG) system in India under the economic reforms the Government attracted huge Foreign Direct investment in to different sectors in the economy, the new FDI Policy 2017 more liberalized and allowed 100 percent FDIs under automatic route in tourism sector. The growth of Foreign Direct Investment had shown the following table.

YOUNG INTELLECTUAL

ESTABLISHED AUGUST - 2024

Table: 1

BILINGUAL (TELUGU AND ENGLISH)- QUARTERLY - MULTIDISCIPLINARY -

OPEN ACCESS - E - JOURNAL FOR DEGREE COLLEGE STUDENTS AND FACULTY

Trends of FDI's flow in India During 2000 - 2001 to 2020 - 2021

Published by : D. Yeswanth Reddy, c/o. Tirupathi Reddy, 16-183/1, Kamakrishna Colony,

Mylavaram, NTR District, Andhra Pradesh, Pin : 521230, mail ID : yeswanth.devarapalli@gmail.com

S.No	Financial Year	Amount of FDI's Inflow		% age growth over a previous year
		In Crores	In US\$ Million	
1	2000 -01	10733	2463	--
2	2001 -02	18654	4065	+65 %
3	2002 -03	12871	2705	-33%
4	2003- 04	10064	2188	-19%
5	2004 -05	14653	3219	+47%
6	2005 -06	24584	5540	+72%
7	2006 -07	56390	12492	+125%
8	2007 -08	98642	24575	+97%
9	2008 -09	142829	31396	+28%
10	2009 -10	123120	25834	-18%
11	2010 -11	97320	21383	-17%
12	2011 -12	165146	35121	+64%
13	2012 -13	121907	22423	-36%
14	2013 -14	147518	24999	+8%
15	2014 -15	189107	30931	+27%
16	2015 -16	262322	40001	+29%
17	2016 -17	291696	43478	+9%
18	2017 -18	288889	44857	+3%
19	2018-19	276665	42652	-16%
20	2019-20	264534	41754	-14 %
21	2020 -21	275673	43276	+16
	Total	2893317	505352	

Source: FDI Statistics, Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Govt. of India -2022

YOUNG INTELLECTUAL

In the above table data represents the trends of Foreign Direct Investment and the amount of FDIs inflows during the year 2000 -01 to 2020 -21, the FDIs in 2000 -01 is Rs.10, 733 crores it is increased to Rs. 275673 crores by 2020 -21 in overall cumulative equities of FDIs inflows Rs.2893317 in India, it shows FDIs in India has continuously increasing trend and it is significant key driver for the development of tourism infrastructure its results tourism sector is attract more tourist arrivals .

TOURIST ARRIVALS IN INDIA

India has the abundance resources of bio – diversity, it is natural that the nature has direct effect on the culture of the society; India is attractive biosphere reserve, mangroves and coral reef, mountain and forests flora and fauna, deserts, Seas lakes and rivers. Given the above geographical surroundings and long cultural heritage, India is considered as one of the tourist paradises of the world it, attract many tourist like domestic and foreign in different parts of the area tourist arrivals to India shown following the table.

Table.2
FOREIGN AND DOMESTIC TOURIST ARRIVALS TO INDIA
(in millions)

Year	Foreign	% Change over the previous year	Domestic	% Change over the previous year
1991	1.68	—	66.7	—
1992	1.87	11.3	81.5	22.2
1993	1.76	-5.5	105.8	29.8
1994	1.89	6.9	127.1	20.1
1995	2.12	12.6	136.6	7.5
1996	2.29	7.8	140.1	2.6
1997	2.37	3.8	159.9	14.1

YOUNG INTELLECTUAL

1998	2.36	-0.7	168.2	5.2
1999	2.48	5.2	190.7	13.4
2000	2.65	6.7	220.1	15.4
2001	2.54	-4.2	236.5	7.5
2002	2.38	-6.0	269.6	14.0
2003	2.73	14.3	309.0	14.6
2004	3.46	26.8	366.2	18.5
2005	3.96	13.2	382.1	4.3
2006	4.45	13.5	461.1	18.1
2013	7.85	98.1	796.7	95.3
2014	7.92	12.5	801.4	18.2
2015	8.03	4.5	1231.9	17.2
2016	8.80	9.7	1326.8	12.3
2017	10.18	18.6	1431.6	14.2
2018	11.07	16.2	1522.2	13.2
2019	9.06	12.1	1225.3	13.1
2020	10.1	14.2	1325.4	14.1

Source: India Tourism statistics, 2017, Ministry of Tourism Marketing Research Development, Government of India – 2021.

In the above table observed that the data presents on foreign and domestic tourist arrivals in India from 1991 to 2020 tourist arrivals have been marked by rising trend. It has increased foreign tourist arrivals more than ten times i.e. 1.68 millions in the year 1991 to 10.1millions in 2020. In case of domestic tourist arrivals is 66.7 millions in 1991, it is increased to 1325.4 millions in 2020. Foreign and domestic tourist arrivals are found positive except for the years

1993, 1998, 2001 and 2002 in foreign tourist arrivals, in overall both foreign and domestic tourist arrivals are improved its result foreign exchange generated for host country.

Published by : D. Yeswanth Reddy, c/o. Tirupathi Reddy, 16-183/1, Ramakrishna Colony,

TOURISM: FOREIGN EXCHANGE : Tourism is a significant sector of the Indian economy and contributes effectively to the country's Gross Domestic Product (GDP) and

Foreign Exchange Earnings (FEE) this is we can depict the following table.

Table.3

INDIA'S FOREIGN EXCHANGE EARNING THROUGH TOURISM DURING 1991 -2017

Year	In Rs. Crores	% Change over a previous year	US\$ Millions	% Change over a previous year
1991	4318	—	1861	--
2001	15083	-3.7	3198	-7.6
2002	14195	-1.0	3103	-3
2003	16429	15.7	4463	+43.8
2004	21603	31.5	6170	+38.2
2005	25172	16.5	7493	21.4
2006	29604	17.6	8634	15.2
2007	44360	13.7	10729	24.3
2008	51294	15.6	11832	10.3
2009	53700	4.7	11136	-5.9
2010	64889	20.8	14193	+27.5
2011	77591	19.6	16564	16.7
2012	94487	21.8	17737	7.1
2013	1,07671	14.0	18445	4

YOUNG INTELLECTUAL

2014	123320	14.5	20236	9.7
2015	135193	9.6	21071	4.1
2016	154146	14.0	22923	8.8
2017	180379	17.0	27693	20.8
2018	192251	16.3	28754	19.1
2019	125861	12.1	22356	21.3
2020	156541	16.7	25456	19.7

Source: Reserve Bank of India, Annual Report 2021

In the above table reveals that in India tourism sector was on prominent role due to tourism is become smokeless industry and it is third largest foreign exchange earner. The foreign exchange earnings during the period 1991 - 2020 were estimated Rs.4, 318 crores, it grew by 156541 crore in 2020. It's share in the world is 1.6 *per cent*, in India the growth rate of foreign exchange earnings from tourism during the past few years the foreign exchange earnings are increasing year by year. Its true that tourism contributes towards the stock of foreign exchange, tourism is the only export trade that earns large foreign exchange without depleting natural resources and without high technology it is not exporting any material goods. Therefore, as an export industry, tourism ranks above all other traditional export industries and carves for itself unique place.

CONCLUSION

Foreign Direct investment (FDIs) are inevitable for the development of any sector in the economy especially, in service sector tourism in India highly influenced with huge investment made on tourism infrastructure such as transport, recreation centers, hotels and aviation sector as per new FDI Policy 2017 also stated that 100 percent FDI permitted in the aviation sector these all are to give high potentiality for tourism industry for attracting foreign and domestic tourist arrivals thereby generating foreign exchange earnings to the

YOUNG INTELLECTUAL

economy in sense that there is no doubt at all the FDIs are positively impact on the tourism industry in India.

Published by : D. Yeswanth Reddy, c/o. Tirupathi Reddy, 16-183/1, Ramakrishna Colony, Mylavaram, NTR District, Andhra Pradesh. Pin : 521230, mail ID : yeswanth.devarapalli@gmail.com

1. Ahmad Jafari Samim, (2013) 'Institutional Economics' Vol.5, No.2 July PP.59 -68
2. United Nations Conference on Trade and Development (UNCTAD) (2007) 'FDI in Tourism: The Development Dimensions, Newark & Geneva – United Nation'
3. Selvanathan, S EA (2012) 'Causality between FDI and Tourism: empirical studies from India tourism analysis' (Vol.1) PP.91 – 98
4. Sharma, P.K.Jadhav, (2012) '.FDI an observation about Tourism sector of Bhutan'
5. Reserve Bank of India, (2017) 'Annual Report'
India Tourism statistics, (2017), Ministry of Tourism Marketing Research Development, Government of India
6. FDI Statistics, (2018) Department of Industrial Policy & Promotion, Ministry of Commerce and Industry, Govt. of India